

TEXPERS EMD Presentation

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Emerging Market Debt Performance Has Been Strong

February 1998 – January 2008: Annualized Summary Statistics

	Return	Standard Deviation
JP Morgan Emerging Market Bond Index	10.14%	13.04%
MSCI Emerging Markets	13.94%	23.85%
S&P 500 Index	5.14%	14.80%

During the trailing ten years, emerging market debt provided 73% of the performance delivered by emerging market equity with 45% less risk

February 1998 – January 2008: Annualized Summary Statistics

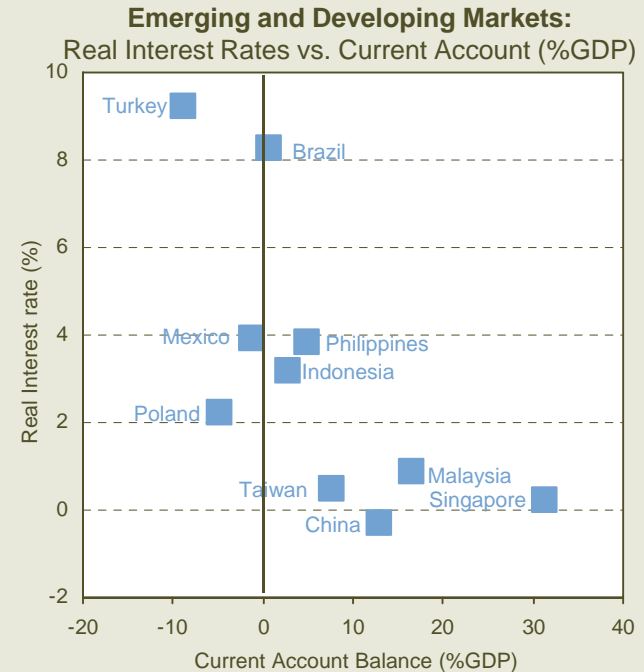
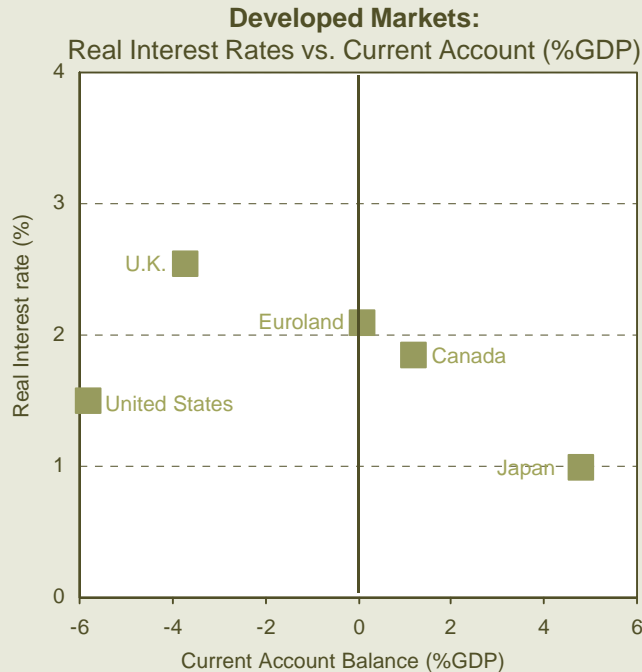
	Return	Standard Deviation
80% Lehman Brothers U.S. Aggregate Bond Index	7.09%	4.32%
20% JP Morgan Emerging Market Bond Index Global	6.01%	3.46%

During the trailing ten years, emerging market debt would have enhanced the performance profile of a traditional fixed income allocation

Explanation For Strong EMD Performance

Global Fixed-Income Environment

As of January 29, 2008



Global Fixed Income – The Current Environment

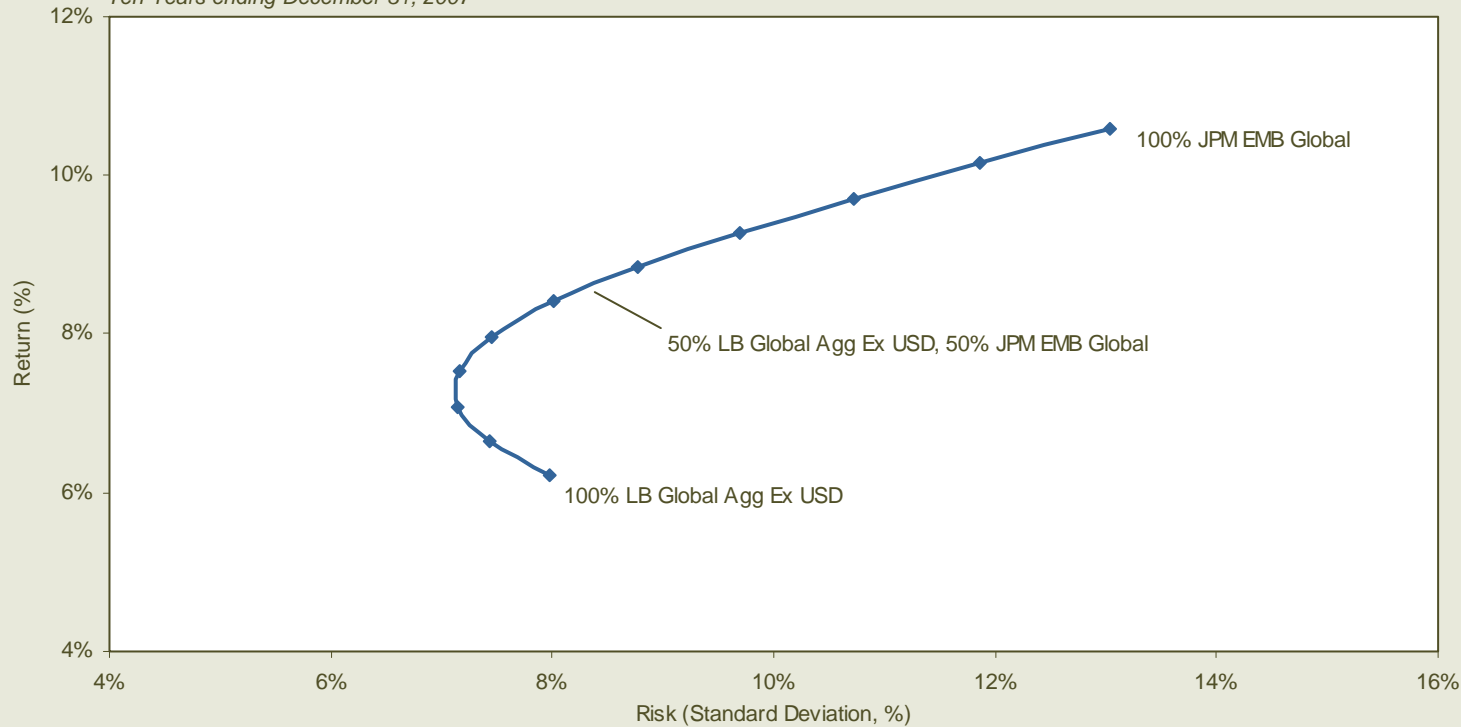
- The world has fundamentally changed during the last 10 years
- Dramatic accumulation in foreign reserves among primary emerging countries is a noteworthy development
- Nominal and real yields in Turkey and Brazil appear compelling

Challenged fundamentals and yield offered in the U.S. warrant a global focus

EMD As A Complement To A Non-dollar Allocation

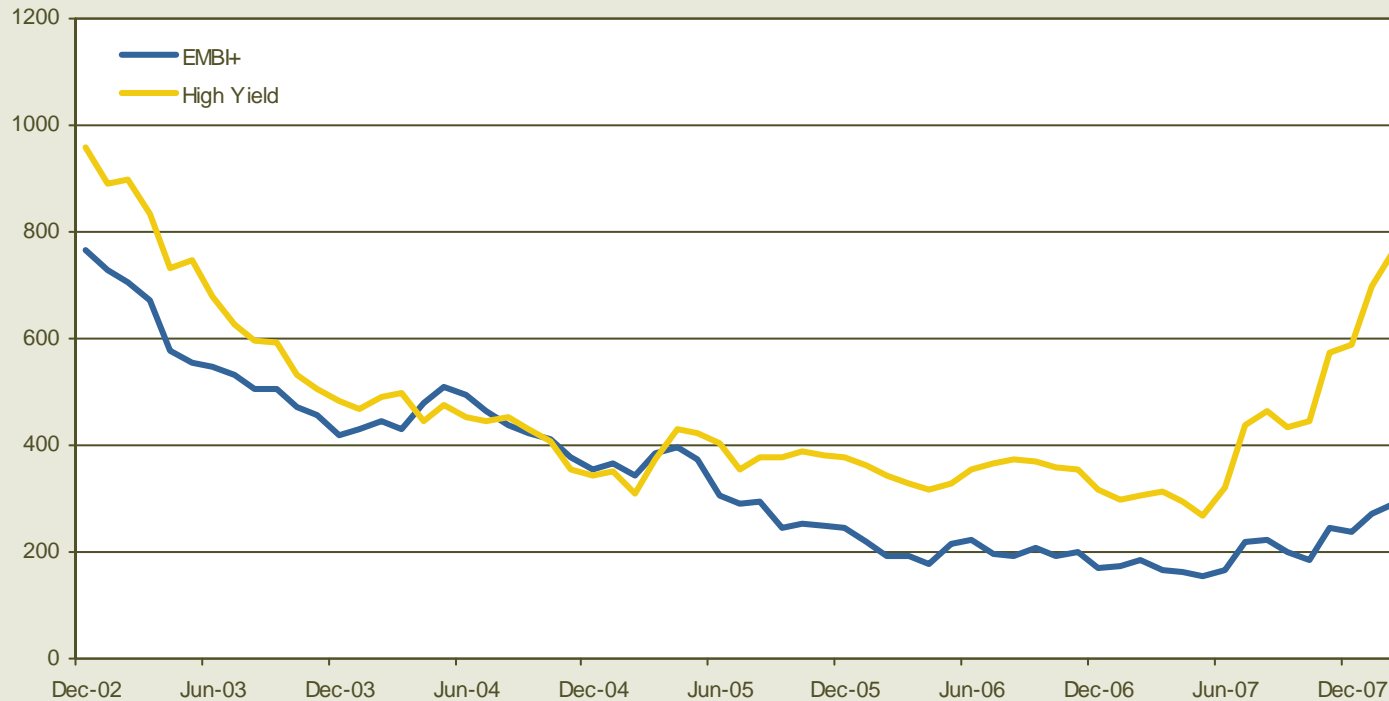
Global Aggregate Bond ex USD and JPM EMB

Ten Years ending December 31, 2007



Emerging Market Debt vs. High Yield

Emerging Market and High Yield Spreads



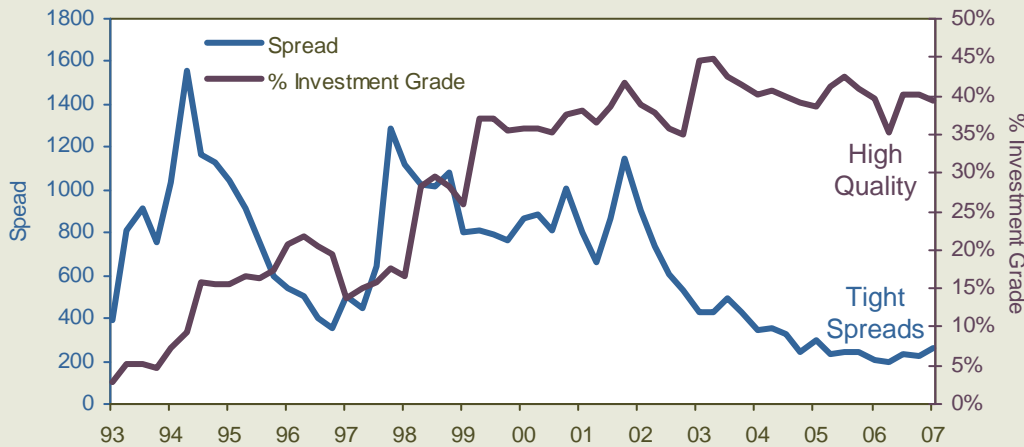
Emerging market debt has been more resilient than high yield amidst sub prime contagion

Source: JP Morgan

Explanation For Strong EMD Performance

Strong Fundamentals Support The Emerging Market Debt Space

EMD Value Analysis

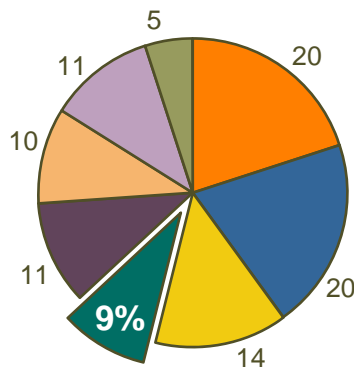


- Secular bull market for commodities (China) favorable for EMD countries
- Credible and independent central banks combined with fiscal discipline
- Fixed rate regimes have largely been replaced with floating rate
- 40% of the EMD space is now investment grade

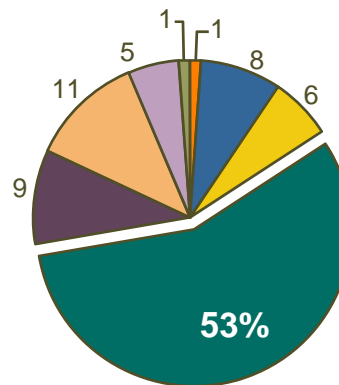
1998

EMD Ownership Analysis

2006



- Other
- Macro Hedge Funds
- Dedicated Mutual Funds
- High Grade Investors
- Non-US Financial Institut.
- Dedicated Hedge Funds
- Latin Accounts
- Proprietary Trading Accts.

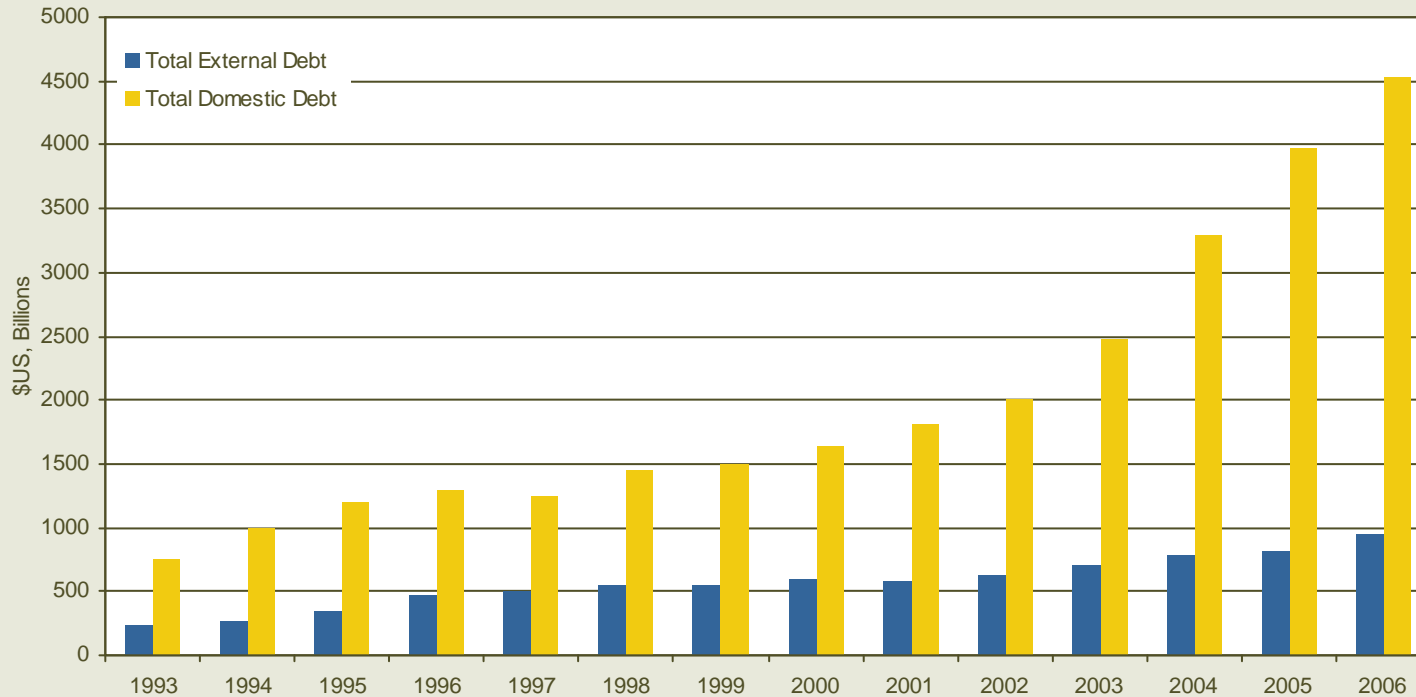


- Macro hedge fund ownership down from 20% to 8%
- High grade investors now comprise 53% of the EMD ownership base

Emerging Market Debt – An Evolving Asset

The World Has Changed

Emerging Market Debt Issuance Analysis



- **Local emerging market debt issuance eclipses more traditional USD denominated EMD**
- **EMD structural imbalance has markedly improved**

A Closer Look At The EMD Space

\$5.5 trillion space in aggregate

\$1.1 trillion in China may not be investable

\$1.07 trillion in Korea may not offer significant value

\$325 million in India may not be investable

Approximately \$3 trillion remains

Considerations For Choosing An EMD Manager

Experienced portfolio management

Partners with a global presence and research capability

Emerging market equity capability can be complementary

Evolving full opportunity approach seems appropriate

Ability to access smaller markets also a consideration

Allocating to EMD

After deciding to allocate to EMD, two potential considerations:

- Give the allocation to one manager
- Consider a blend of two managers

Charts are shown for illustrative purposes only. It is not possible to invest directly in an index. Past performance cannot guarantee future results.