



Asia-Pacific
Economic Cooperation

2007/ASCC/2.1

Session: Asian Growth – Risks and Forecasts

2.1.2

Investment Opportunities

Purpose: Information

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An Indexer's Perspective on Asia Pacific Investing

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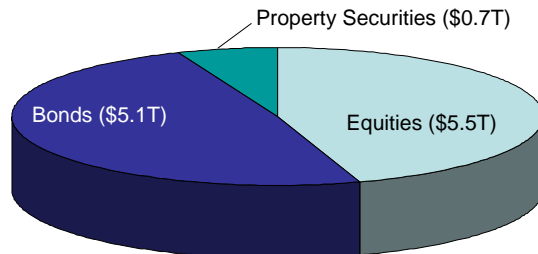
19 April, 2007



Asia Pacific Securities Markets – Large & Growing

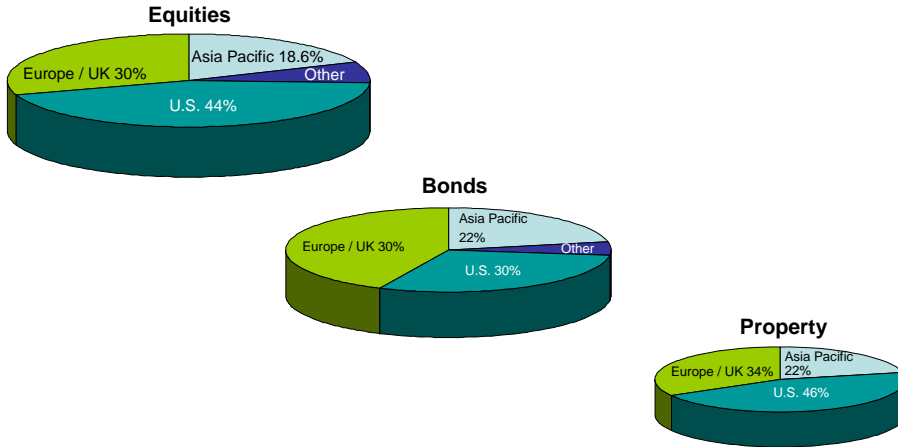


2007
> \$11.3 Trillion



Source: UBS (Property Securities), MSCI (Equities), Lehman (Bonds)

Asia Pacific In the Global Context



Source: UBS, MSCI, Lehman

Breakdown of Asia Pacific Markets



Equities	
Country	% of Asia
Australia	14.8%
China	5.4
Hong Kong	4.4
Indonesia	0.7
Japan	56.4
Korea	7.1
Malaysia	1.4
New Zealand	0.4
Philippines	0.3
Singapore	2.6
Taiwan	5.7
Thailand	0.7

Bonds	
Country	% of Asia
Australia	2.6%
China	
Hong Kong	
Indonesia	
Japan	84.8
Korea	7.3
Malaysia	1.0
New Zealand	0.5
Philippines	
Singapore	0.8
Taiwan	2.3
Thailand	0.8

Source: MSCI, Lehman

Share Markets & the Economy



	% of GDP
Australia	106%
China	11%
Hong Kong	122%
Indonesia	11%
Japan	68%
Korea	43%
Malaysia	49%
New Zealand	20%
Philippines	13%
Singapore	102%
Taiwan	86%
Thailand	17%

Source: MSCI

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Growth in Asia Pacific Economies (1996-2006)

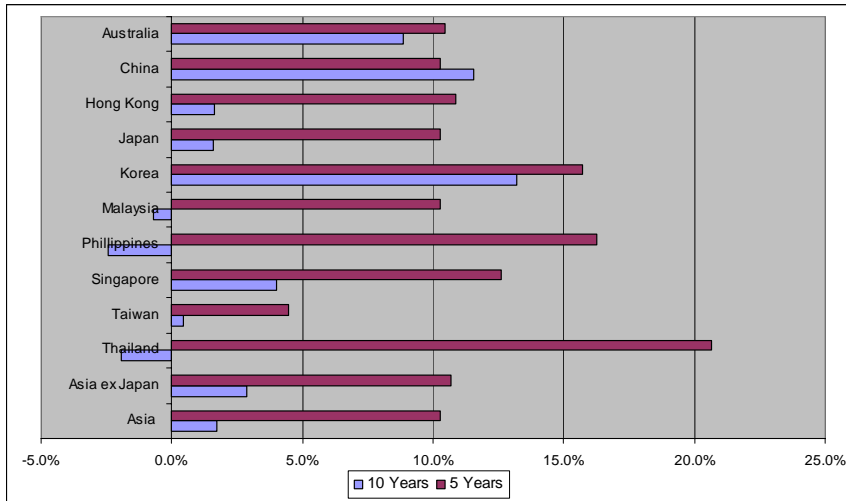


	GDP Growth
Australia	2.3%
China	8.4
Hong Kong	3.5
Japan	0.9
Korea	3.5
Malaysia	1.9
Philippines	2.1
Singapore	3.3
Taiwan	3.7
Thailand	1.7

Source: The Economist

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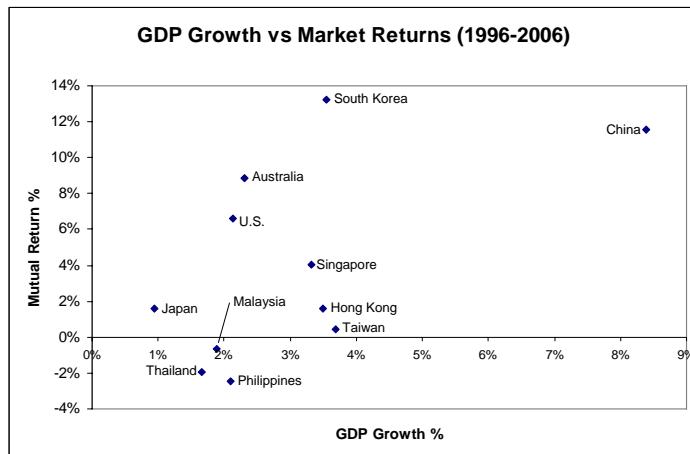
Returns of Asia Pacific Equity Markets



Source: MSCI

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Has Growth Translated into Market Returns?



Source: MSCI, Lehman

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How Risky Are Asia Pacific Share Markets?



* Standard deviation of monthly returns

Country	Volatility (1996 – 2006)
Australia	12%
China	25
Hong Kong	27
Japan	17
Malaysia	33
Philippines	30
Singapore	25
South Korea	39
Taiwan	28
Thailand	44
U.S.	15
Europe	17

Source: MSCI

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Industry Breakdown of Asia Pacific Markets



GICS Sector	Australia	China	Japan	US	Europe
Energy	4.5%	18.1%	1.0%	9.2%	9.1%
Materials	20.1	6.0	9.7	3.1	7.5
Industrials	9.6	12.5	17.4	10.6	9.5
Consumer Discretionary	5.4	4.6	20.5	11.6	9.8
Consumer Staples	6.8	2.0	5.0	8.7	9.3
Health Care	3.2		5.5	12.0	8.1
Financials	44.0	32.4	21.0	22.0	30.5
Information Technology	0.8	1.8	12.0	15.5	3.6
Telecommunication Services	3.7	19.3	3.3	3.8	6.5
Utilities	2.0	3.3	4.7	3.6	6.0

Source: MSCI, Barra

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Asia Pacific Offers Diversification Benefits



Share Market Correlation Matrix

<i>Investor Perspective</i>	<i>Australia</i>	<i>China</i>	<i>Japan</i>	<i>Singapore</i>	<i>U.S.</i>	<i>Asia Ex-Japan</i>	<i>Europe</i>
<i>Australia</i>	1	-0.04	0.54	0.58	0.61	0.78	0.65
<i>China</i>	-0.04	1	0.13	-0.01	0.01	0.03	-0.03
<i>Japan</i>	0.54	0.13	1	0.40	0.45	0.48	0.50
<i>Singapore</i>	0.58	-0.01	0.40	1	0.57	0.84	0.52
<i>U.S.</i>	0.61	0.01	0.45	0.57	1	0.64	0.81
<i>Asia Ex-Japan</i>	0.78	0.03	0.48	0.84	0.64	1	0.62

Source: MSCI

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Other Important Investment Considerations



- ❖ Transaction costs
- ❖ Access to market securities
- ❖ Currency
- ❖ Corporate Governance
- ❖ Liquidity

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