POLICY ISSUES: CHINA’S REGULATORY PURGE, BREXIT and ESG INVESTMENT FACTORS

[7] China portfolio inflows continue despite 2021 regulatory purge and slowing growth

Chinese growth stalled last fall as new standards for real estate and other sectors curtailed growth, and as rising energy prices and power rationing shifted its industrial production rebound into reverse. **Signals for 2022 are mixed, but we believe the positives will outweigh the negatives as it relates to onshore Chinese stocks.** We’re still cautious for obvious reasons on offshore Chinese internet stocks.

**Positives:** stimulus has been modest so far, just a 50 bps cut in bank reserve requirements but was accompanied by pro-growth statements and allowance for greater credit allocation to local gov’ts, small/medium enterprises, mortgages and developers. While Chinese corporate profits growth has weakened due to losses at hog farms, independent power producers and companies impacted by new regulation, JP Morgan Equity Research expects 19% earnings growth in 2022 along with 4.7% real GDP growth and just 2% inflation.

**Negatives:** in November, antitrust regulators were given tougher enforcement powers and broader reach. Internet regulation has been deemed essential for long-term governance which may result in lower revenue growth, higher compliance costs and more volatility from regulatory events. This follows growing regulatory costs and operating restrictions on overseas listings and tracking of consumer data. China hasn’t provided much help to defaulting property developers, and some of their projects may end up transferred to state owned firms. Finally, zero COVID policies continue to constrain growth, and anti-pollution policies may constrain industrial production as China prepares for the 2022 Winter Olympics.

---

**China’s power problems** are the byproduct of a surge in its power demand as the global economy rebounded; lower China hydropower output which increased demand for coal powered generation; a slowdown in China coal production due to climate goals, safety concerns and a coal price cap, leading to power plants running down coal inventories below normal levels; and price controls in China’s power sector which prevent utilities from recovering rising input costs (China has since relaxed coal production restrictions and implemented price controls on coal itself).
On China and portfolio inflows. Emerging Market equity index products used to provide more geographically diverse exposures. For reasons both good and bad, this has changed: China, South Korea and Taiwan alone now comprise two thirds of the entire MSCI EM equity index. Most money managers tend to stick pretty close to these index levels; a pre-COVID look at the largest EM money managers showed median country weights that were only 1%-3% away from benchmark for these three countries. Also interesting: manager overweights tended to be out-of-benchmark positions rather than overweights elsewhere in the EM universe.

China’s weight in the MSCI EM index could rise from 35% to 45% as more of its onshore market cap is included. For this reason and given the ongoing rise of an enormous middle class in China, we will still believe the long run opportunity in China is compelling, despite the 2021 regulatory purge. When looking at venture capital inflows in 2021 (YTD through late December), private investors apparently believe that the Chinese government will not permanently cripple long term growth prospects of many large and successful private enterprises. As shown below, private equity and venture investments in Emerging Asia (much of which is China) have substantially outperformed public equity markets. Private investors tend to focus on healthcare, staples, insurance and other sectors that are under-represented in China’s public equity markets.

Sources include “Regulatory risks remain”, Thomas Gatley, Gavekal Research, December 2, 2021 and “China Equity Earnings Tracker”, JP Morgan Equity Research, December 3, 2021

16 From the year 2000 to 2020, MSCI EM Asia and MSCI EM Latin America generated cumulative returns of 377% and 300%, respectively; that’s outperformance by EM Asia of 1% per year on an annualized basis. Over the last ten years, the differences are even starker: -28% for MSCI EM Latin America and 95% for MSCI EM Asia. Both of these numbers pale in comparison to the S&P 500’s ten year performance of 267%. 
[8] Brexit and the high price of national sovereignty

Some of the most pessimistic Brexit assessments ever written were published by British economists. I always wondered how being British might have affected their outlook; many are employees of financial institutions and owners of London real estate, so they had two oxes that were about to be gored. As shown in the first chart, UK banks have lagged European peers since Brexit. The ECB is still pushing EU banks to relocate staff and facilities back to the continent, so the process is not complete. London home prices did decline after Brexit, but have since risen in tandem with home prices globally.

Let’s step back and consider the consensus view that Brexit was going to end badly for the UK overall. The hard part is that we are not very far into the Brexit era. While the referendum took place in 2016, the UK did not legally leave the EU until Jan 2020 and did not formally leave the single market until the end of the transition period in Dec 2020. Also, the impacts on and responses by UK consumers and businesses will be spread over time. Lastly, the COVID pandemic impacts a lot of the data, making it harder to interpret. Despite these challenges, we are going to try and make an early assessment anyway.

Trade with the EU rose in the aftermath of Brexit since new trading provisions took time to be implemented. It wasn’t until early 2019 that UK trade with the EU began to decline; and as soon as COVID hit, it collapsed even faster due to domestic demand declines in both the UK and Europe. Trade with the rest of the world collapsed as well and so far, the only thing that picked up in 2021 was UK importation of non-EU goods (UK exports to the rest of the world did not offset EU trade declines as Brexit proponents hoped). Even so, the 15% decline in the Pound since the eve of the referendum has helped stabilize the overall UK balance of trade. The UK current account deficit of 3.3% (Q3 2021) is around the average of the last 20 years, following a period of much larger deficits (see p. 38). Bottom line on trade: not great but too influenced by COVID to know for sure.
On business investment, the results are in: Brexit is pretty bad for the UK. The first chart shows how UK capital spending was rising vs the rest of the developed world from 2011 to 2016. Post-referendum, UK capital spending trends declined sharply vs the developed world even before COVID, after which it got even worse. The second chart shows the data by country; there is clearly a Brexit impact here, and it’s a negative one. If you believe that business capital spending is one of the most important indicators of economic health, productivity gains, labor demand and growth, the current gap (if sustained) would be a very clear negative consequence from Brexit.

The data on construction is similar; after Brexit there’s a widening output gap vs the Euro area and the US, one that gets even worse after COVID. Brexit is not just an issue for industry; it also ushered in a period of lagging UK real disposable income, particularly when compared to the US as illustrated below, right. One example: the 2016 depreciation of the Pound is estimated by the London School of Economics to have increased consumer prices by 2.9% or the equivalent of a £870 increase in the cost of living per year for the average household.

These are multidimensional cross country relationships, and there are a lot of other factors influencing them other than Brexit. But...the timing of widening gaps appears inextricably linked with the Brexit referendum. It’s also possible that structural deficiencies which Brexit creates for the UK have hampered its ability rebound from COVID as fast as other regions. That’s not proven yet but will be something to watch.
What might Brexit supporters point to as evidence that the journey is worth it?

After the Brexit vote, many analysts pointed to a deeply entrenched desire in part of the UK population to regain control over its borders, something it could not do as part of the EU. A desire to strengthen border control is kind of ironic: according to historian Stuart Laycock, Britain at some point in its history invaded 90% of the world’s countries. Laycock uses a broad definition, of course: if Britain achieved a military presence in the territory through force, threat of force, negotiation or payment, he included it. Furthermore, incursions by British pirates, privateers or armed explorers were included if they operated with approval of the British govt.

Anyway, what happened on immigration since Brexit? With increased border control now in place, the UK relaxed constraints on immigration. Migration from the EU to the UK did drop sharply after Brexit. However, in a departure from Theresa May’s approach, Boris Johnson implemented policies to relax the cap on Tier 2 visas for non-EU relatively skilled or highly paid migrants, with mechanisms to raise the cap when needed for occupations with labor shortages. As a result, non-EU migration into the UK has been soaring. Bottom line: the new policies created a more geographically diverse and selective system, designed to benefit the UK economy. [Note: this is the kind of merit-based immigration system that exists in countries like Canada and Australia, and which Trump mentioned he was interested in but did nothing about.] UK opinion polls suggest voters have now become less concerned about immigration and are more positive about its economic impacts.

The strange thing about Brexit: the UK had obtained an advantageous position vis-à-vis Europe, having single market access, financial sector benefits and access to skilled labor without being stuck with the Euro albatross. Brexit now discards that advantageous position. One of my British economist friends describes Brexit as the “other great catastrophic policy mistake of the past 100 years”, the first being the decision by Churchill to reinstate the gold standard at pre-war parity levels in 1925. He sees both as a consequence of nationalist pride and a misguided vision of the UK’s place in the world. We’ll see; the ship has sailed and both the costs and benefits of Brexit to the UK are now clearer. While Brexit is not the disaster that many feared, at least not yet, the costs are piling up already and the post-Brexit era has just begun.

---

17 “Immigration and the UK economy after Brexit”, Jonathan Portes, Professor of Economics at Kings College and Senior Fellow at the Economic and Social Research Council, June 25, 2021
[9] ESG portfolio benefits look clearer but precede the 2021 recovery of traditional energy sectors

I prefer to wait for a large number of studies before making determinations about any factor affecting security selection in portfolios. On ESG, we now have a bit more evidence. A 2021 report from NYU aggregated 245 studies published from 2015-2020 to compare ESG portfolio performance with conventional ones. The authors divided the studies into “corporate” studies which analyzed operational metrics (e.g. ROE, ROA, stock price) and “investor” studies which analyzed risk-adjusted performance metrics (e.g. alpha, Sharpe ratio).

The results: 58% of the corporate studies found a positive relationship between ESG factors and financial performance and only 8% found a negative relationship. Among investor studies, 33% found ESG had a positive impact, whereas 14% found a negative impact as compared to conventional portfolios. The rest of the studies found a neutral impact or mixed results. Big picture: an ESG focus appears to help more than hurt.

The NYU study also aggregated 15 corporate and investor meta-analysis studies and found similar results. The 13 corporate meta-analysis studies (covering 1,272 unique studies) found a consistent positive correlation between ESG and corporate financial performance. The 2 investor meta-analysis studies (covering 107 unique studies) found that ESG investing returns were indistinguishable from conventional investing returns.

Caveat #1: oil & gas. While ESG outcomes reflect a lot more than the difference between renewable and traditional energy stocks, this gap did play a role in the outcomes of many studies cited above. As shown below this gap has now reversed, with traditional energy stocks outperforming a basket of renewable energy indexes by nearly the largest amount in a decade. Global plans to accelerate decarbonization may reinstate the prior trend, but that remains to be seen.

Other caveats: the last several years have created a perfect storm tailwind for ESG investing. In addition to the underperformance of oil & gas sector, there has been a surge of inflows into ESG strategies. These flows could explain why ESG stocks are outperforming, rather than reflecting intrinsically higher profitability or greater resilience to climate related risks; such parabolic inflows into ESG strategies may not last forever. Also: low real interest rates have boosted investor tolerance for unprofitable growth companies (see first chart on page 14), some of which are ESG-focused. In effect, the Trade War and COVID short-circuited the narratives for many cyclical and value stocks, shifting attention to growth at any price. If the world economy ever gets a chance to move beyond these two risks, valuations for long horizon growth stocks could fall sharply.

---

IMPORTANT INFORMATION
This report uses rigorous security protocols for selected data sourced from Chase credit and debit card transactions to ensure all information is kept confidential and secure. All selected data is highly aggregated and all unique identifiable information, including names, account numbers, addresses, dates of birth, and Social Security Numbers, is removed from the data before the report’s author receives it. The data in this report is not representative of Chase’s overall credit and debit cardholder population.

The views, opinions and estimates expressed herein constitute Michael Cembalest’s judgment based on current market conditions and are subject to change without notice. Information herein may differ from those expressed by other areas of J.P. Morgan. This information in no way constitutes J.P. Morgan Research and should not be treated as such.

The views contained herein are not to be taken as advice or a recommendation to buy or sell any investment in any jurisdiction, nor is it a commitment from J.P. Morgan or any of its subsidiaries to participate in any of the transactions mentioned herein. Any forecasts, figures, opinions or investment techniques and strategies set out are for information purposes only, based on certain assumptions and current market conditions and are subject to change without prior notice.

All information presented herein is considered to be accurate at the time of production. This material does not contain sufficient information to support an investment decision and should not be relied upon by you in evaluating the merits of investing in any securities or products. In addition, users should make an independent assessment of the legal, regulatory, tax, credit and accounting implications and determine, together with their own professional advisers, if any investment mentioned herein is believed to be suitable to their personal goals. Investors should ensure that they obtain all available relevant information before making any investment. It should be noted that investment involves risks, the value of investments and the income from them may fluctuate in accordance with market conditions and taxation agreements and investors may not get back the full amount invested. Both past performance and yields are not reliable indicators of current and future results.

Non-affiliated entities mentioned are for informational purposes only and should not be construed as an endorsement or sponsorship of J.P. Morgan Chase & Co. or its affiliates.

For J.P. Morgan Asset Management Clients:
J.P. Morgan Asset Management is the brand for the asset management business of JPMorgan Chase & Co. and its affiliates worldwide.
To the extent permitted by applicable law, we may record telephone calls and monitor electronic communications to comply with our legal and regulatory obligations and internal policies.
Personal data will be collected, stored and processed by J.P. Morgan Asset Management in accordance with our privacy policies at https://am.jpmorgan.com/global/privacy.

ACCESSIBILITY
For U.S. only: If you are a person with a disability and need additional support in viewing the material, please call us at 1-800-343-1113 for assistance.
This communication is issued by the following entities:
In the United States, by J.P. Morgan Investment Management Inc. or J.P. Morgan Alternative Asset Management, Inc., both regulated by the Securities and Exchange Commission; in Latin America, for intended recipients’ use only, by local J.P. Morgan entities, as the case may be; in Canada, for institutional clients’ use only, by JPMorgan Asset Management (Canada) Inc., which is a registered Portfolio Manager and Exempt Market Dealer in all Canadian provinces and territories except the Yukon and is also registered as an Investment Fund Manager in British Columbia, Ontario, Quebec and Newfoundland and Labrador. In the United Kingdom, by JPMorgan Asset Management (UK) Limited, which is authorized and regulated by the Financial Conduct Authority; in other European jurisdictions, by JPMorgan Asset Management (Europe) S.à r.l. In Asia Pacific (“APAC”), by the following issuing entities and in the respective jurisdictions in which they are primarily regulated: JPMorgan Asset Management (Asia Pacific) Limited, or JPMorgan Funds (Asia) Limited, or JPMorgan Asset Management Real Assets (Asia) Limited, each of which is regulated by the Securities and Futures Commission of Hong Kong; JPMorgan Asset Management (Singapore) Limited (Co. Reg. No. 197601586K), which this advertisement or publication has not been reviewed by the Monetary Authority of Singapore; JPMorgan Asset Management (Taiwan) Limited; JPMorgan Asset Management (Japan) Limited, which is a member of the Investment Trusts Association, Japan, the Japan Investment Advisers Association, Type II Financial Instruments Firms Association and the Japan Securities Dealers Association and is regulated by the Financial Services Agency (registration number “Kanto Local Finance Bureau (Financial Instruments Firm) No. 330”); in Australia, to wholesale clients only as defined in section 761A and 761G of the Corporations Act 2001 (Commonwealth), by JPMorgan Asset Management (Australia) Limited (ABN 55143832080) (AFSL 376919). For all other markets in APAC, to intended recipients only.

For J.P. Morgan Private Bank Clients:
ACCESSIBILITY
J.P. Morgan is committed to making our products and services accessible to meet the financial services needs of all our clients. Please direct any accessibility issues to the Private Bank Client Service Center at 1-866-265-1727.

LEGAL ENTITY, BRAND & REGULATORY INFORMATION
In the United States, bank deposit accounts and related services, such as checking, savings and bank lending, are offered by JPMorgan Chase Bank, N.A. Member FDIC.
JPMorgan Chase Bank, N.A. and its affiliates (collectively “JPMC”) offer investment products, which may include bank-managed investment accounts and custody, as part of its trust and fiduciary services. Other investment products and services, such as brokerage and advisory accounts, are offered through J.P. Morgan Securities LLC (“JPM”)’s member of FINRA and SIPC. Annuities are made available through Chase Insurance Agency, Inc. (CIA), a licensed insurance agency, doing business as Chase Insurance Agency Services, Inc. in Florida. JPMC, JPMS and CIA are affiliated companies under the common control of JPM.
Products not available in all states.
In Luxembourg, this material is issued by J.P. Morgan Bank Luxembourg S.A. (JPMBL), with registered office at European Bank and Business Centre, 6 route de Treves, L-2633, Senningerberg, Luxembourg. R.C.S Luxembourg B10.958. Authorized and regulated by Commission de Surveillance du Secteur Financier (CSSF) and jointly supervised by the European Central Bank (ECB) and the CSSF. J.P. Morgan Bank Luxembourg S.A. is authorized as a credit institution in accordance with the Law of 5th April 1993. In the United Kingdom, this material is issued by J.P. Morgan Bank Luxembourg S.A., London Branch, registered office at 25 Bank Street, Canary Wharf, London E14 5JP. Authorized and regulated by Commission de Surveillance du Secteur Financier (CSSF) and jointly supervised by the European Central Bank (ECB) and the CSSF. Deemed authorised by the Prudential Regulation Authority. Subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details of the Temporary Permissions Regime, which allows EEA-based firms to operate in the UK for a limited period while seeking full authorisation, are available on the Financial Conduct Authority’s website. In Spain, this material is distributed by J.P. Morgan Bank Luxembourg S.A., Sucursal en España, with registered office at Paseo de la Castellana, 31, 28046 Madrid, Spain. J.P. Morgan Bank Luxembourg S.A., Sucursal en

ACCESSIBILITY
For U.S. only: If you are a person with a disability and need additional support in viewing the material, please call us at 1-800-343-1113 for assistance.
This communication is issued by the following entities:
In the United States, by J.P. Morgan Investment Management Inc. or J.P. Morgan Alternative Asset Management, Inc., both regulated by the Securities and Exchange Commission; in Latin America, for intended recipients’ use only, by local J.P. Morgan entities, as the case may be; in Canada, for institutional clients’ use only, by JPMorgan Asset Management (Canada) Inc., which is a registered Portfolio Manager and Exempt Market Dealer in all Canadian provinces and territories except the Yukon and is also registered as an Investment Fund Manager in British Columbia, Ontario, Quebec and Newfoundland and Labrador. In the United Kingdom, by JPMorgan Asset Management (UK) Limited, which is authorized and regulated by the Financial Conduct Authority; in other European jurisdictions, by JPMorgan Asset Management (Europe) S.à r.l. In Asia Pacific (“APAC”), by the following issuing entities and in the respective jurisdictions in which they are primarily regulated: JPMorgan Asset Management (Asia Pacific) Limited, or JPMorgan Funds (Asia) Limited, or JPMorgan Asset Management Real Assets (Asia) Limited, each of which is regulated by the Securities and Futures Commission of Hong Kong; JPMorgan Asset Management (Singapore) Limited (Co. Reg. No. 197601586K), which this advertisement or publication has not been reviewed by the Monetary Authority of Singapore; JPMorgan Asset Management (Taiwan) Limited; JPMorgan Asset Management (Japan) Limited, which is a member of the Investment Trusts Association, Japan, the Japan Investment Advisers Association, Type II Financial Instruments Firms Association and the Japan Securities Dealers Association and is regulated by the Financial Services Agency (registration number “Kanto Local Finance Bureau (Financial Instruments Firm) No. 330”); in Australia, to wholesale clients only as defined in section 761A and 761G of the Corporations Act 2001 (Commonwealth), by JPMorgan Asset Management (Australia) Limited (ABN 55143832080) (AFSL 376919). For all other markets in APAC, to intended recipients only.

For J.P. Morgan Private Bank Clients:
ACCESSIBILITY
J.P. Morgan is committed to making our products and services accessible to meet the financial services needs of all our clients. Please direct any accessibility issues to the Private Bank Client Service Center at 1-866-265-1727.

LEGAL ENTITY, BRAND & REGULATORY INFORMATION
In the United States, bank deposit accounts and related services, such as checking, savings and bank lending, are offered by JPMorgan Chase Bank, N.A. Member FDIC.
JPMorgan Chase Bank, N.A. and its affiliates (collectively “JPMC”) offer investment products, which may include bank-managed investment accounts and custody, as part of its trust and fiduciary services. Other investment products and services, such as brokerage and advisory accounts, are offered through J.P. Morgan Securities LLC (“JPM”), a member of FINRA and SIPC. Annuities are made available through Chase Insurance Agency, Inc. (CIA), a licensed insurance agency, doing business as Chase Insurance Agency Services, Inc. in Florida. JPMC, JPMS and CIA are affiliated companies under the common control of JPM.
Products not available in all states.
In Luxembourg, this material is issued by J.P. Morgan Bank Luxembourg S.A. (JPMBL), with registered office at European Bank and Business Centre, 6 route de Treves, L-2633, Senningerberg, Luxembourg. R.C.S Luxembourg B10.958. Authorized and regulated by Commission de Surveillance du Secteur Financier (CSSF) and jointly supervised by the European Central Bank (ECB) and the CSSF. J.P. Morgan Bank Luxembourg S.A. is authorized as a credit institution in accordance with the Law of 5th April 1993. In the United Kingdom, this material is issued by J.P. Morgan Bank Luxembourg S.A., London Branch, registered office at 25 Bank Street, Canary Wharf, London E14 5JP. Authorized and regulated by Commission de Surveillance du Secteur Financier (CSSF) and jointly supervised by the European Central Bank (ECB) and the CSSF. Deemed authorised by the Prudential Regulation Authority. Subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details of the Temporary Permissions Regime, which allows EEA-based firms to operate in the UK for a limited period while seeking full authorisation, are available on the Financial Conduct Authority’s website. In Spain, this material is distributed by J.P. Morgan Bank Luxembourg S.A., Sucursal en España, with registered office at Paseo de la Castellana, 31, 28046 Madrid, Spain. J.P. Morgan Bank Luxembourg S.A., Sucursal en
This document contains information provided by J.P. Morgan. It is intended for distribution to J.P. Morgan’s clients and prospects and should not be used or passed on to any other persons or entities. Any unauthorized reproduction or disclosure of this information is strictly prohibited. The distribution of this material may be restricted in certain jurisdictions. We may offer and/or sell to you securities or instruments which may not be registered under, and are not the subject of a public offering under, the securities or other financial regulatory laws of your home country. Such securities or instruments may be subject to certain regulatory and/or contractual restrictions on subsequent transfer by you, and you are solely responsible for ascertaining and complying with such restrictions. To the extent this content makes reference to a fund, the Fund may not be publicly offered in any Latin American country, without previous registration of such fund’s securities in compliance with the laws of the corresponding jurisdiction. Public offering of any security, including the shares of the Fund, without previous registration at Brazilian Securities and Exchange Commission—CVM is completely prohibited. Some products or services contained in the materials might not be currently provided by the Brazilian and Mexican platforms.

JPMorgan Chase Bank, N.A. (JPMCBNA) (ABN 43 074 112 011/AFS Licence No: 238367) is regulated by the Australian Securities and Investment Commission and the Australian Prudential Regulation Authority. Material provided by JPMCBNA in Australia is to “wholesale clients” only. For the purposes of this paragraph the term “wholesale client” has the meaning given in section 761G of the Corporations Act 2001 (Cth). Please inform us if you are not a Wholesale Client now or if you cease to be a Wholesale Client at any time in the future.

JPMorgan Chase Bank, N.A. (JPMCBNA) (ABN 43 074 112 011/AFS Licence No: 238367) is regulated by the Australian Securities and Investment Commission and the Australian Prudential Regulation Authority. Material provided by JPMCBNA in Australia is to “wholesale clients” only. For the purposes of this paragraph the term “wholesale client” has the meaning given in section 761G of the Corporations Act 2001 (Cth). Please inform us if you are not a Wholesale Client now or if you cease to be a Wholesale Client at any time in the future.

The distribution of this material may be restricted in certain jurisdictions. We may offer and/or sell to you securities or instruments which may not be registered under, and are not the subject of a public offering under, the securities or other financial regulatory laws of your home country. Such securities or instruments may be subject to certain regulatory and/or contractual restrictions on subsequent transfer by you, and you are solely responsible for ascertaining and complying with such restrictions. To the extent this content makes reference to a fund, the Fund may not be publicly offered in any Latin American country, without previous registration of such fund’s securities in compliance with the laws of the corresponding jurisdiction. Public offering of any security, including the shares of the Fund, without previous registration at Brazilian Securities and Exchange Commission—CVM is completely prohibited. Some products or services contained in the materials might not be currently provided by the Brazilian and Mexican platforms.

JPMorgan Chase Bank, N.A. (JPMCBNA) (ABN 43 074 112 011/AFS Licence No: 238367) is regulated by the Australian Securities and Investment Commission and the Australian Prudential Regulation Authority. Material provided by JPMCBNA in Australia is to “wholesale clients” only. For the purposes of this paragraph the term “wholesale client” has the meaning given in section 761G of the Corporations Act 2001 (Cth). Please inform us if you are not a Wholesale Client now or if you cease to be a Wholesale Client at any time in the future.

This material has not been prepared specifically for Australian investors. It:

- May contain references to dollar amounts which are not Australian dollars;
- May contain financial information which is not prepared in accordance with Australian law or practices;
- May not address risks associated with investment in foreign currency denominated investments; and
- Does not address Australian tax issues.