



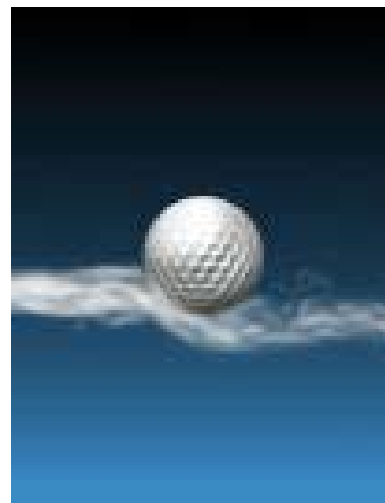
GLOBAL INVESTMENT STRATEGY

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President & CEO

SMART International Holdings, Inc.

September 5, 2006



GLOBAL INVESTMENT STRATEGY

KEY ISSUES



OBJECTIVES

THE INVESTMENT CLIMATE

ASSET CLASS RISKS-RETURNS

SPREADING PROFESSIONAL RISKS

ASSET ALLOCATION STRATEGY

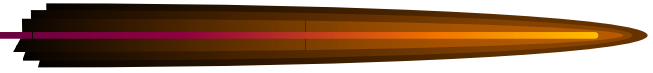
ACTIVE MONITORING

REPORTING

GLOBAL INVESTMENT STRATEGY - OBJECTIVES

- GLOBAL POSITIONING AGAINST MACRO RISKS
- SPREADING RISKS ACROSS ASSET CLASSES
- TO ACHIEVE EXCESS RETURNS AT REDUCED RISKS
- CONSISTENCY OF RETURN
- END OF PERIOD WEALTH MAXIMIZATION

GLOBAL INVESTMENT STRATEGY



INVESTMENT CLIMATE

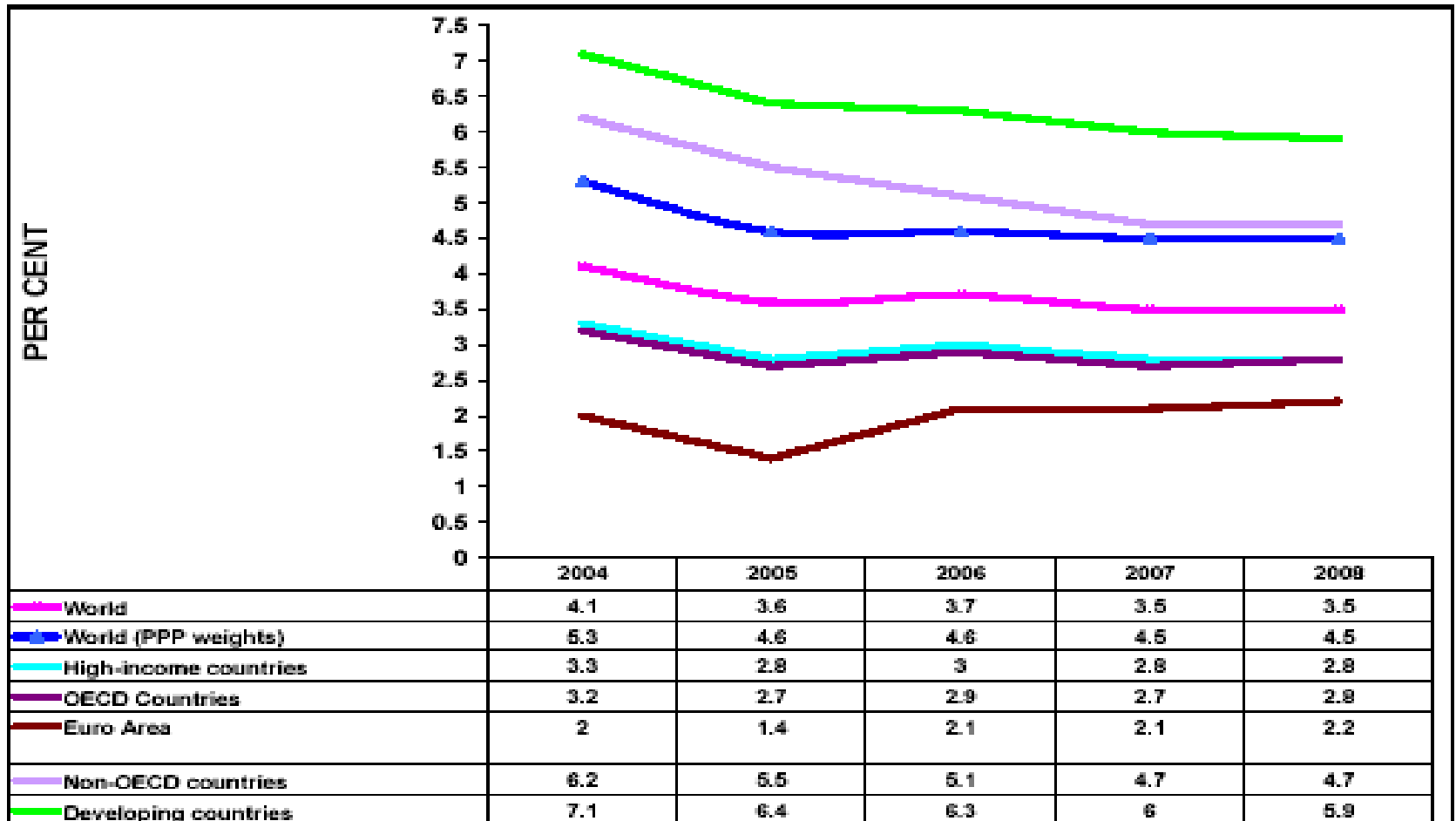
DEFINING INVESTMENT CLIMATE- THE GENERALIZED APPROACH



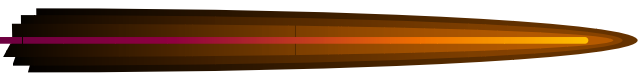
- **REAL GDP GROWTH**
- **COMMODITY PRICES**
- **INTEREST RATES**
- **INFLATION**
- **EXCHANGE RATE**
- **CURRENT ACCOUNT BALANCE**
- **FISCAL DEFICIT**
- **CAPITAL FLOWS**
- **EMPLOYMENT**
- **PER CAPITAL INCOME**
- **DOMESTIC SAVINGS**
- **INDUSTRIAL PRODUCTION**
- **CORPORATE GROWTH & PROFITABILITY**

INVESTMENT CLIMATE GROWTH OUTLOOK

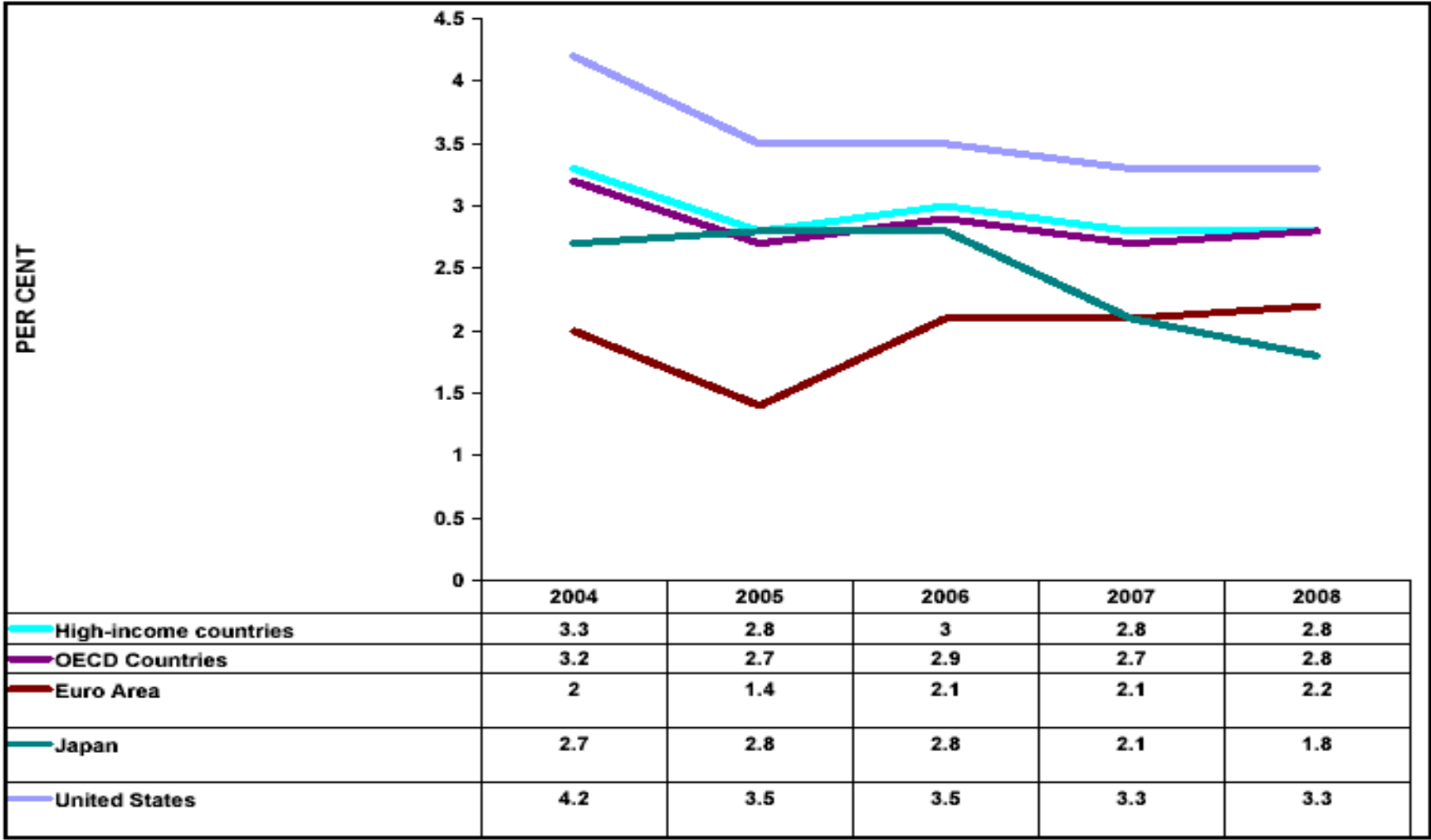
GLOBAL/REGION



INVESTMENT CLIMATE GROWTH OUTLOOK

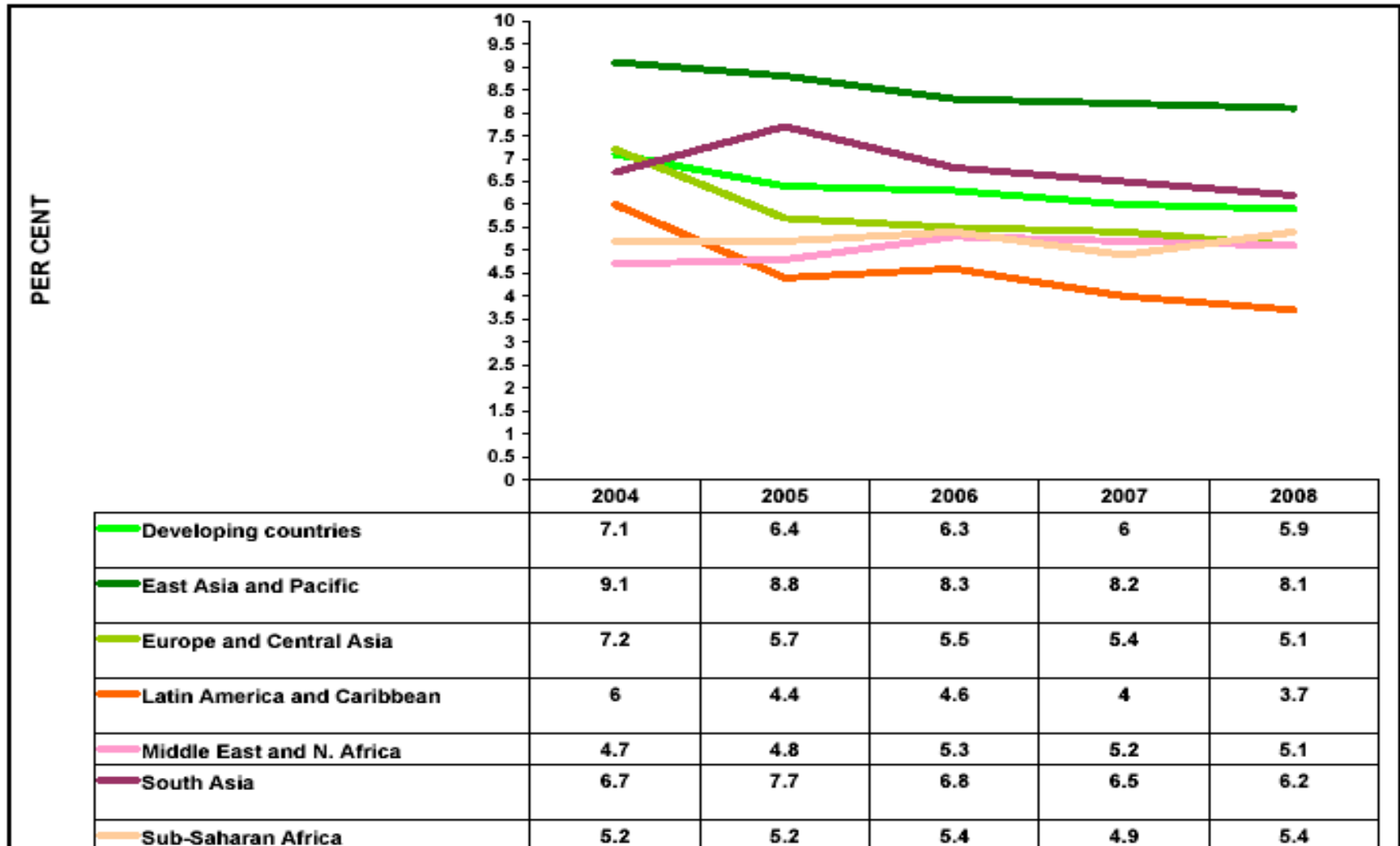


HIGH INCOME/REGION



INVESTMENT CLIMATE GROWTH OUTLOOK

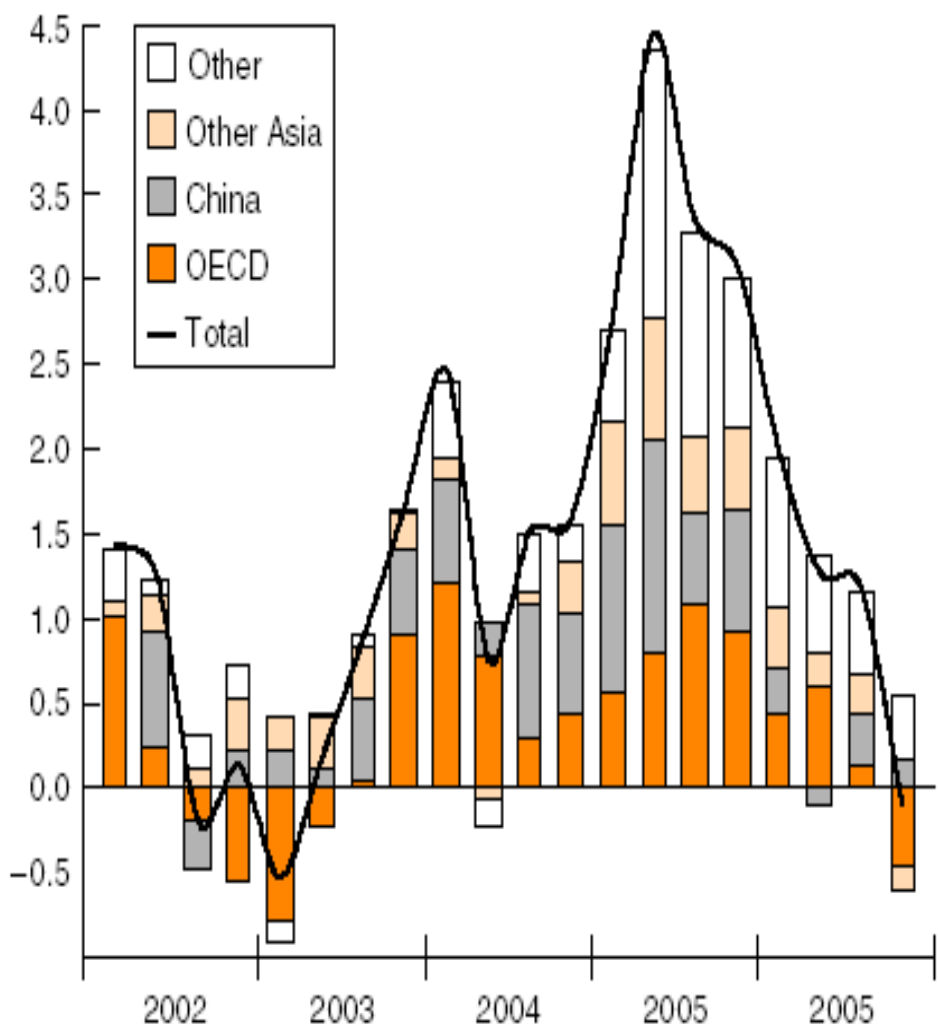
DEVELOPING COUNTRIES/REGION



INVESTMENT CLIMATE

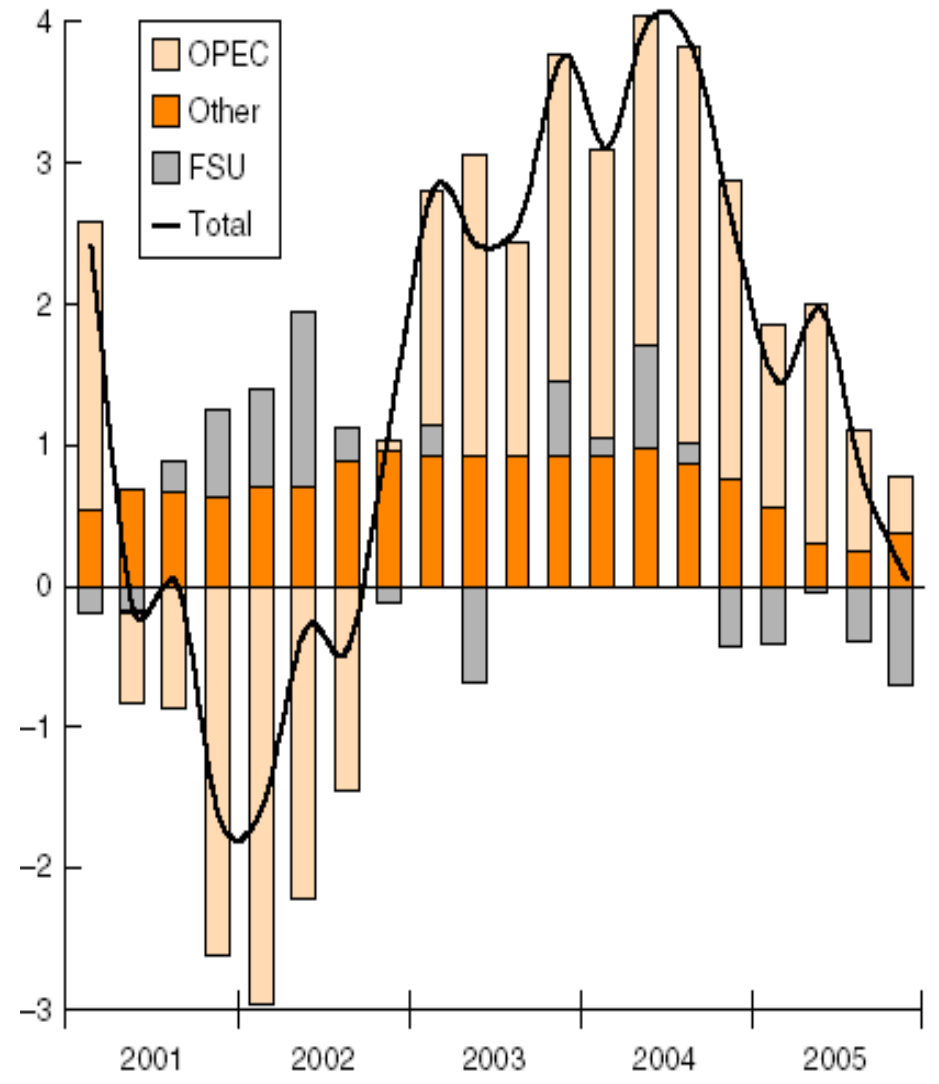
COMMODITY PRICES- OIL

Change in apparent oil demand, millions of barrels of oil per day



Source: International Energy Agency.

Change in global oil deliveries, millions of barrels of oil per day

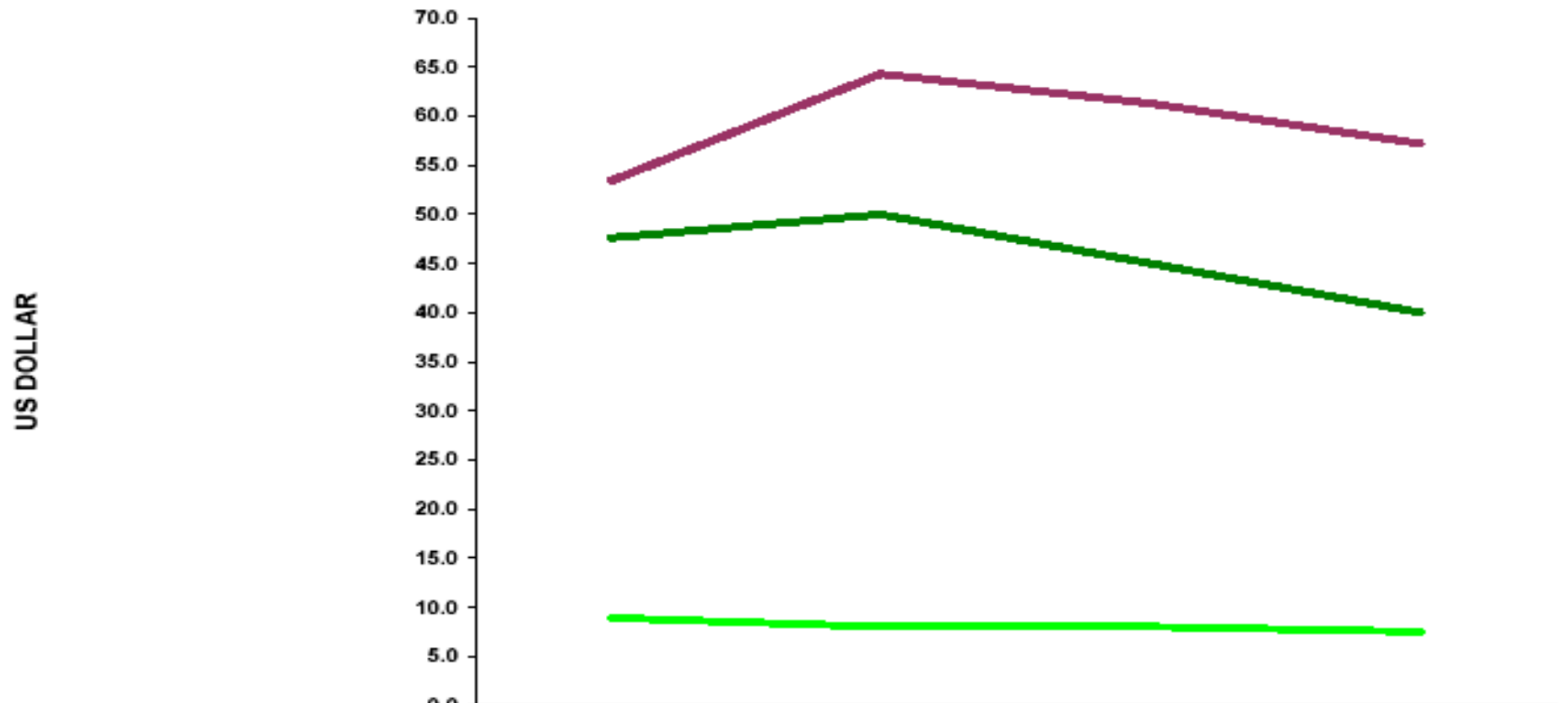


Source: International Energy Agency.

INVESTMENT CLIMATE

COMMODITY PRICES- ENERGY

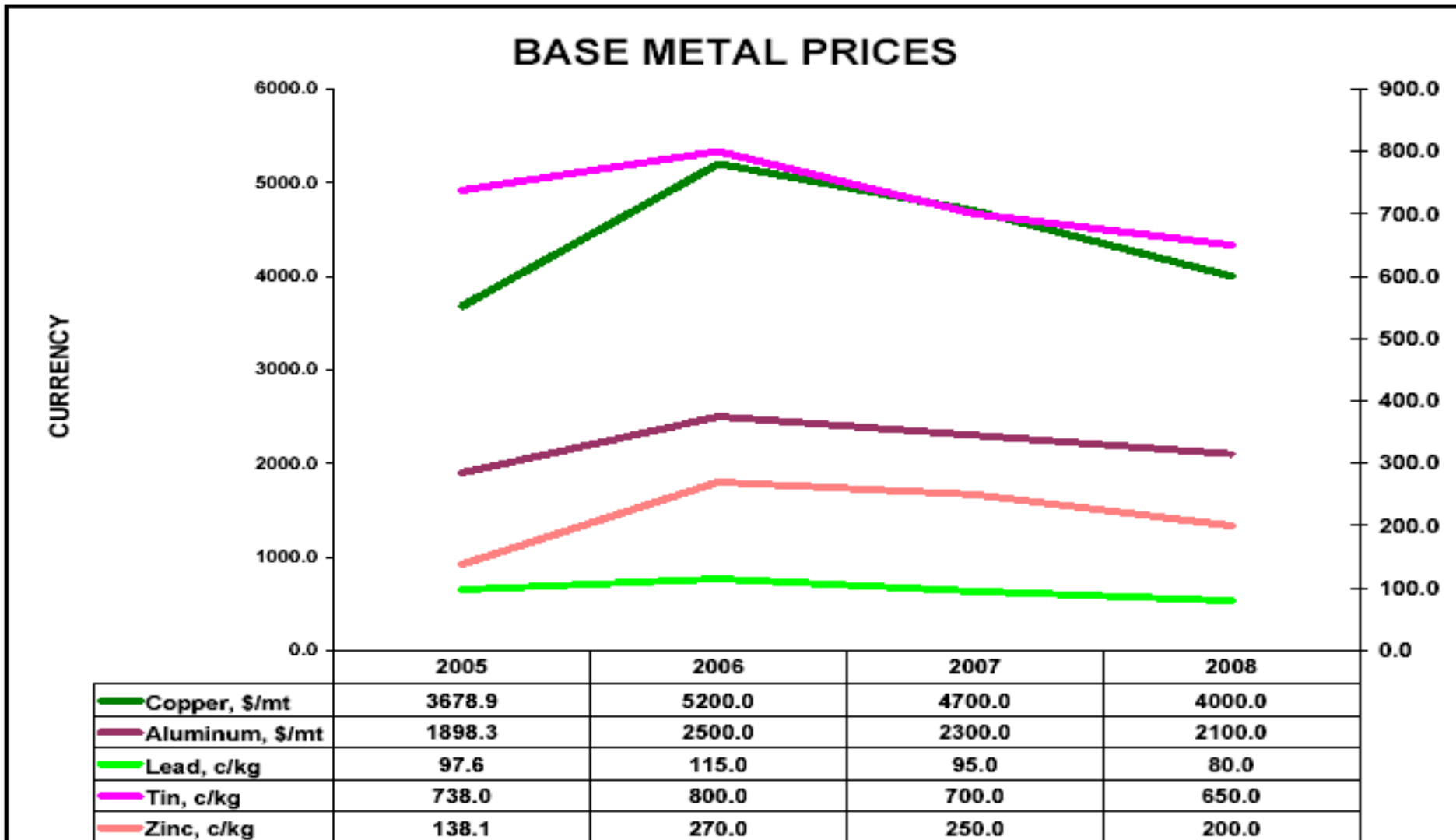
ENERGY PRICES



	2005	2006	2007	2008
Coal, Australia, \$/mt	47.6	50.0	45.0	40.0
Crude oil, avg, \$/bbl	53.4	64.3	61.3	57.2
Natural gas, US, \$/mmbtu	8.9	8.0	8.0	7.5

INVESTMENT CLIMATE

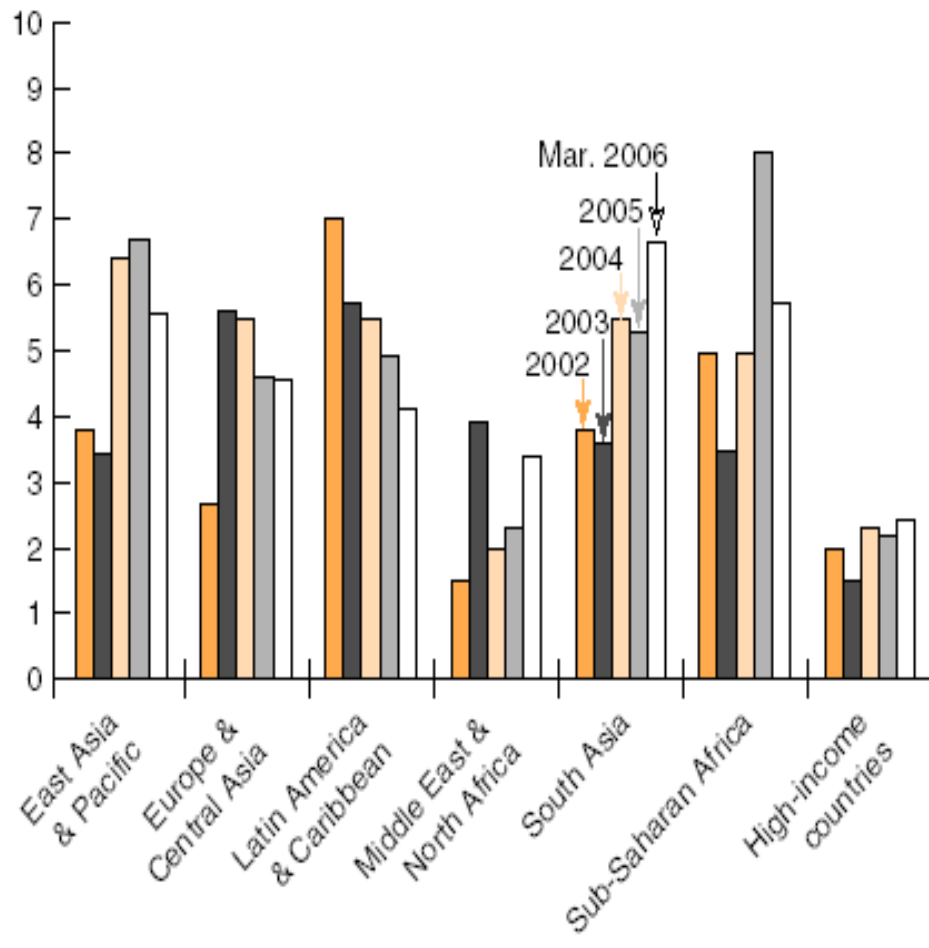
COMMODITY PRICES- BASE METALS



INVESTMENT CLIMATE

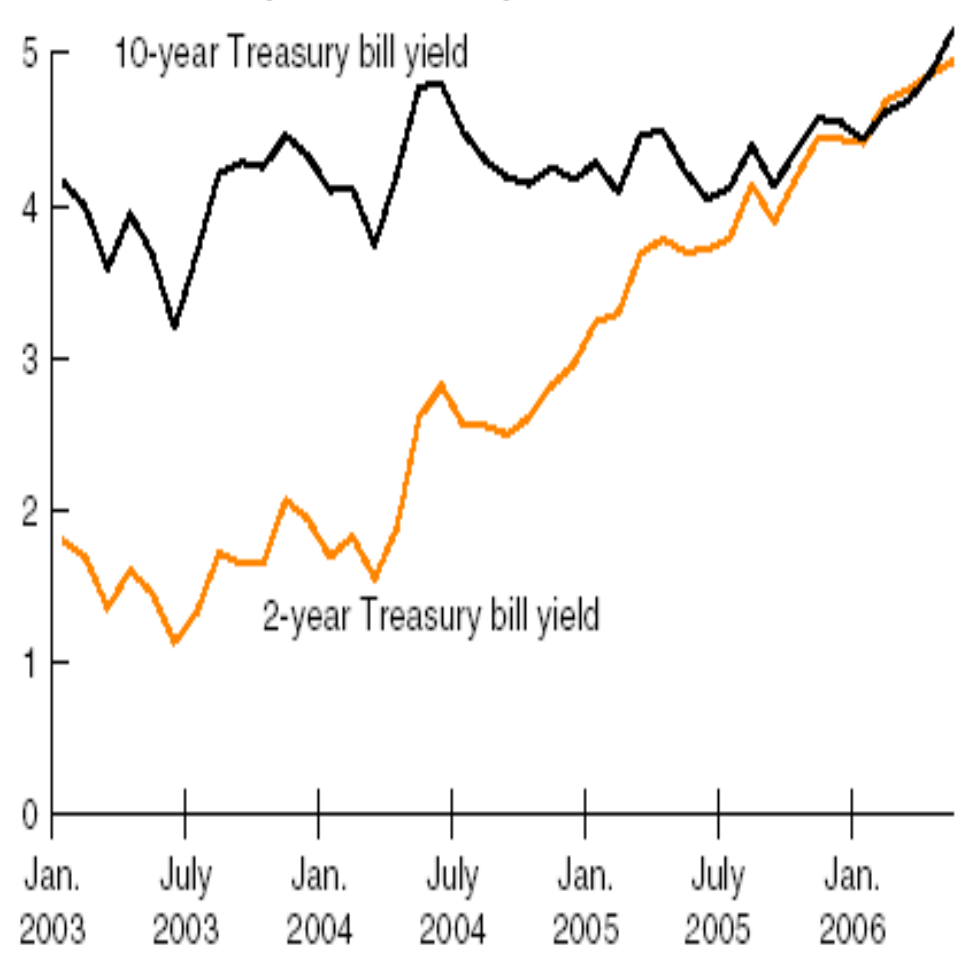
INFLATION AND YIELD SPREAD

End of period, year-over-year monthly inflation rate



Source: World Bank.

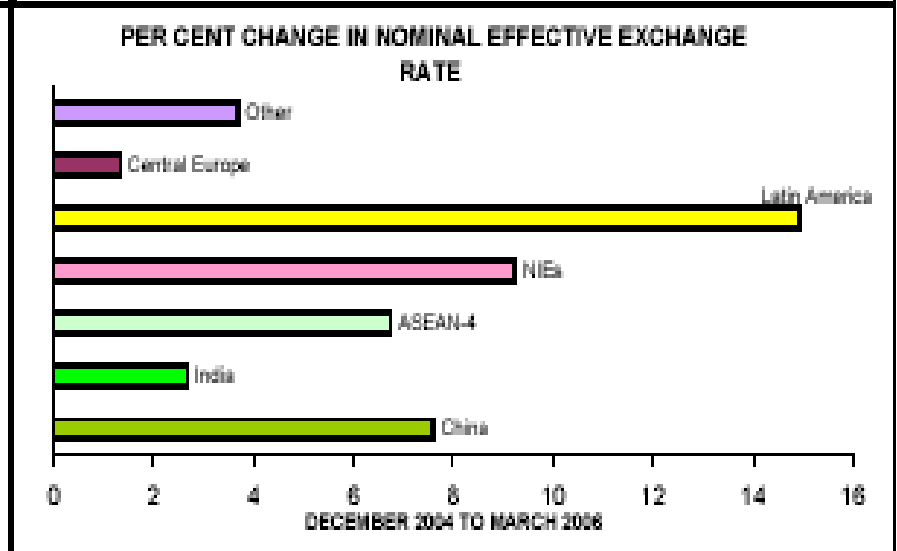
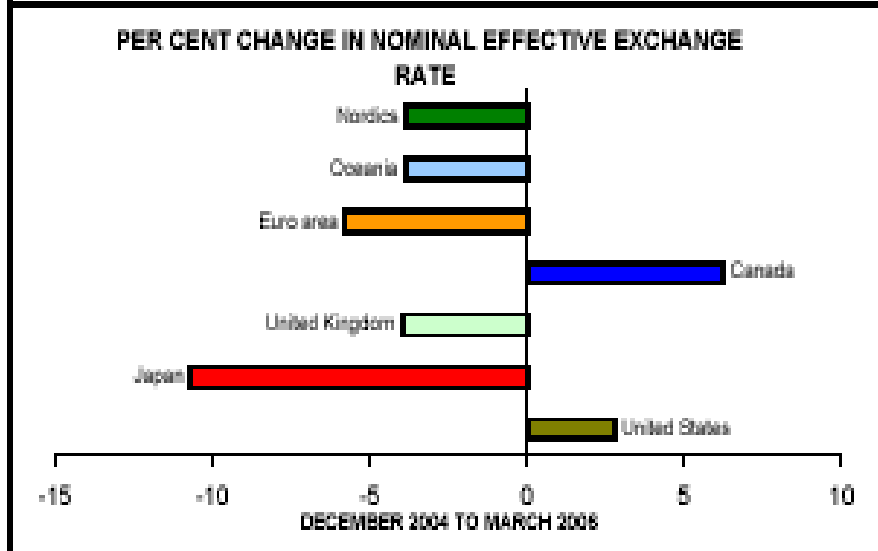
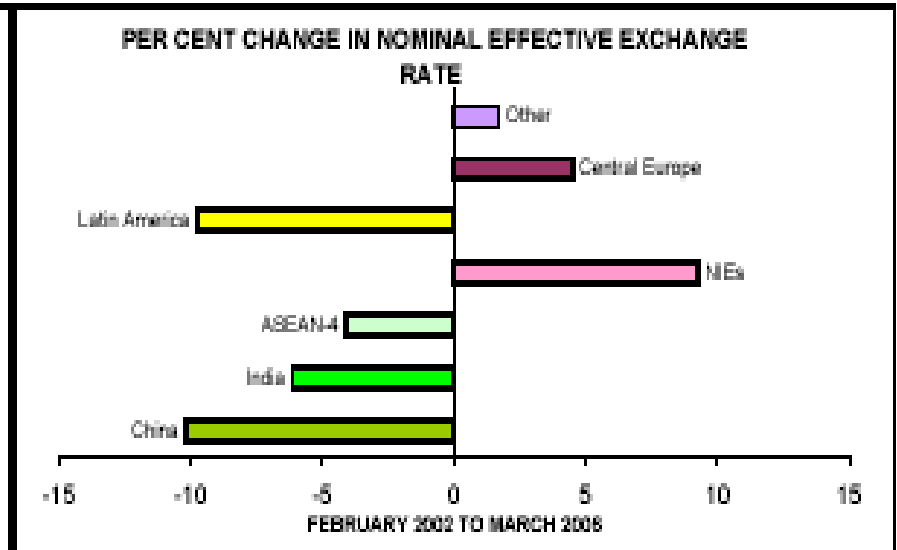
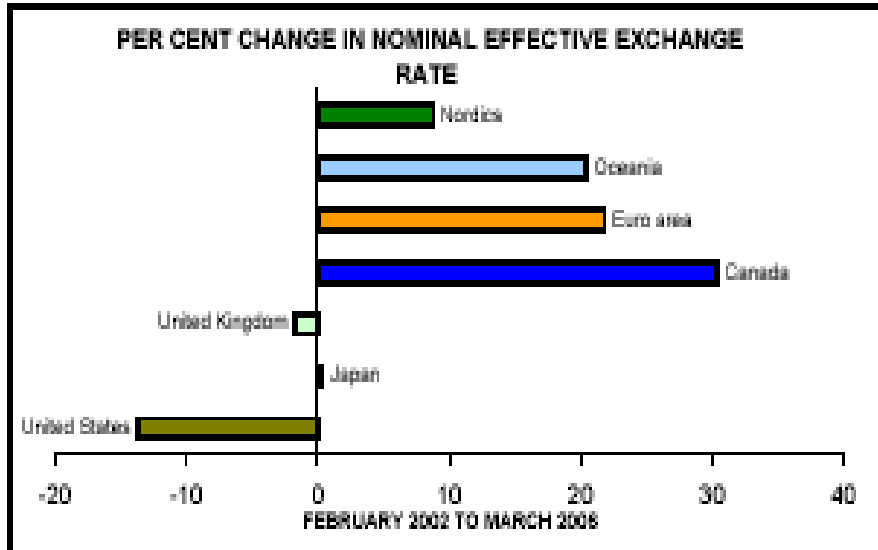
Yield on 10- and 2-year U.S. Treasury bills



Source: World Bank.

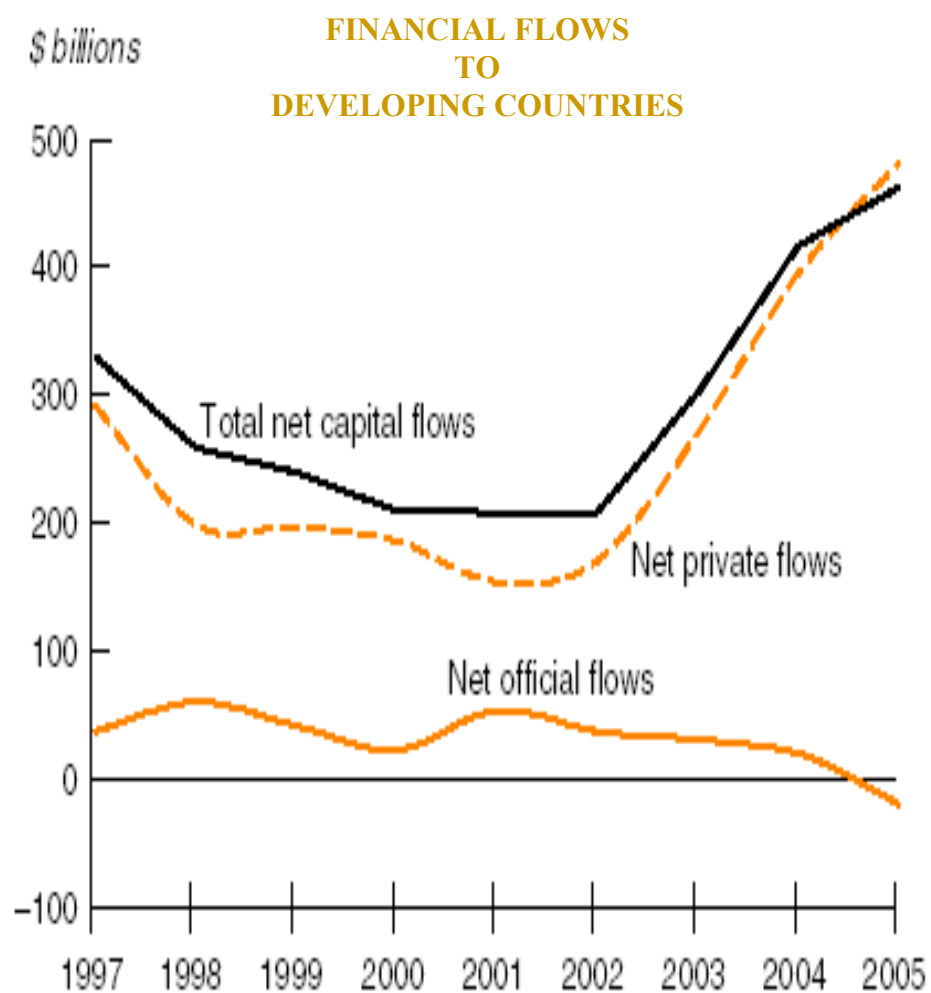
INVESTMENT CLIMATE

EXCHANGE RATE

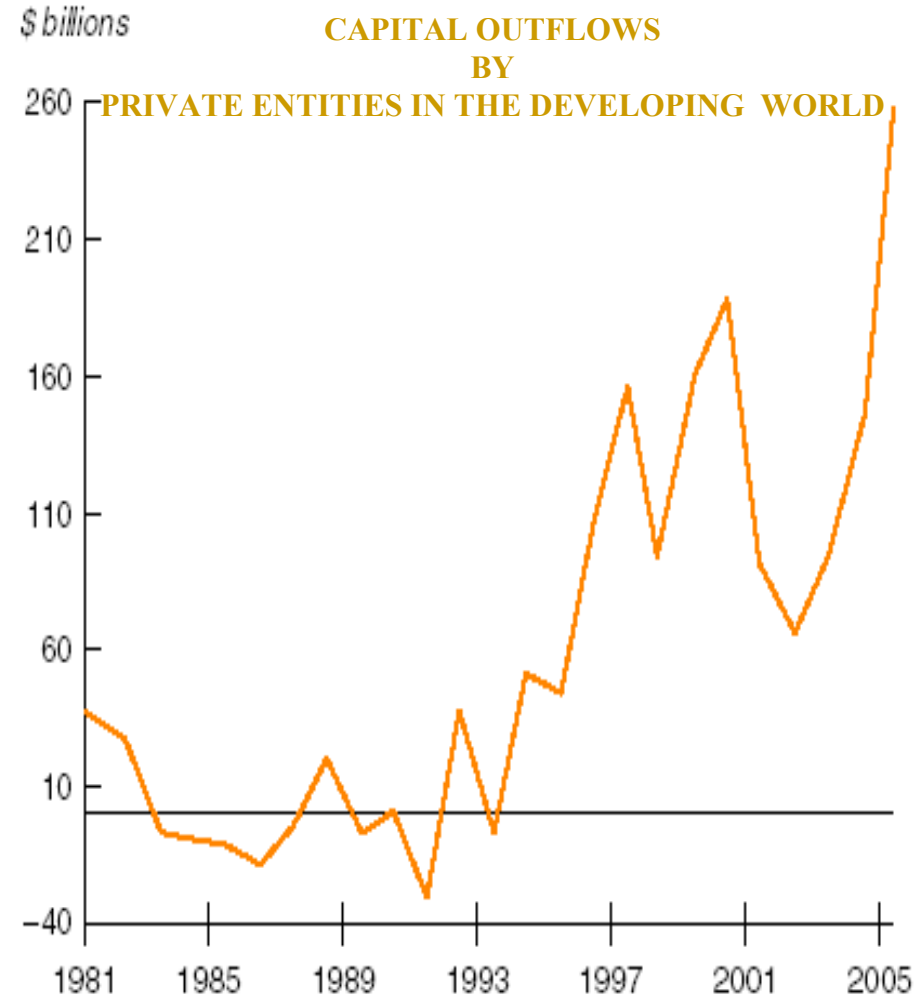


INVESTMENT CLIMATE

FUND FLOWS



Source: World Bank Debtor Reporting System and staff estimates.



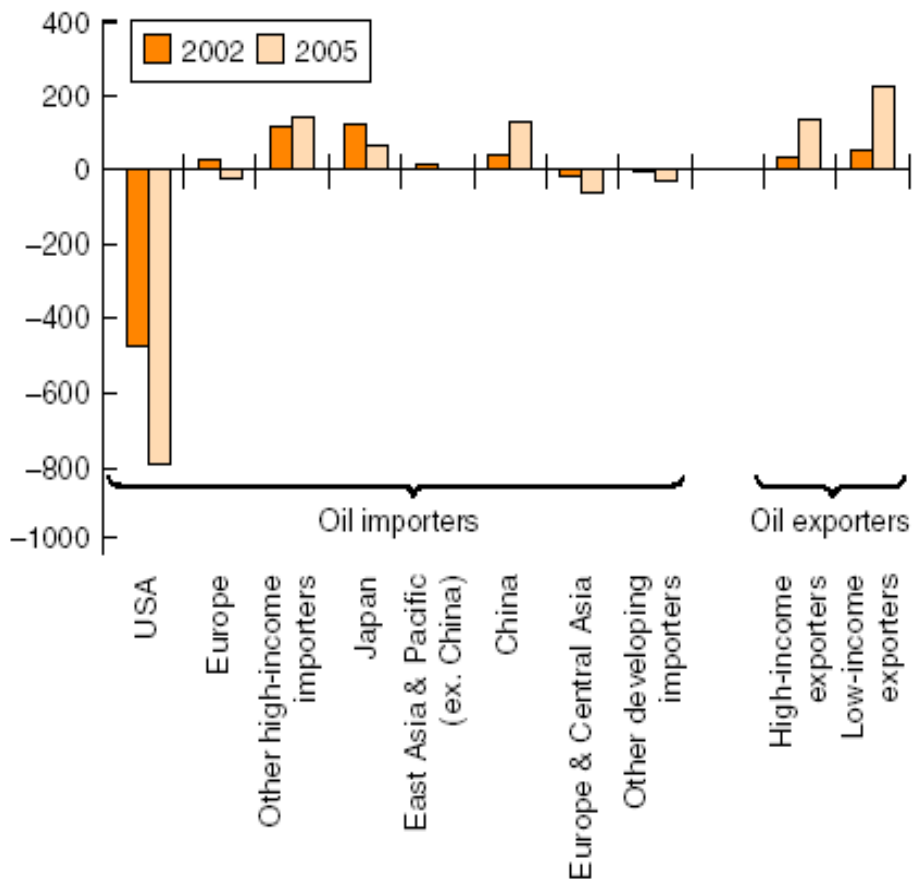
Sources: International Financial Statistics, IMF; and World Bank staff calculations.

INVESTMENT CLIMATE

MACRO IMBALANCES

GLOBAL IMBALANCES

Current account balance, \$ billions, 2002 and 2005



Source: World Bank.

INTEREST RATE SPREADS FAVOUR US DOLLAR

3-month and 10-year bond yield, %



Sources: World Bank, Datastream.

INVESTMENT CLIMATE GLOBAL MACRO RISKS



- **GLOBAL IMBALANCES RISK FOR HEAVILY INDEBTED COUNTRIES AND COUNTRIES WITH CLOSER TIES WITH THE US**
- **SHARP OIL SUPPLY SHOCK**
- **FALL IN NON-OIL COMMODITY(METALS AND MINERALS) PRICES**
- **POLITICAL RISK**
- **AVIAN FLU**
- **PORTFOLIO INFLOW TO EQUITY AND PROPERTIES MARKETS IN ASIA AND ASSET PRICE BUBBLES**
- **APPRECIATED EXCHANGE RATES**
- **INFLATION**
- **CURRENT ACCOUNT DEFICITS IN EAST EUROPE**

INVESTMENT CLIMATE

OUR GLOBAL THEME



THE 'R' FACTOR IN INVESTMENT

EXCESS RETURN = 'R' FACTOR - RISK

WHAT IS THE 'R' FACTOR? REPOSITIONING AGAINST GLOBAL MACRO RISKS

- **RATES- INTEREST, INFLATION, GROWTH**
- **RESOURCES- HUMAN CAPITAL**
- **RESOURCES- NATURAL**
- **REFORM- REGULATORY, FINANCIAL SECTOR, PRODUCT MARKETS, LABOUR MARKETS, INFRASTRUCTURE, TRADE, TAX, SOCIAL**

SOURCE: OWN RESEARCH

INVESTMENT CLIMATE LEAD INDICATOR

THE INDEX OF ECONOMIC AND SOCIAL FREEDOM

ECONOMIC FREEDOM

- TRADE POLICY
- FISCAL BURDEN OF GOVERNMENT
- GOVERNMENT INTERVENTION IN THE ECONOMY
- MONETARY POLICY
- CAPITAL FLOWS AND FOREIGN INVESTMENT
- BANKING AND FINANCE
- WAGES AND PRICES
- PROPERTY RIGHTS
- REGULATION
- INFORMAL MARKET ACTIVITY

(Source: The Heritage Foundation and Dow Jones & Company, Inc. 2005)

SOCIAL FREEDOM

- HUMAN CAPITAL AND IT'S DEVELOPMENT
- HEALTH CARE
- SOCIAL SECURITY

(Source: Own addition)



Q & A

