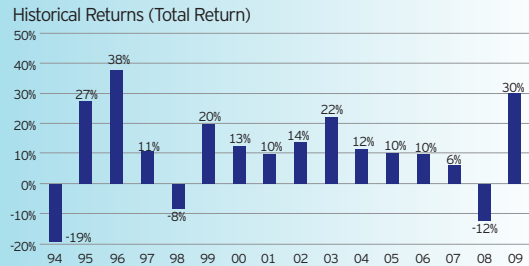
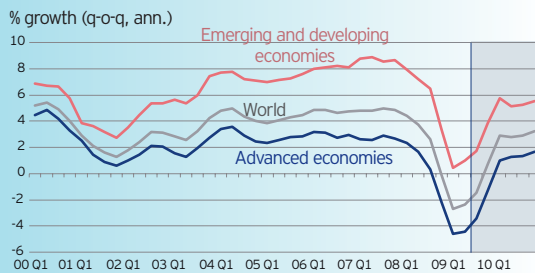


**Exhibit 1: JPM EMBI Global Diversified Index**



Source: Invesco, as at 31 December 2009.

**Exhibit 2: Global GDP Growth**



Source: IMF World Economic Outlook Update, October, 2009; chart created by Invesco. Actual data through June 30, 2009; gray shaded area is forecasted data for Q309 through Q410 from IMF staff estimates as of October 2009.

**Investment Implication**

The market is now entering a consolidation phase. Additional spread tightening will depend on supportive technicals and fundamentals as we continue to recover from the economic failures globally. We now feel that the 'beta' trade has largely run its course, while relative value and single name selection has come under the spotlight. Investors may focus on the risk-reward profiles of select credits/countries. Among the asset class, corporate EM bonds continue to perform well, and valuations remain attractive.

Another key issue facing investors in 2010 is how to position their portfolios between local currency or US dollar denominated debt. We feel that local currency emerging debt will outperform as yields are higher in local currencies, and there should be room for currency gains as a result of improving fundamentals and monetary policies. It is also important to note that local currency debt allows investors to participate in the further maturation of the EM debt asset class and can add a further dimension to the total return and risk diversification of overall fixed income portfolios. In addition, strongest returns are likely to come in the Central and Eastern Europe, Middle East and Africa (CEEMEA) region, as EM forex appreciation will endure at least through the first half of 2010 amid USD weakness.

As the global economy continues to improve from one of the worst financial crises ever, 2009 will be remembered as the year that emerging market (EM) bonds led the global recovery efforts. As highlighted in Exhibit 1, EM bonds posted their second best return on record as measured by the JP Morgan EMBI Global Diversified Index. This encouraging return is mainly due to the strong sovereign balance sheets and manageable public debt burdens of the EM governments, as compared to the developed economies of the US and the eurozone.

**Organic growth continues to fuel EM bond momentum**

Following the strong rally in 2009, the key question being asked by EM investors is: "where do we go from here?" Valuations, of course, are less compelling than they were a year ago, but we still believe that EM bonds are attractive. Generally speaking, the aggregate current accounts of emerging countries remain in surplus, external and public debt ratios are falling, and foreign exchange reserves are high. In addition, EM countries have contributed more to global gross domestic product growth (Exhibit 2) than developed markets. As we enter 2010, we feel that growth in developing countries will continue to outpace that of advanced countries. The desire of EM governments to set their economies on a sustainably higher growth trend is an important supporting driver for EM bonds. Achieving the ambitious goals of many EM governments will require continued sound economic policies, including a commitment to prudent fiscal and monetary management, sound banking systems, and infrastructure investments.

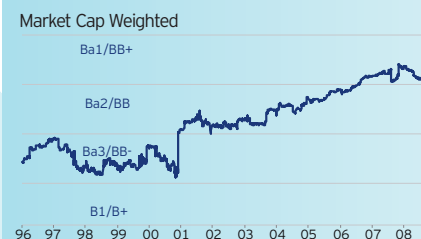
EM bonds typically produced 300 to 500 basis points of additional yield relative to US Treasuries from 01/01/2000 to 31/12/2009, and the expected growth outlook of EM still remains very strong in the near term. In fact, many EMs, such as those in Latin America, have been quite resilient to the global crisis. Their consumer and corporate balance sheets are much less leveraged than those of the developed markets, giving them the ability to continue lending into the cycle to fuel economic growth. Further, most of the EMs are also commodity exporters and realized growth from the rebound in commodity prices this year. This helped their currencies and fiscal accounts, and, in turn, benefited their bond markets.

**Improving credit quality broadens investor base**

Given the positive factors discussed above and improving fundamentals of the underlying EM countries, the asset class has experienced a broadening of its investor base. External demand for EM assets is expected to remain strong as new and growing sources of inflows include high grade crossover investors, US pension allocations, sovereign wealth funds, and Japanese investment trust allocations.

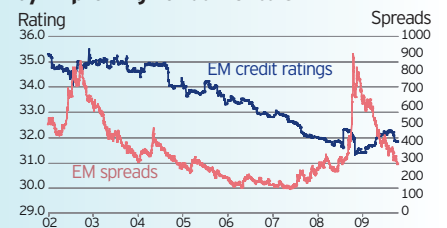
The key factor for these new investors has been the continuing improvement of the asset class' credit quality and its resiliency through the latest economic crisis. Moody's upgrade of Turkey's foreign currency long-term ratings has raised the JP Morgan Emerging Market Global Diversified Bond Index average rating to an investment grade of Baa3 from Ba1. As Exhibit 3 and 4 illustrate, the average credit quality has continually increased as spreads have tightened. This has opened the door to new investors who otherwise were not able to invest in the asset class given quality restrictions. We feel this trend will continue into 2010 and have a positive impact to returns for the year.

**Exhibit 3: Credit Quality of EM IGOV Index**



Source: Bank of America/Merrill Lynch. Chart prepared by Invesco with data through 30 November 2009.

**Exhibit 4: Tighter EM Spreads Justified by Improving Fundamentals**



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