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Investing in Emerging Market

Steven Yang Yu - Redington

07 November 2014



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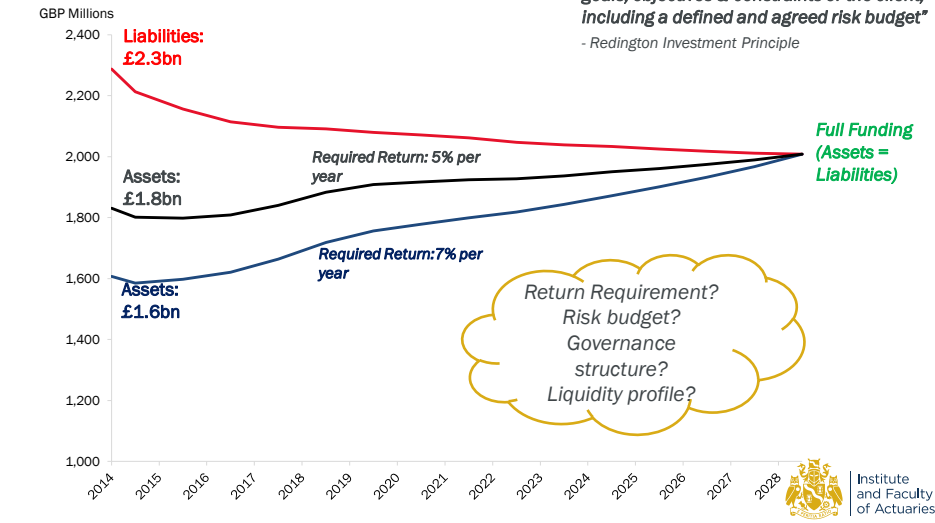
What should you consider before designing investment strategy?

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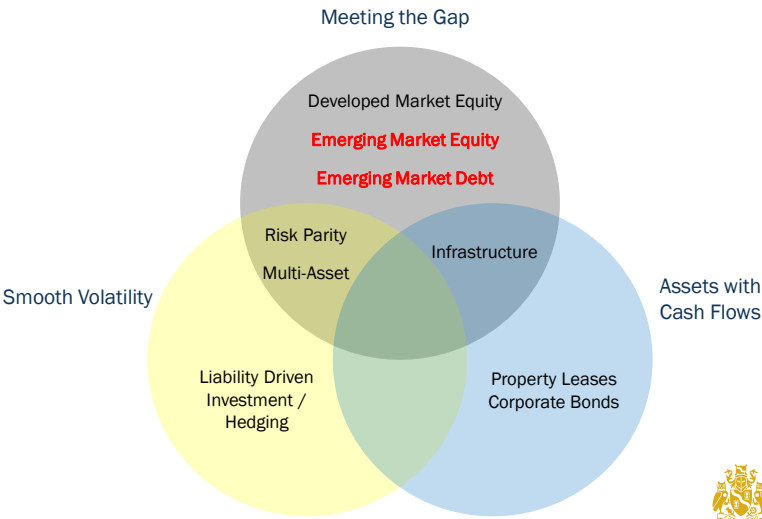
Begin with the end in mind

"All investment strategy starts with the clear goals, objectives & constraints of the client, including a defined and agreed risk budget"
- Redington Investment Principle



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Means to the end



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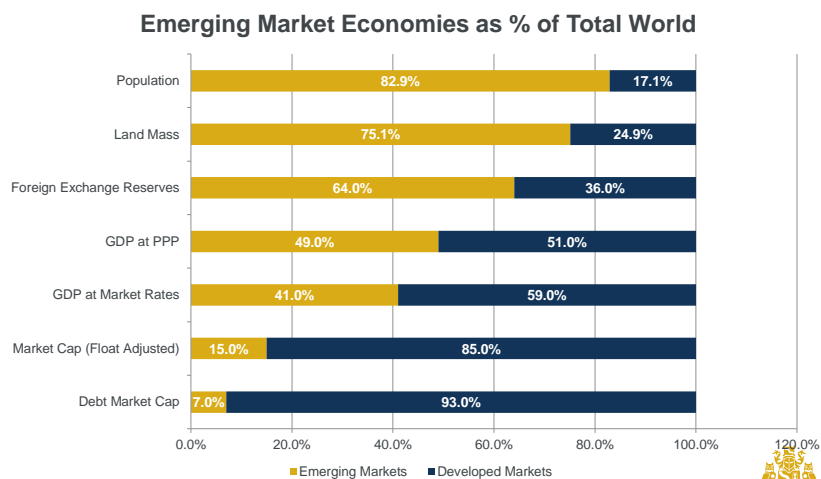
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Why Emerging Market?

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Capital Market Under Represented

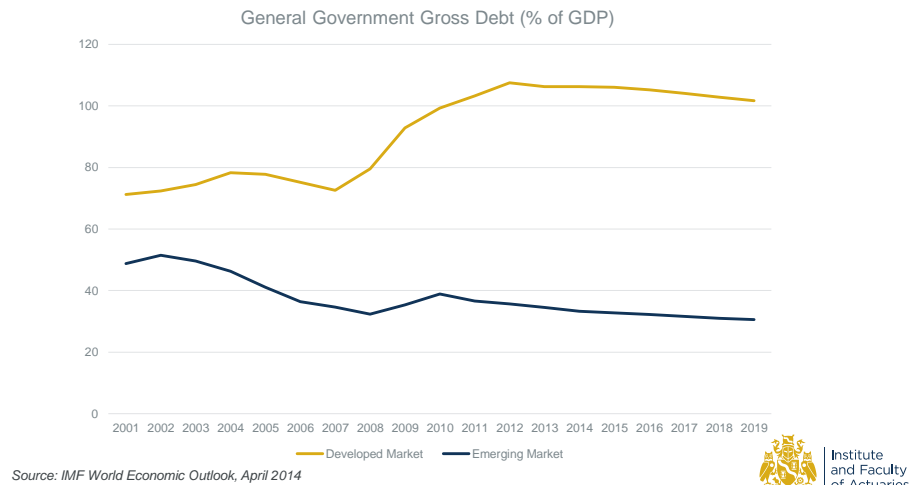


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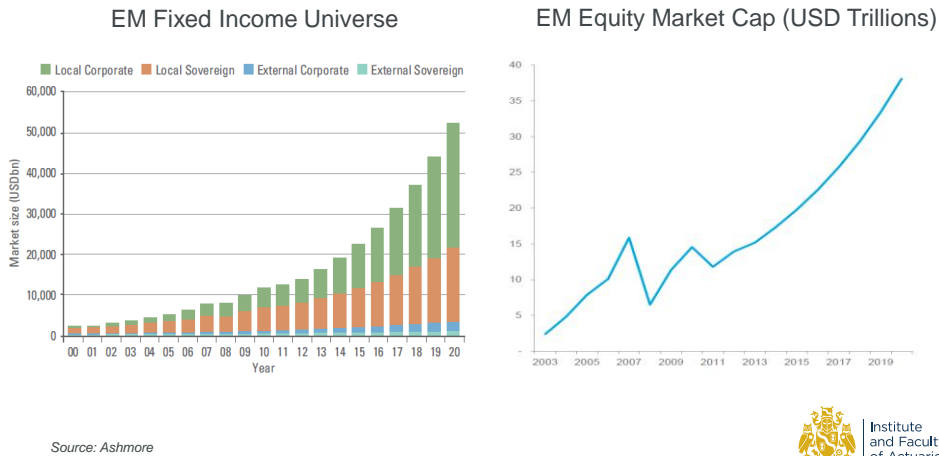
Healthy Balance Sheet



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Growing Investment Universe



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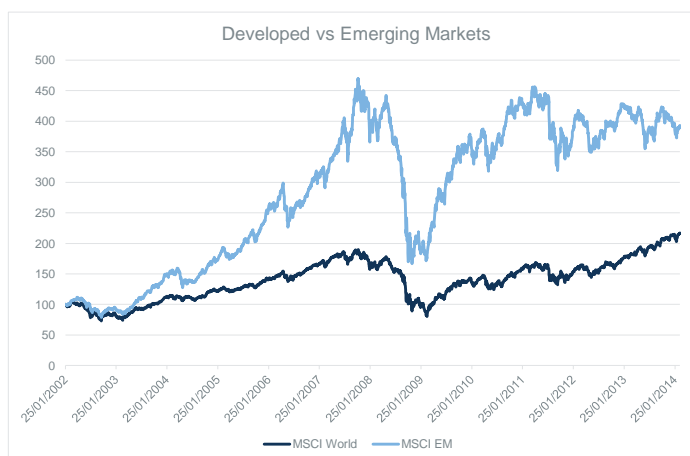
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Which Asset Strategies?

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Passive Equity



Source: Bloomberg

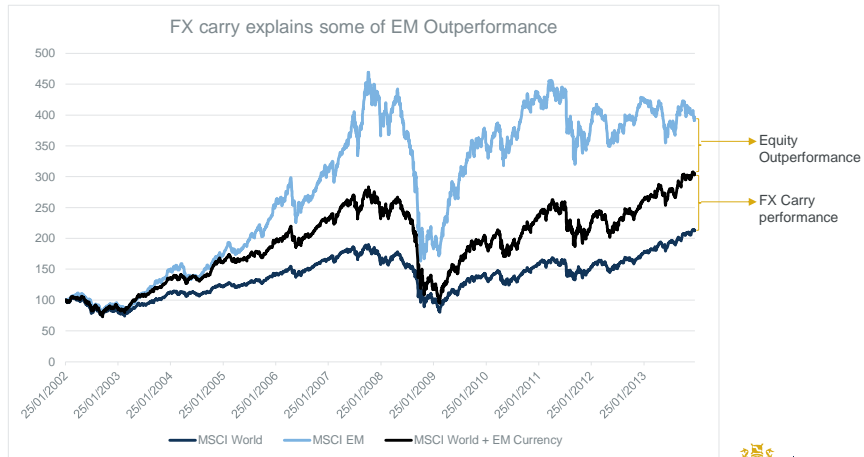


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Passive Equity



Source: Bloomberg, MSCI



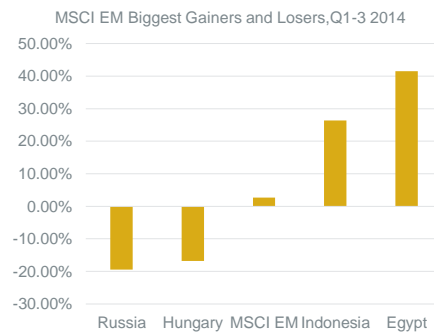
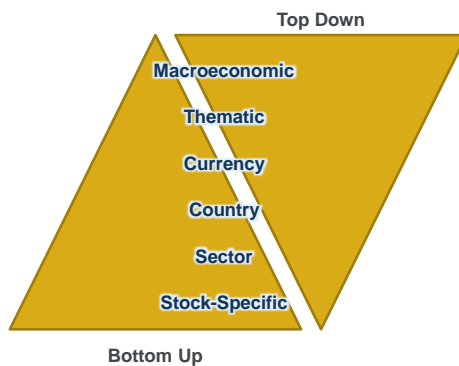
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Active Equity

How do managers outperform?



Source: MSCI, JP Morgan, HSBC



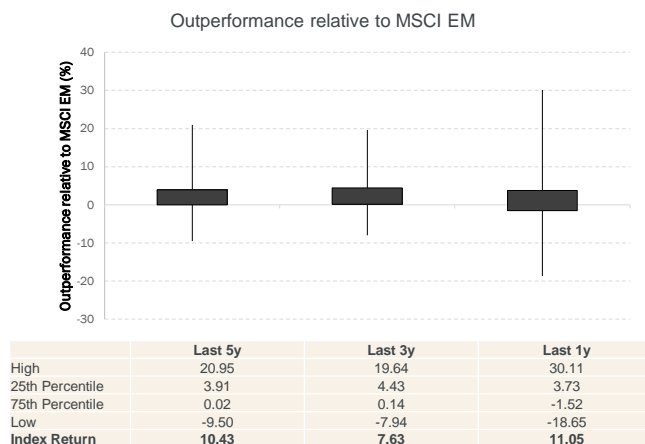
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Active Equity

High variation in active returns



Source: eVestment Alliance, Returns are gross of fees



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Emerging Market Debt

Fast growing market



- Emerging market debt accounts for c.25% of total global credit market size (\$30trn total)
- 3 main types of investible debt:
 - JPMorgan **EMBI**: Hard currency sovereign
 - JPMorgan **GBI-EM**: Local currency sovereign
 - JPMorgan **CEMBI**: Corporates (hard currency)

Source: Babson Capital, Bank of America, Barclays Capital, Credit Suisse, SIFMA, as of end 2013



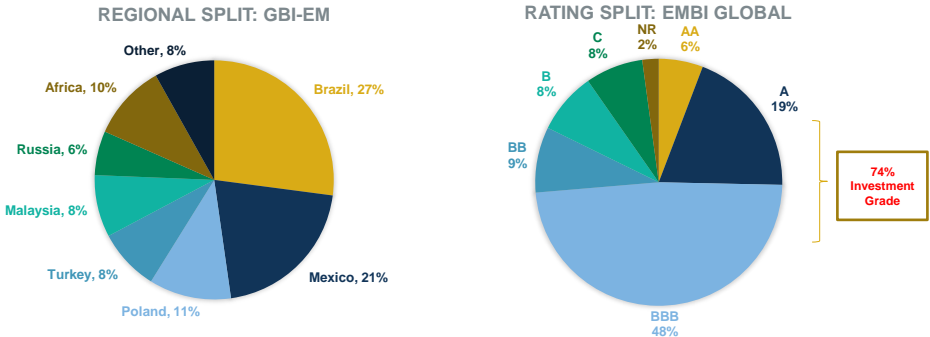
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Emerging Market Debt

Good diversification and credit quality

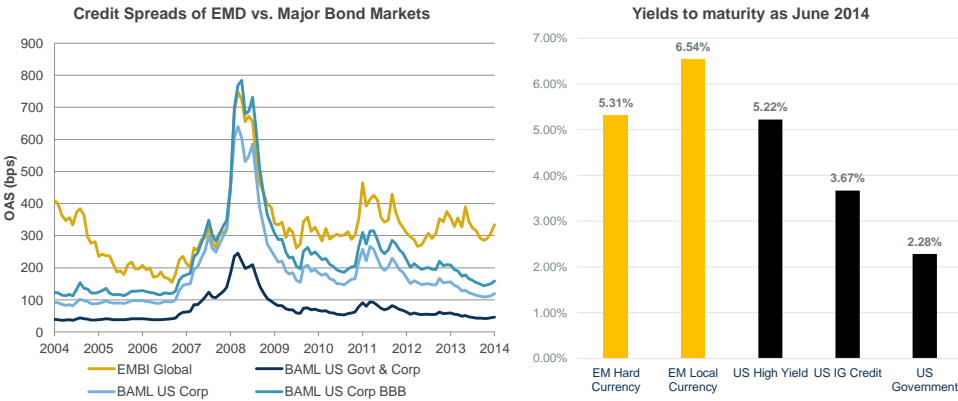


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Emerging Market Debt

Attractive yields



Source: MSCI, JP Morgan, HSBC, Neuberger Berman



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Conclusions

- Structural economic growth
- Improving credit fundamentals and demographic trends
- Access to various source of returns
- Financial, geopolitical and currency risk remain
- Expanding investable universe for global investors
- Lack of research coverage and more alpha opportunities
- Career opportunities in local markets



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IFoA as a global provider

Dr Trevor Watkins
Director of Education

Momentum December 2014



Topic for this talk

- How we support overseas members (students and Fellows)



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Institute and Faculty of Actuaries (IFoA)

- Promotes the work of actuaries
- Oversees the education of actuaries belonging to the body at all stages
- Expands actuarial knowledge through research and thought leadership
- Enforces ethical and professional standards
- Identifies matters where the work of actuaries would be of benefit to the public



“A global community” – April 2014 Session

- 26 exams of which students need **15** to qualify
- 13,607 entries from 9,846 students (out of 13,468 registered students)
- 168 exam centres in 81 countries
- 100 volunteer Examiners who set papers in teams
- 189 volunteer Markers involved in double blind marking each paper
- 320 entered ST9 (ERM) for CERA award
- 550 entered CT1 as non-members
- 295 qualified as Fellows



Student numbers by country

Country	Number
UK	5920
India	2970
Ireland	675
RSA	544
Kenya	423
PR China	354
Malaysia	261
Singapore	260
Zimbabwe	186
Hong Kong	103



Support to move into new fields

Enterprise Risk Management (ERM) - ST9

now used by overseas associations in:

- US (CAS)
- Australia
- South Africa
- India
- Israel
- Chinese Taipei
- Japan

Becoming a world standard



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Links with local associations

Mutual Recognition Agreements in:

- USA and Canada
- India
- South Africa
- Australia
- Europe (AAE)
- Israel

and strong links with IAA and AAE



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Certified Actuarial Analyst (CAA)

Introduced CAA to help build actuarial capacity, for example, in

- Africa
- Eastern Europe
- India



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Overview of the CAA

- A professional qualification for those working alongside actuaries and in broader financial services
- Equip members with high quality technical skills and the support of a prestigious actuarial body
- Two new membership categories: Certified Actuarial Analyst and Student Actuarial Analyst
- Certified Actuarial Analysts are clearly differentiated from Fellows and Associates. They can use the post-nominal letters 'CAA'
- First exam session took place in August 2014. Next exam sessions are in January, June and November 2015



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Employers: Why the CAA?

- Business models are increasingly built around a few high level experts supported by a greater number of technically skilled professionals
- Operations centres undertaking processing work, technical and analytical roles
- Employees in markets where there is a desire to build actuarial capacity at pace and at manageable cost
- A global qualification – innovative approach to an evolving and increasingly international market
- Opportunity to invest appropriately in staff development



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Case Study 1: China

- Appointed Wen Li as Actuary Representative
- Built links with top 6 Finance and Economics Universities
- Built links with employers and regulators
- Member events (Beijing conference in May 2015)
- Student support network (CANUK)
- Student mentoring by local members



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Case Study 2: India

- Large number of students (3,500)
- Built links with IAI
- Built links with employers, especially offshore
- Seen as major market for CAA
- Links with regulators
- Student support for later exams



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IFoA is a global organisation

- We can help you build your international career
- We have many volunteering opportunities to build your CV



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