

Emerging Markets 3.0

The Future of Emerging Markets

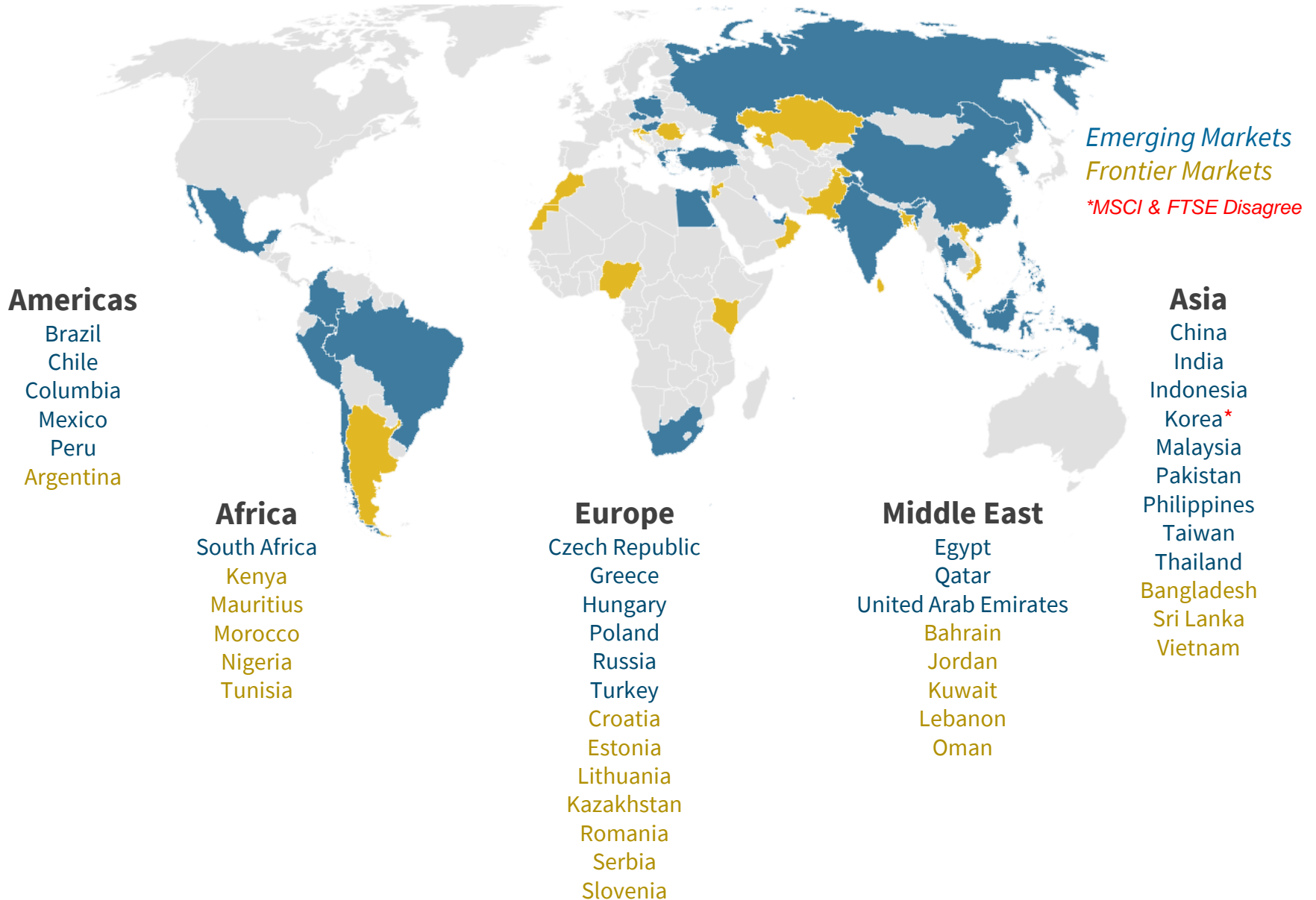


May 2019

Alibaba HQ, Hangzhou, China

The Case For Emerging Markets

What are Emerging Markets?

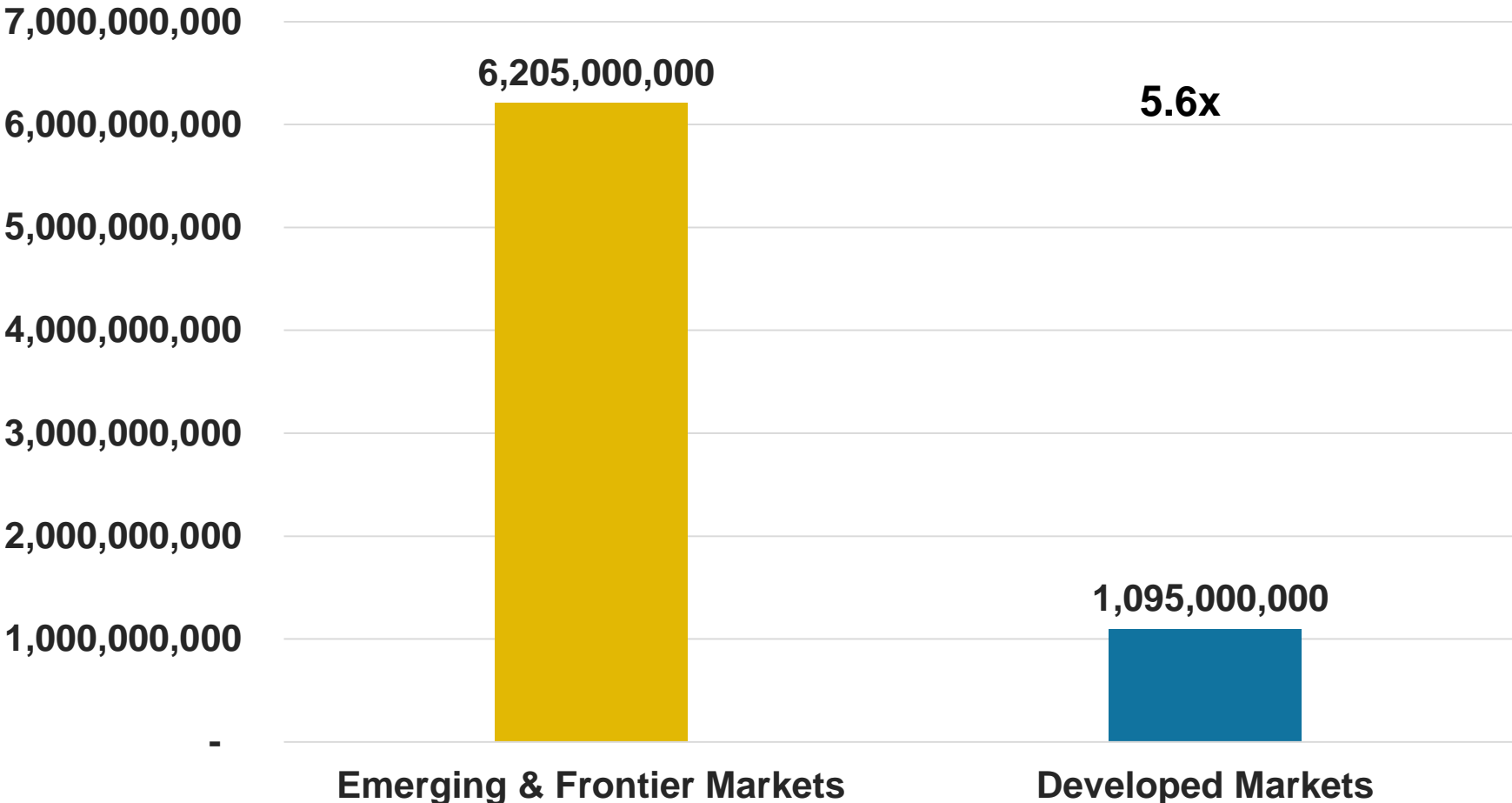


The Case for Emerging Markets

- **Different - Diversification benefits vs. Developed Markets**
 - Correlation to S&P 500 < 1.0
- **Bigger - Larger Consuming Population**
 - 85% of global population and 50% of global GDP
- **Younger - Favorable Demographics**
 - Millennials and Gen Xers spend 50% more time shopping online than Baby Boomers and Seniors
- **Growing Faster**
 - Consumption

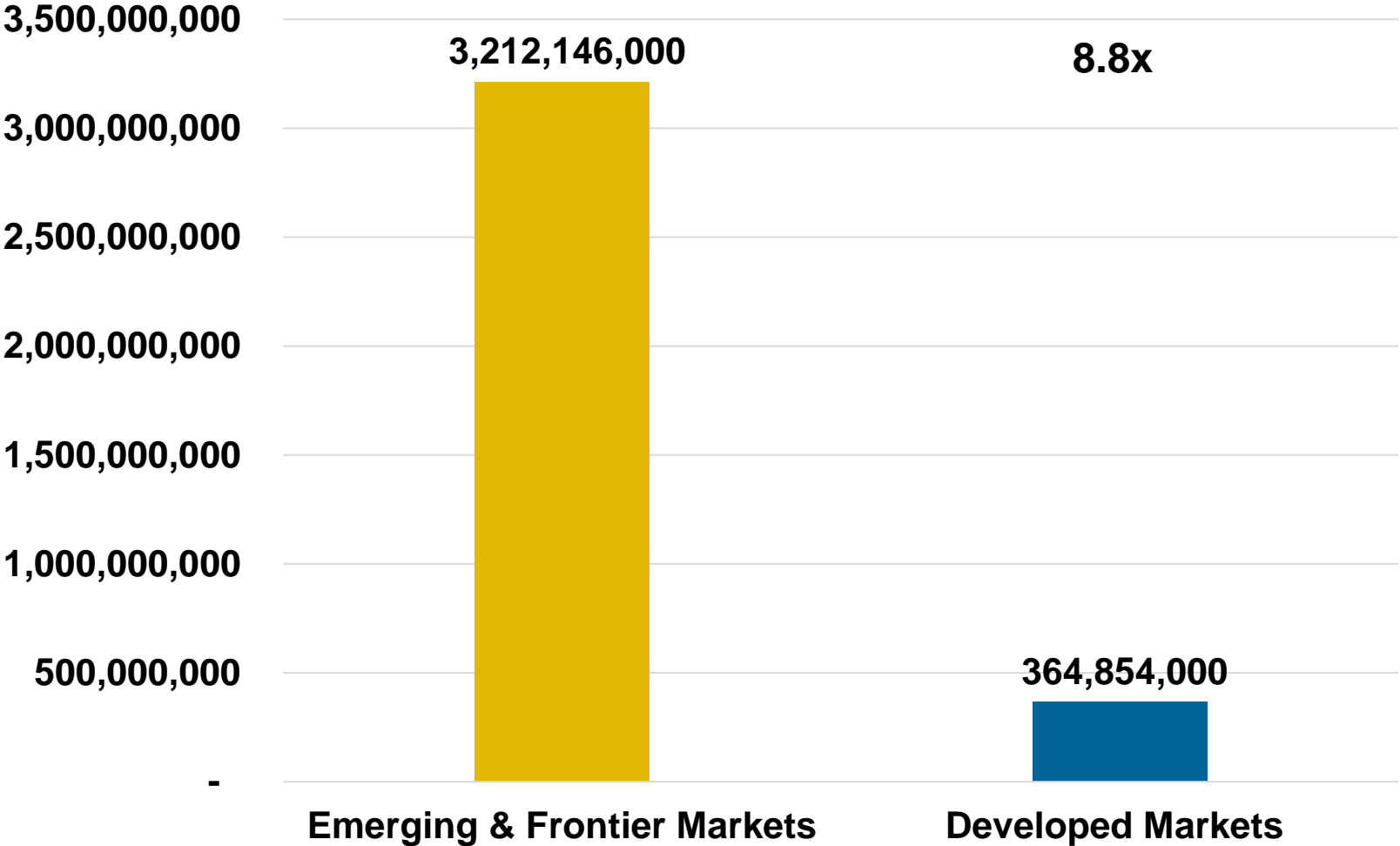
Emerging Markets are 85% of the World

World Population



Emerging Markets Have Better Demographics

World Population Under Age 30

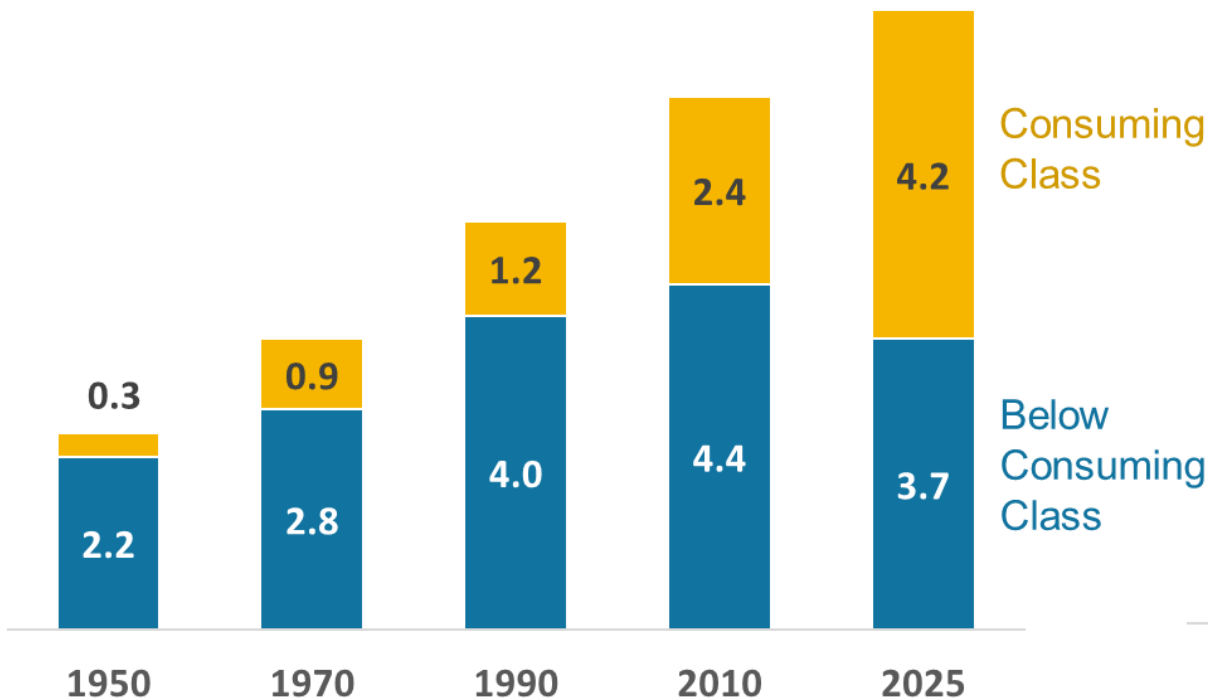


Emerging Markets are Passing Developed Markets

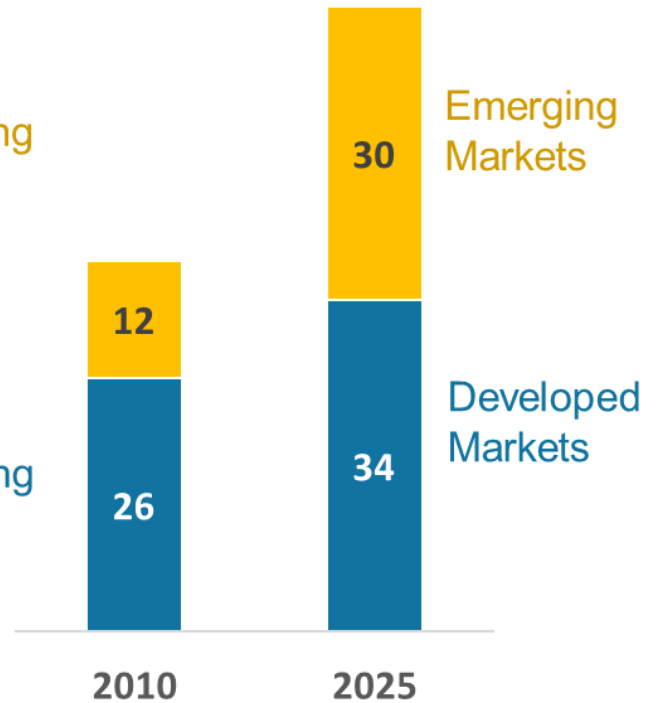


The Growth of the EM Consumer is THE Story

World Population (billions)



World Consumption (\$trillions)



“...the biggest growth opportunity in the history of capitalism...”

- McKinsey & Company

Investing in Emerging Markets

#1 Problem: State Owned Enterprises (SOEs)

SOEs

Companies owned and controlled by the government in order to partake in commercial activities on the government's behalf



CONFLICTS OF INTERESTS

INEFFICIENT

POOR CORPORATE GOVERNANCE

WIDESPREAD CORRUPTION

Largest Emerging Market ETFs have ~30% in SOEs

#1 Problem: State Owned Enterprises (SOEs)



SOEs: Chinese Economic Fugitives & Korean Chaebol



Source: South China Morning Post.



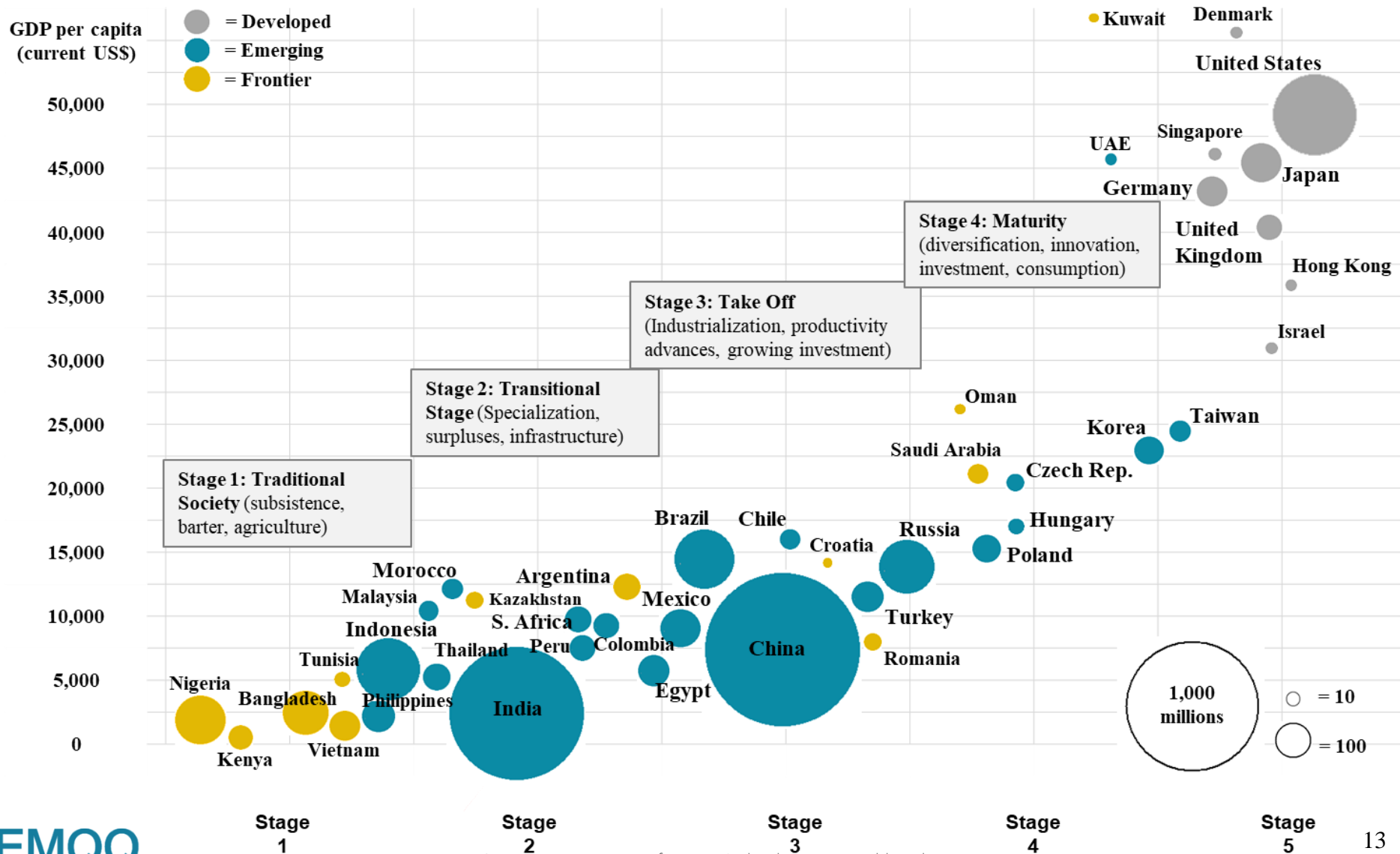
Source: South China Morning Post.

**~30 % of
VWO, IEMG &
EEM are
SOE's**



Source: www.reuters.com/article/southkorea-politics-chaebol/titans-of-korea-inc-face-questions-in-political-scandal-idUSL4N1E1075

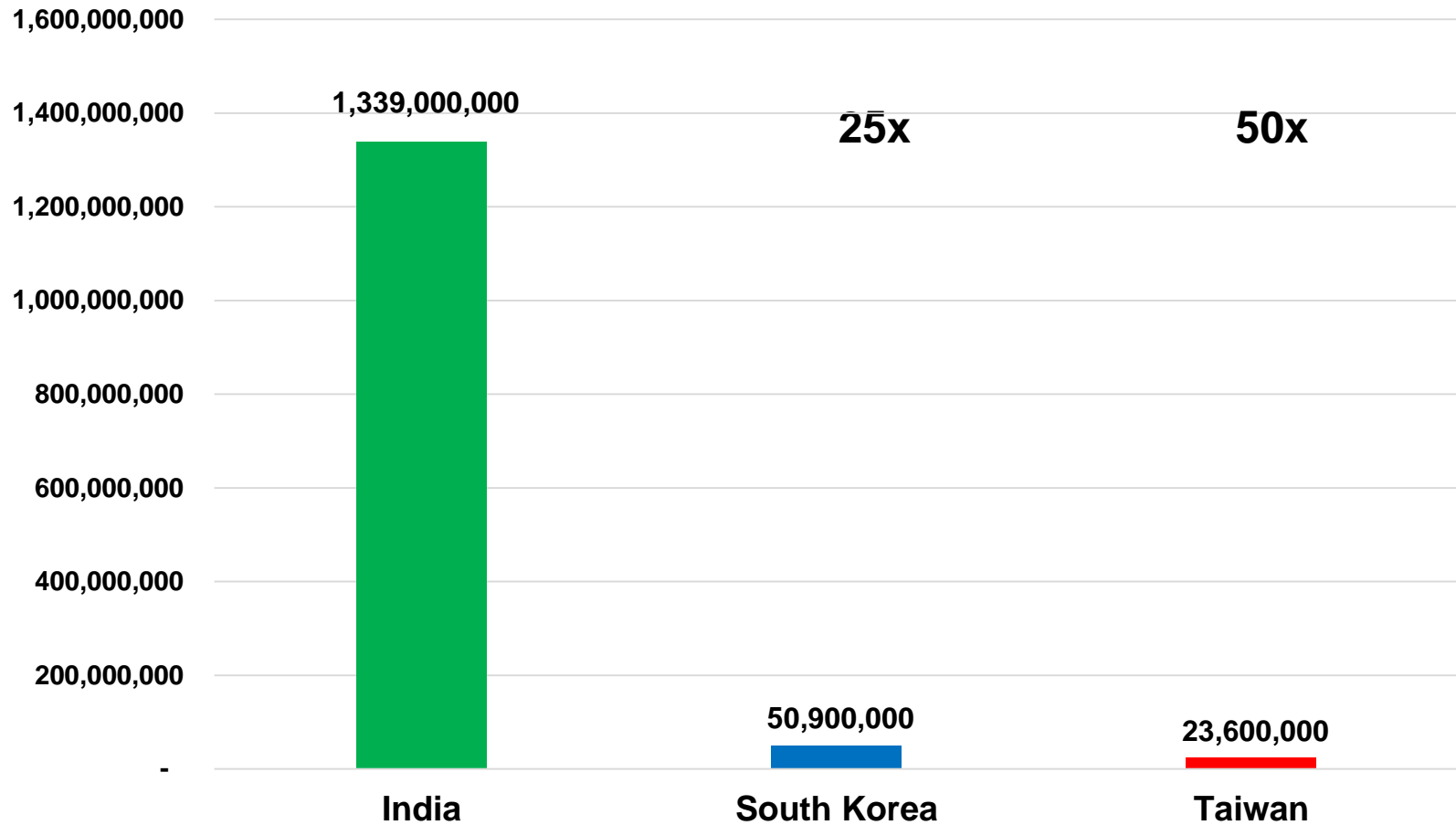
#2 Problem - Country Weights in “the Indexes” • Qatar



Source: Rostow stages of economic development, World Bank

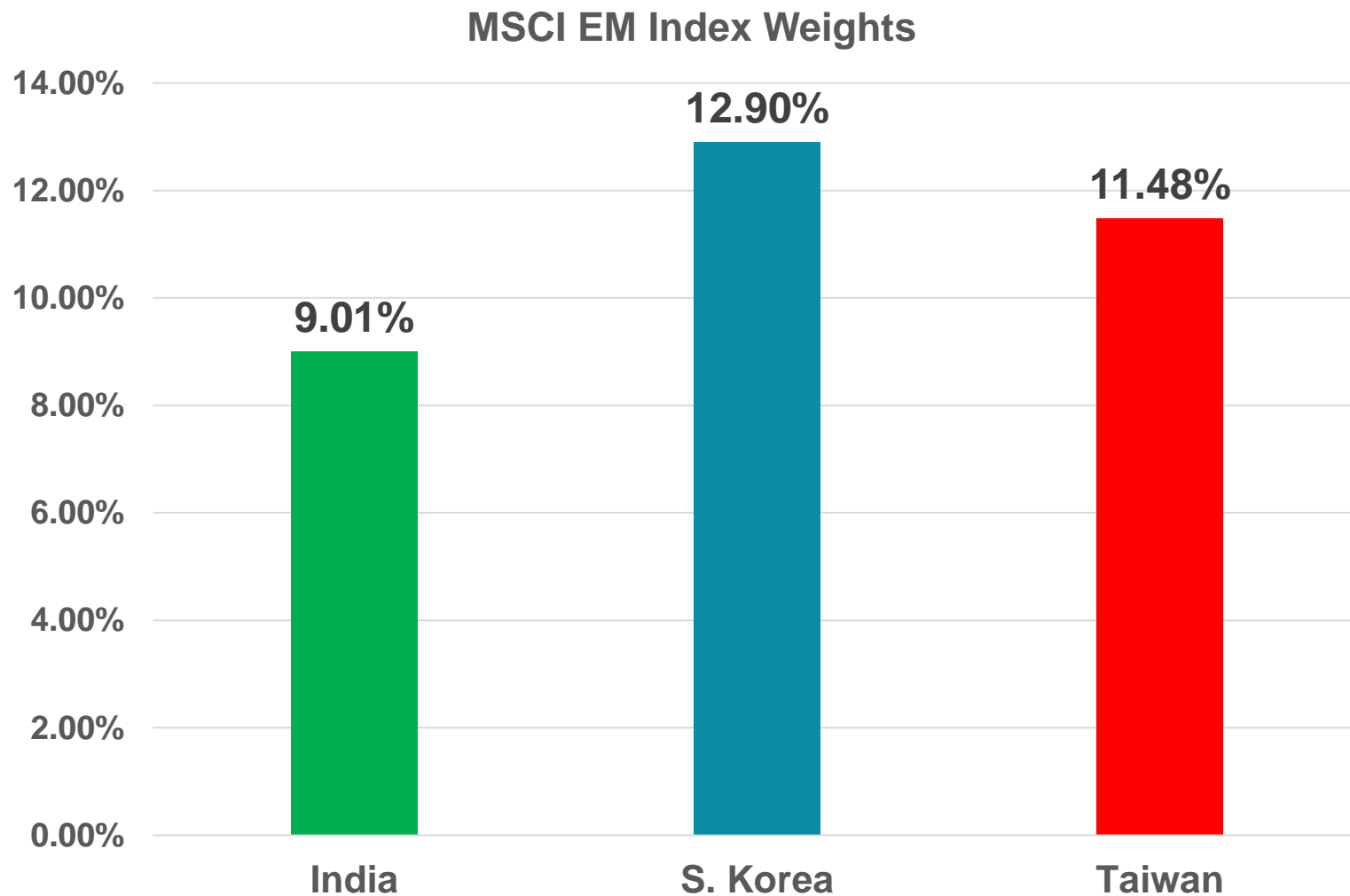
Questions about EM Index Weights

Population



Source: World Bank.

Does This Make Sense?



Source: www.ishares.com.

EM 3.0: The Evolution of Emerging Markets Investing

Endowment and foundation emerging market exposure has gone through a number of phases over the years as familiarity and allocation grows so to does the variegated approach



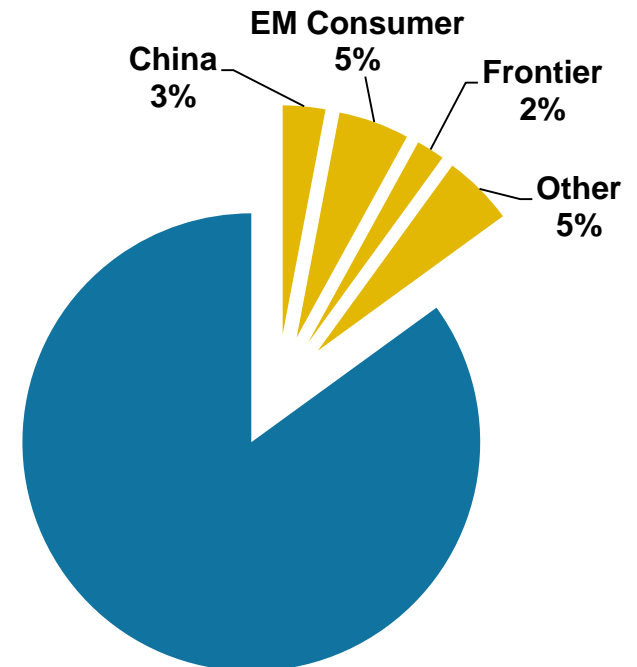
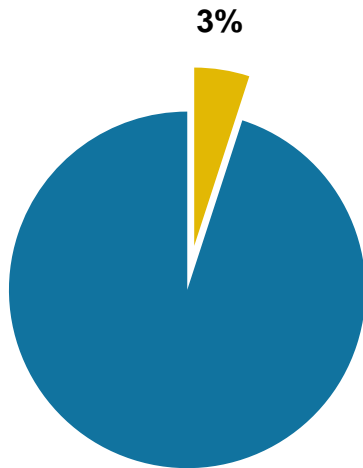
Harvard Endowment Emerging Market Exposure

2005  6%

2008  8%

2016  11.5%

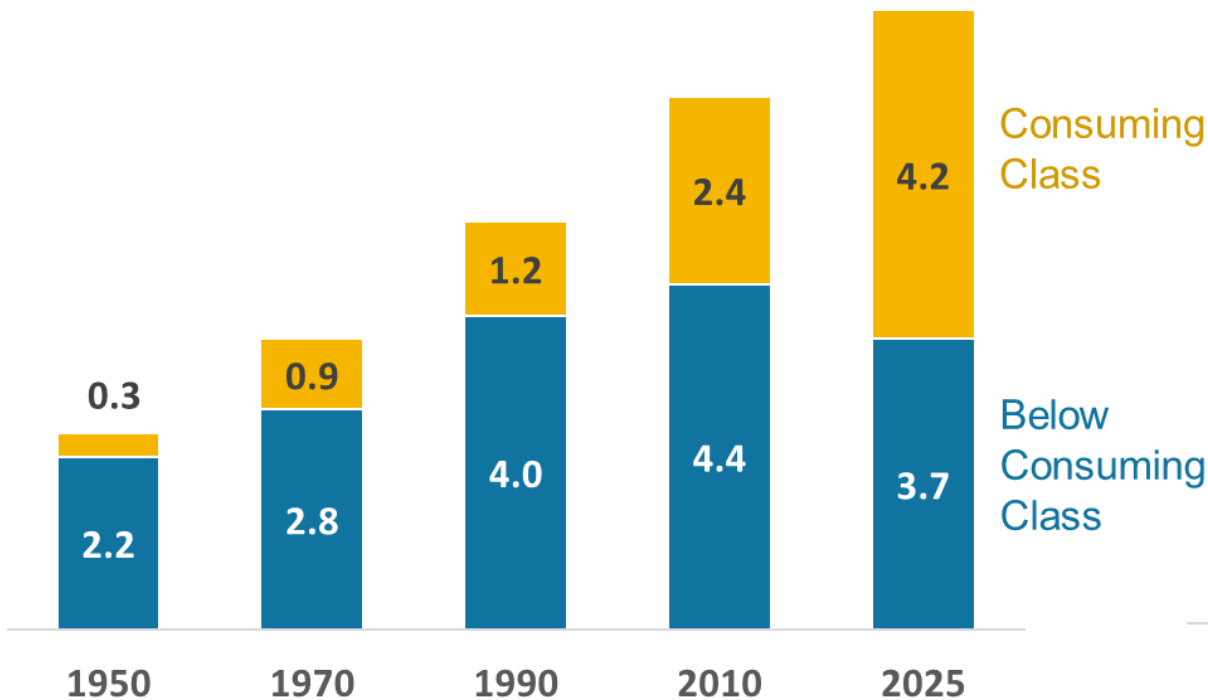
Average Morningstar Emerging Market Exposure



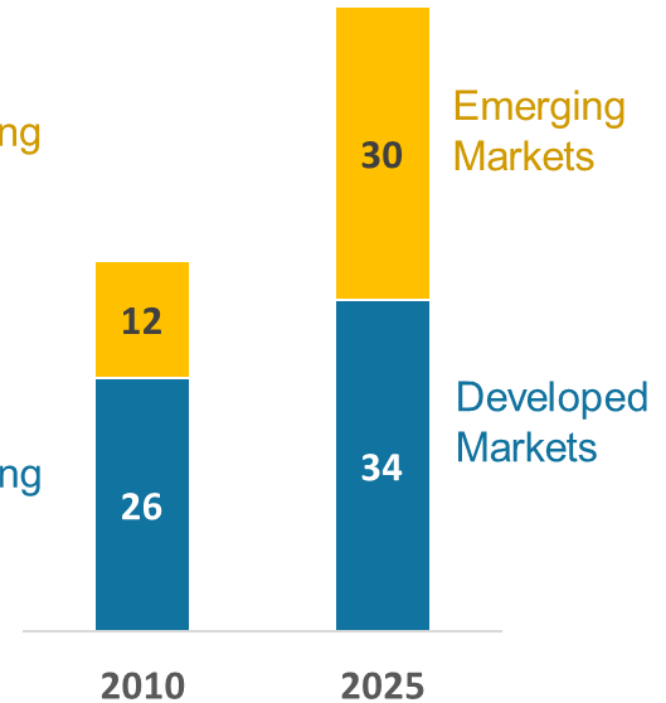
Something Big is Happening in Emerging Markets: The Great Confluence

The Growth the EM Consumer is THE Story

World Population (billions)



World Consumption (\$trillions)



“...the biggest growth opportunity in the history of capitalism...”

- McKinsey & Company

Smartphones Still A Relatively New Thing



Apple CEO Steve Jobs demonstrated the first iPhone at the Macworld expo in 2007.



Smartphones Changing Our Consumption Patterns

OLD WAY

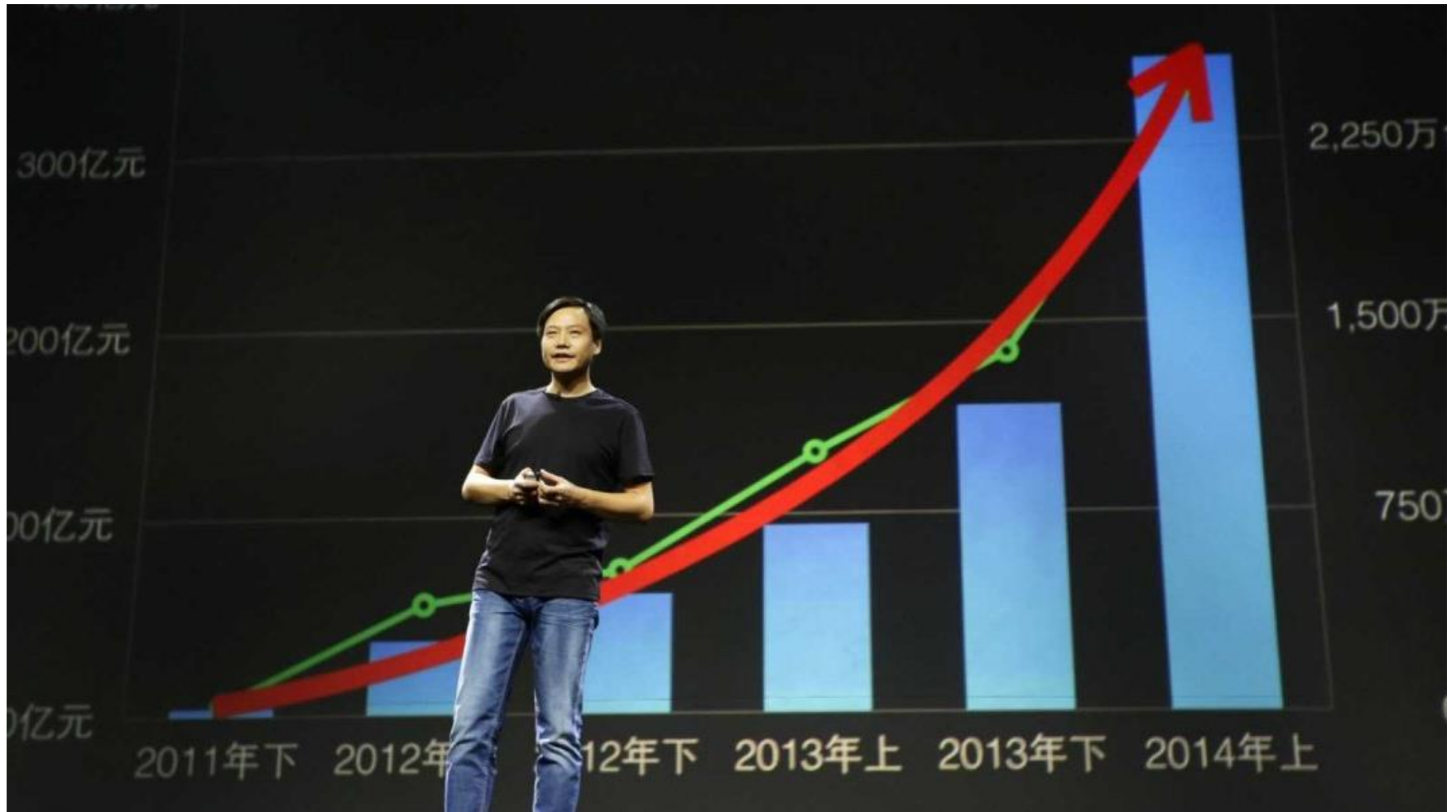


Smartphones Changing Our Consumption Patterns

NEW WAY



Cheap Smart Phones – The First & Only Computer for EM

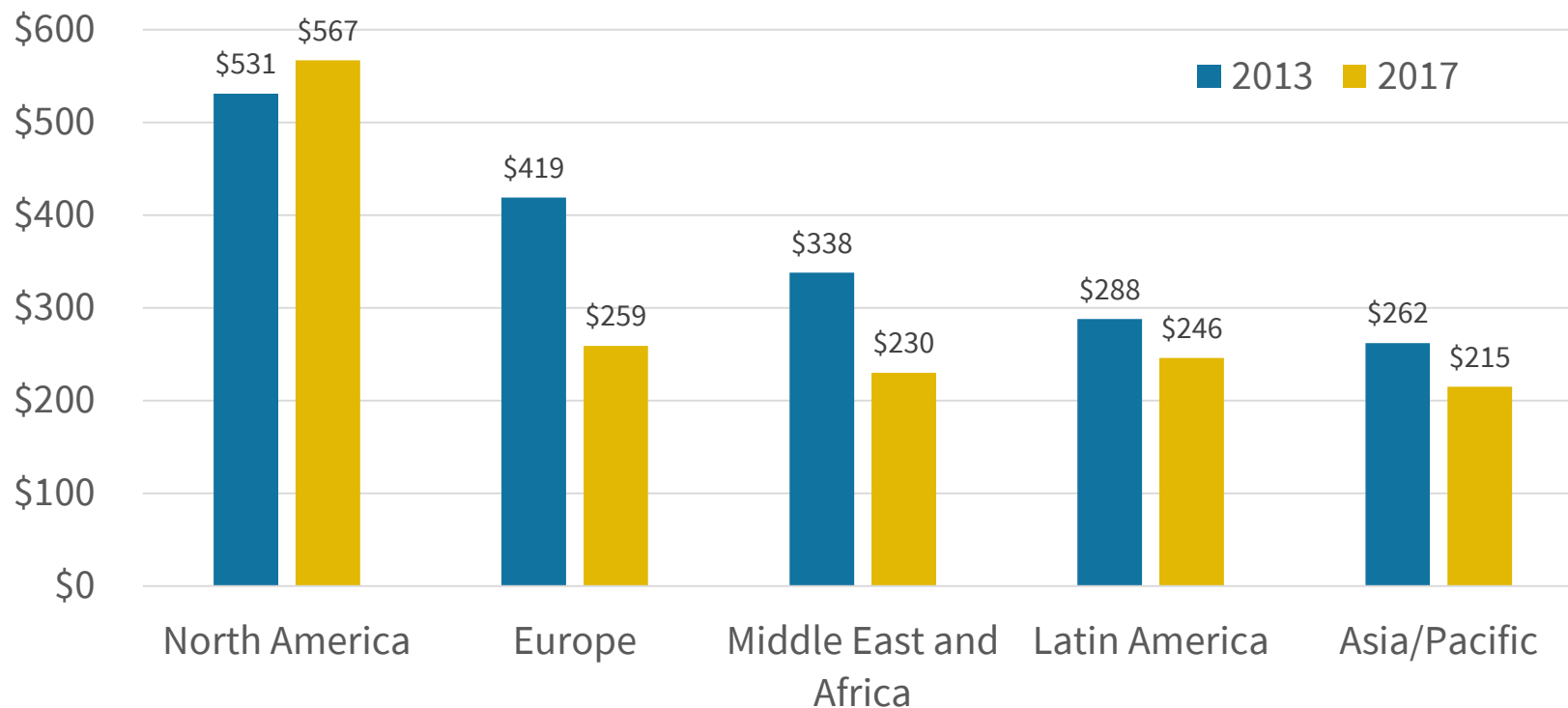


HUAWEI



Increasing Smartphone Affordability

AVERAGE SELLING PRICE OF A SMARTPHONE BY REGION



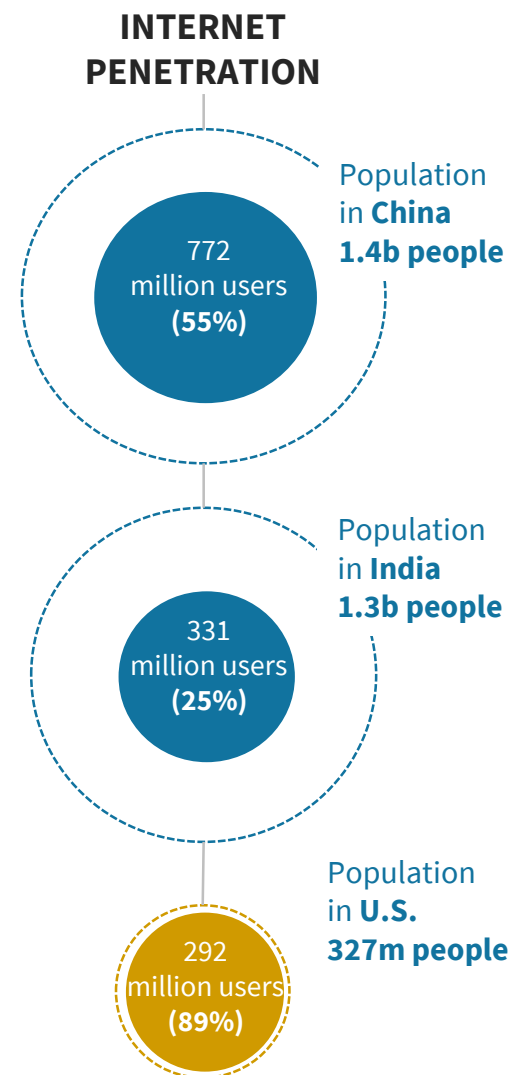
Region	2013	2017	Price Difference
North America	\$531	\$567	6.80%
Europe	\$419	\$259	-38.20%
Middle East and Africa	\$338	\$230	-32.00%
Latin America	\$288	\$246	-14.60%
Asia/Pacific	\$262	\$215	-17.90%

Source: IMF, World Economic Outlook database ,CapIQ, CB Insights

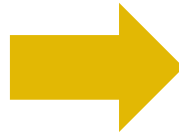
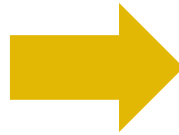
Mobile Broadband = First Internet Connection for EM

Smartphone Penetration by Country (2017)

Country	Smartphone Users (MM)	Smartphone Penetration	Total Population (MM)
United States	226	70%	326
Germany	55	69%	80
United Kingdom	44	69%	65
Russia	78	55%	143
China	717	52%	1,388
Japan	63	50%	126
Mexico	52	41%	130
Brazil	79	38%	211
India	300	22%	1,342
Indonesia	54	21%	263



U.S. VC Funding EM Entrepreneurs

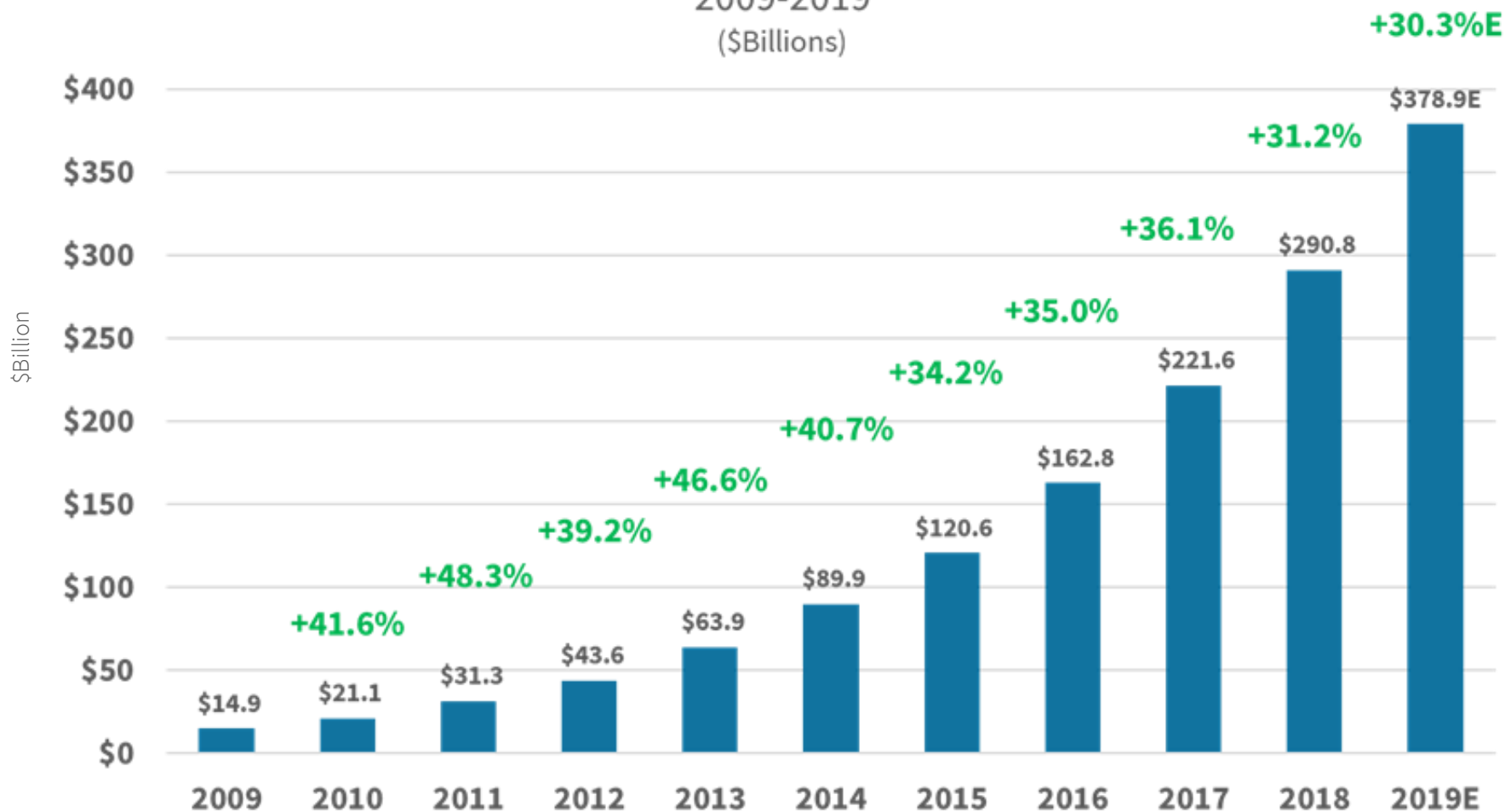


Result #1 = Massive Revenue Growth (CAGR ~40%)

EMQQ Index Revenue & Growth Rate

2009-2019

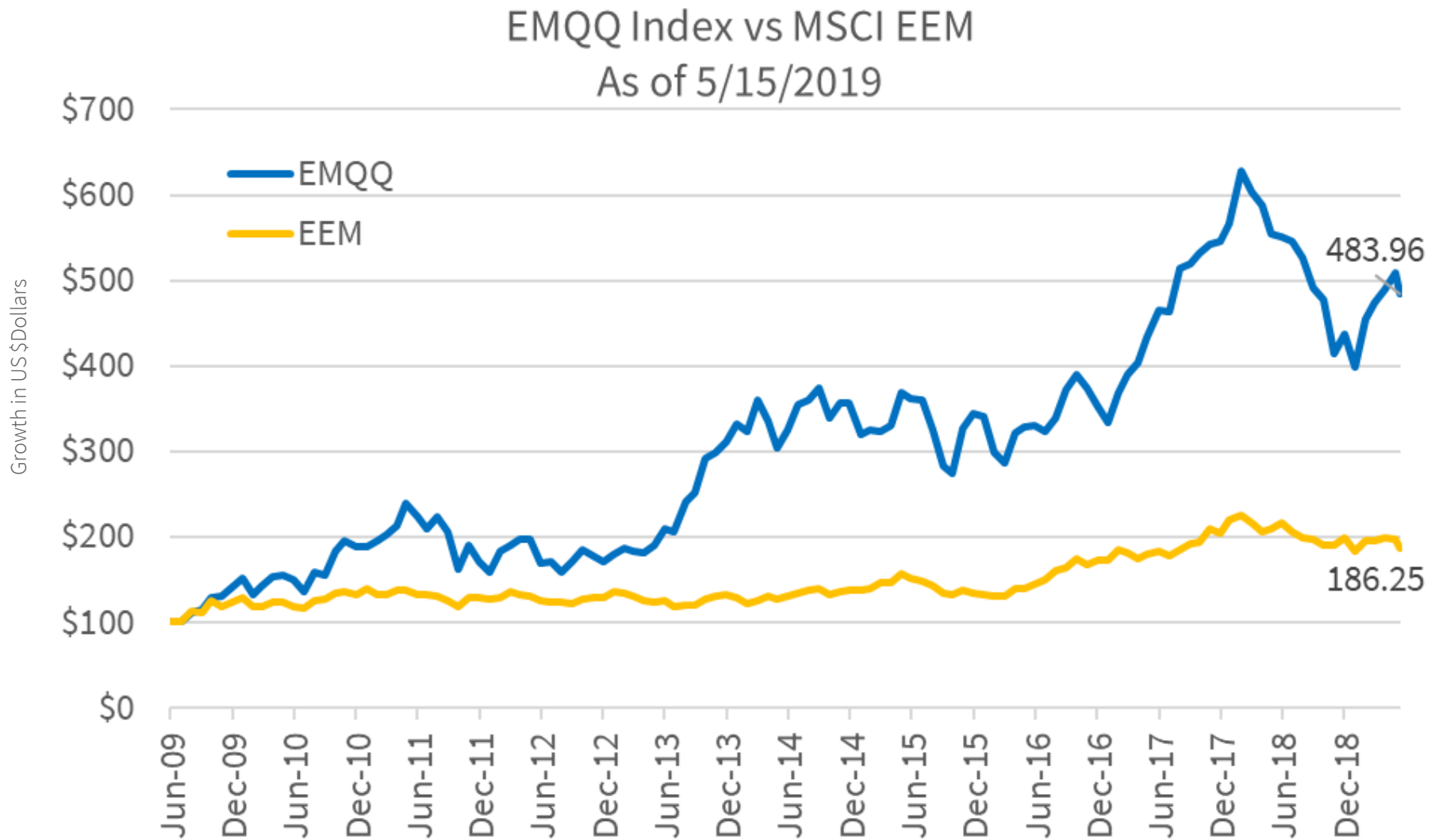
(\$Billions)



Source: Bloomberg Data, Big Tree Capital LLC Analysis. * 2019 calculations are estimated

EMQQ Index is not an investable product and the included time series data precedes the inception date of the live track record

Result #2 = Value Creation



Source: Big Tree Capital Data

- The performance depicted is of the Index and is not an investible product. Live performance can be found at www.emqqindex.com.

BABA - Largest IPO in U.S. History



Social Networks – Tencent (HK: 0700)

U.S.



China



Mobile Payment Adoption is Pervasive

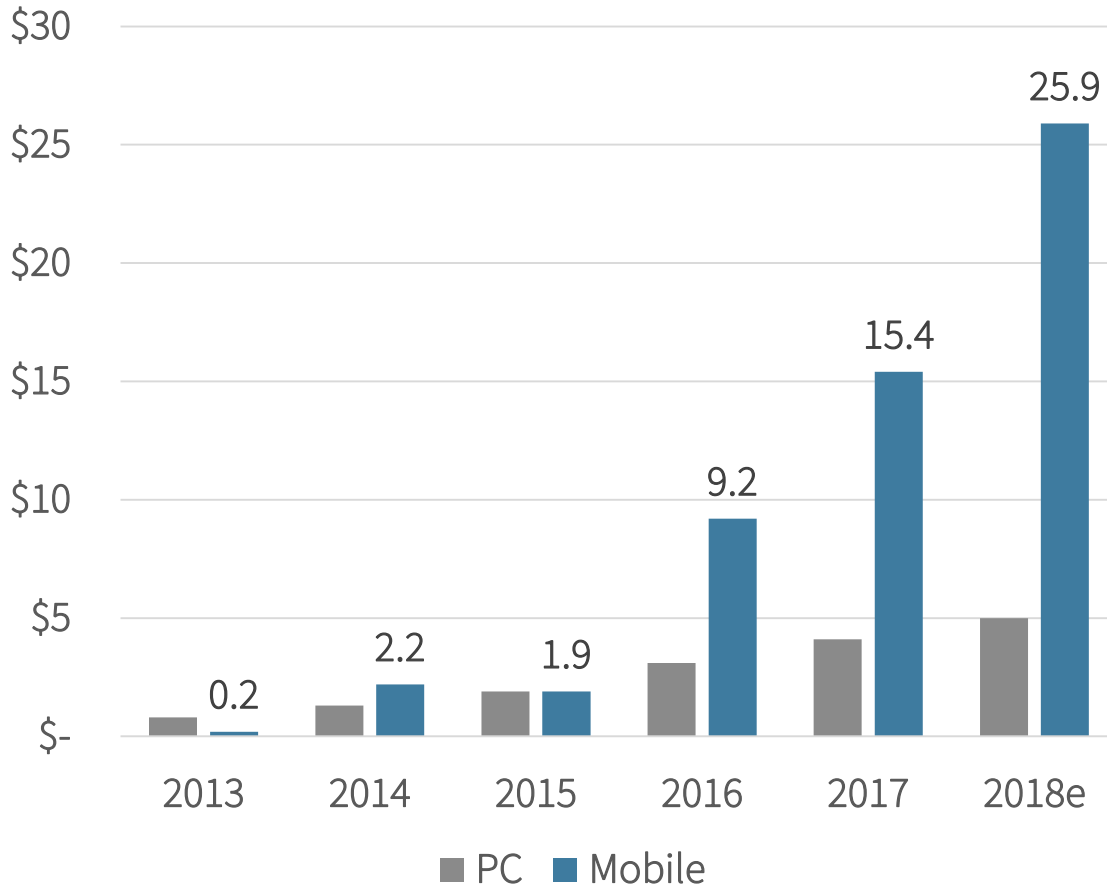


Mobile Payment Adoption is Pervasive

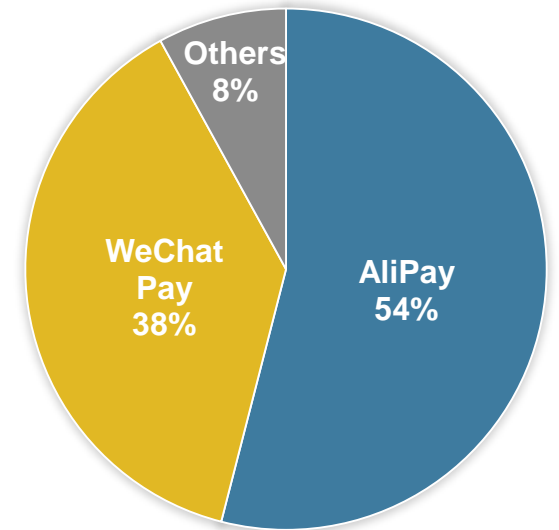


Mobile Payment Adoption Rapidly Expanding

China's Total Online Transactional Value (\$Trillions)



China's Mobile Payment Market Shares



MELI – “The Amazon/PayPal of Latin America”



YNDX – “The Google & Uber of Russia”



MMYT – “The Expedia of India”



JUMIA – “The Amazon of Africa”



Private Companies - Didi



Taking Advantage of Concerns About Trade War and Recent Correction

Our View on Trade War and Significant Correction

- U.S. Initiated Trade War has sparked fears in investors
- We have a strongly mixed view on Trade War:
 - Academia considers tariffs a bad thing (see Smoot Hawley tariffs; https://en.wikipedia.org/wiki/Smoot%E2%80%93Hawley_Tariff_Act)
 - However, China as an economic force, has perhaps outplayed us the past 20 years as the average Chinese citizen has seen standard of living has increased dramatically vs. U.S. citizens.
- Fundamental Impact to EMQQ Should be Small
 - Trade wars are about steel, cars, pigs and sorghum while EMQQ is about people in China, India, Africa etc. accessing information, buying food, hailing rides, etc. on their smartphones.

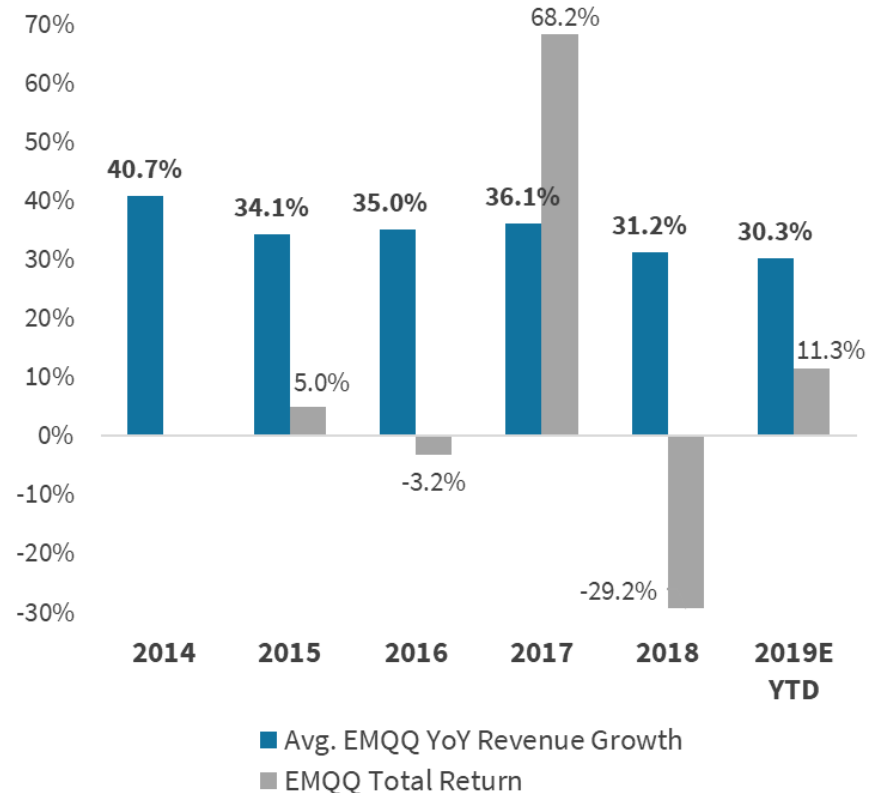
EMQQ Valuation Data

EMQQ Index Historic Valuations (As of June 3, 2019)

	P/B	P/E	BEst P/E	P/S	P/CF	Div Yld
Jun-09	4.88	27.63	20.83	5.37	18.76	0.37
Nov-09	6.82	43.49	24.02	7.56	24.55	0.29
Jun-10	6.29	39.03	21.59	7.27	28.01	0.27
Nov-10	6.39	28.70	21.57	3.72	20.34	0.14
Jun-11	7.05	39.40	23.32	4.06	18.77	0.13
Nov-11	3.36	21.78	18.55	2.74	16.74	0.41
Jun-12	3.49	22.52	17.91	3.13	16.63	0.93
Nov-12	3.29	21.98	17.44	3.29	13.63	1.15
Jun-13	4.07	24.88	20.17	3.23	17.14	1.26
Nov-13	5.68	38.31	27.83	4.26	22.01	0.51
Jun-14	6.04	29.34	26.60	4.19	23.93	0.22
Nov-14	5.20	33.29	30.87	4.25	26.54	0.22
Jun-15	5.38	28.83	29.21	4.63	23.82	0.25
Nov-15	4.39	33.85	28.98	4.11	22.49	0.22
Jun-16	3.59	37.59	26.78	3.27	21.18	0.19
Nov-16	3.06	31.57	23.82	3.44	17.68	0.22
Jun-17	3.92	39.89	26.66	4.04	21.89	0.20
Nov-17	4.19	45.73	26.47	4.37	28.40	0.18
Jun-18	3.56	36.60	24.49	3.64	24.81	0.39
Nov-18	3.00	27.76	20.17	2.85	20.97	0.30
Jun-19	2.98	45.51	24.68	2.78	22.89	0.31
Average	4.60	33.22	23.90	4.10	21.48	0.39

EMQQ Revenue Growth vs Annual Return

(As of June 3, 2019)



Data from Bloomberg and analysis from Big Tree Capital LLC

*2019 Revenue is an estimated projection

Recent pullback has created multiple contraction where price has dislocated from value.

The Case for the Emerging Markets Internet Sector

- **Growth - The Great Confluence**
 - EM Consumer + Smartphones + Internet via Mobile Broadband
 - Ecommerce models “leapfrogging” traditional models
 - Ecommerce growing 5x as fast as consumption
- **Better Corporate Governance**
 - No State Owned Enterprises
 - Most companies backed by U.S. VC & trade on U.S. exchanges
- **Exposure to Private Companies & Frontier Markets**
- **Valuations Seem Compelling**

The Future Of Emerging Markets is Here.

Q&A



**Contact for more information:
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kparker@emqqindex.com**

EMQQ Index Overview

- Includes 65 Publicly Traded Emerging Markets Internet Companies
- Rules Based Index
 - All companies with >50% of revenue from internet and/or ecommerce in emerging and frontier markets
 - Minimum \$300mm market capitalization
 - Liquidity screen \$1.0mm average daily turnover
 - Rebalanced semi-annually in June & December
 - Market Cap weighted with 8% maximum weight per security at rebalance
- Licensed to Exchange Traded Concepts as the basis for an ETF
- EMQQ The Emerging Markets Internet ETF (NYSE: EMQQ)
- More information at www.EMQQetf.com