

Dr. Mark Konyn

Dresdner RCM Global Investors

Quotes

“There is no escaping the process of globalization.”

“ I think internationalisation is unavoidable.”

“ It (the Central Bank) must continually scan the local, global and regional environments and respond in advance or at least on time.”

“In efforts to diversify risk and enhance returns participation in foreign markets by institutional investors has increased exponentially.”

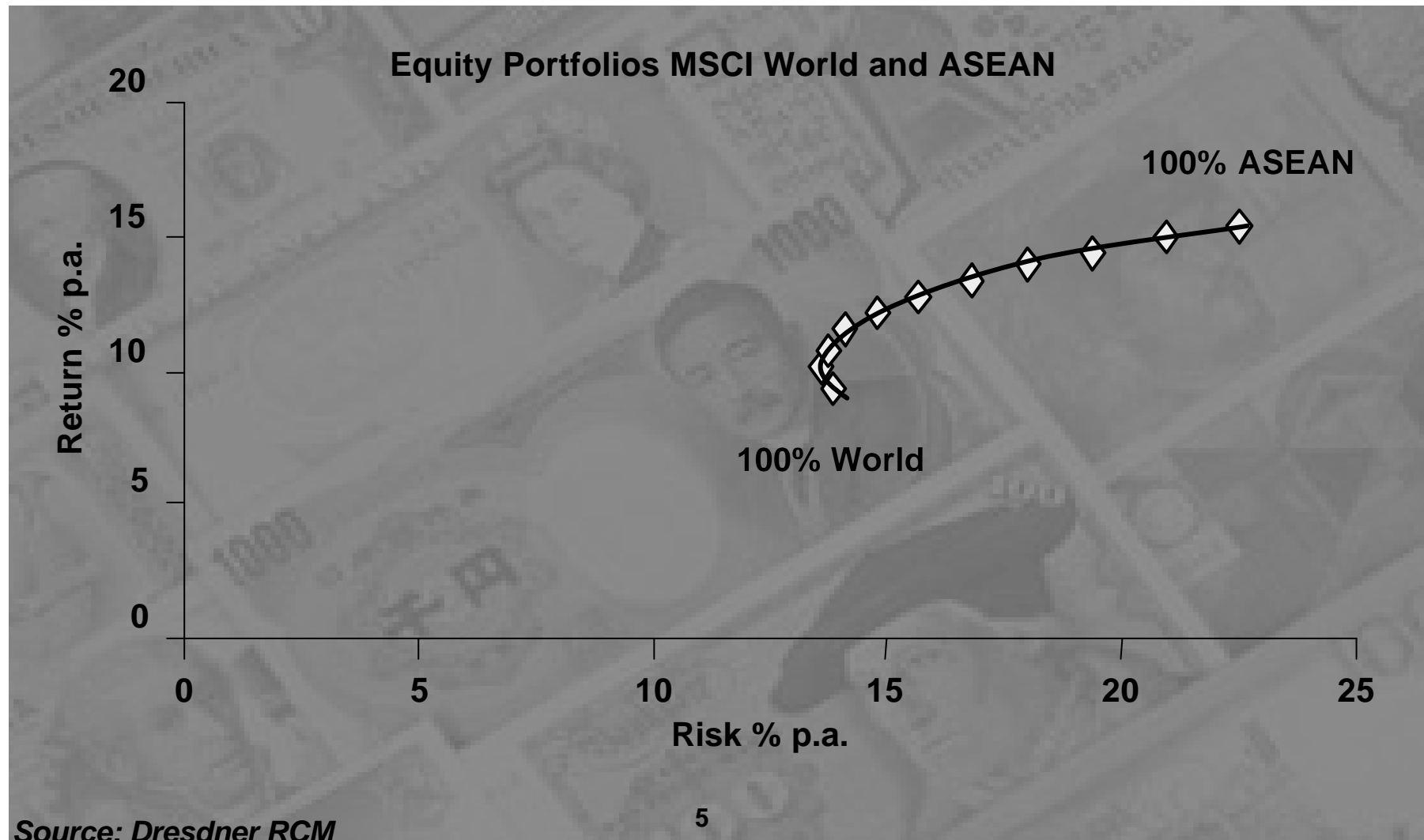
Key Considerations

- ◆ **Community wide coverage**
- ◆ **Matching members' benefit expectations**
- ◆ **Minimising shortfalls**
- ◆ **Minimising volatility**
- ◆ **Longer term budget balancing**
- ◆ **Balancing political considerations**

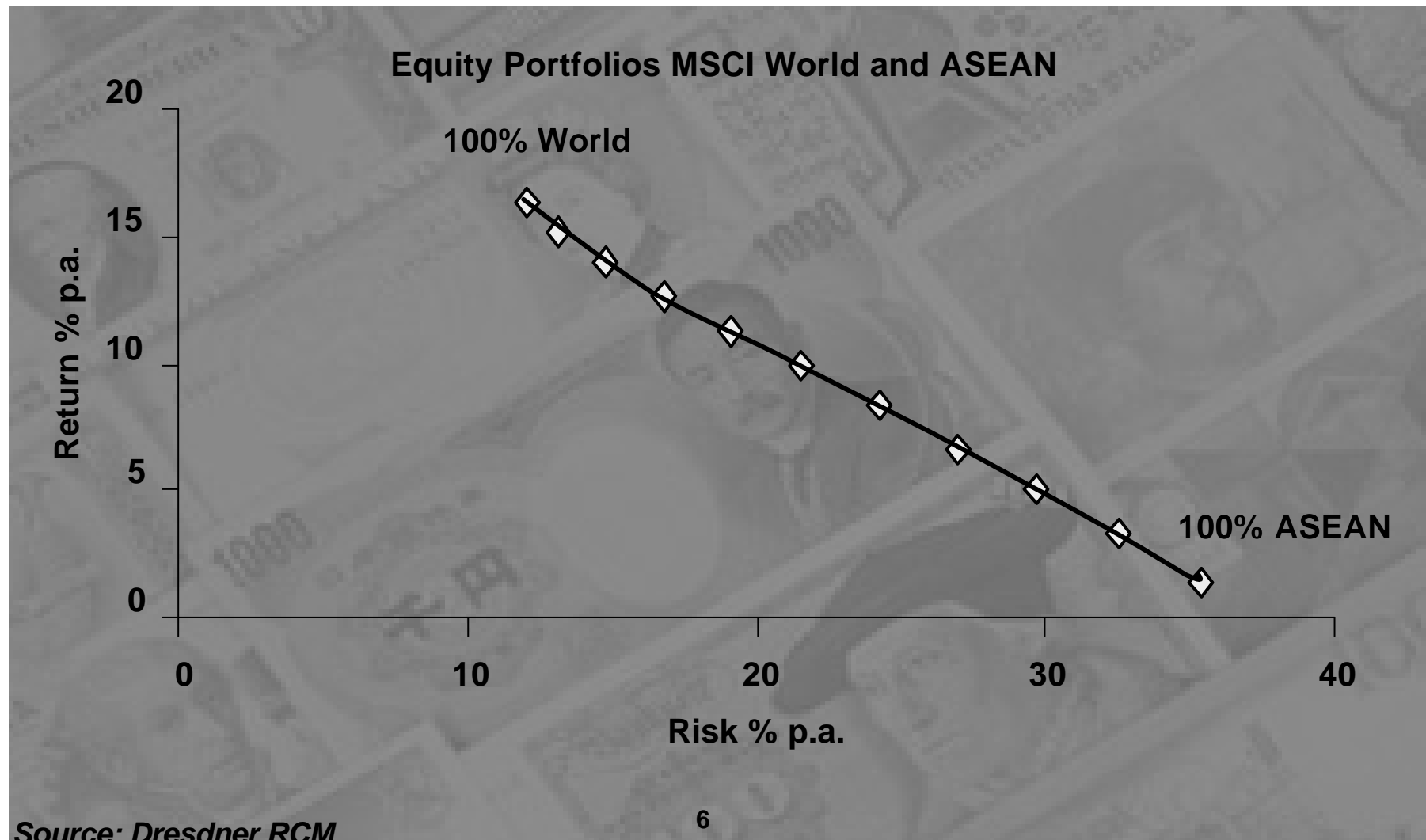
Possible (Beneficial) Side Effects

- ◆ Improved corporate governance
- ◆ More developed capital markets \equiv Access to capital
- ◆ More developed individual savings markets
 - ◆ Stocks and Bonds
 - ◆ Mutual Funds
 - ◆ Insurance related services
 - ◆ Banking services
- ◆ Ultimately less state dependence

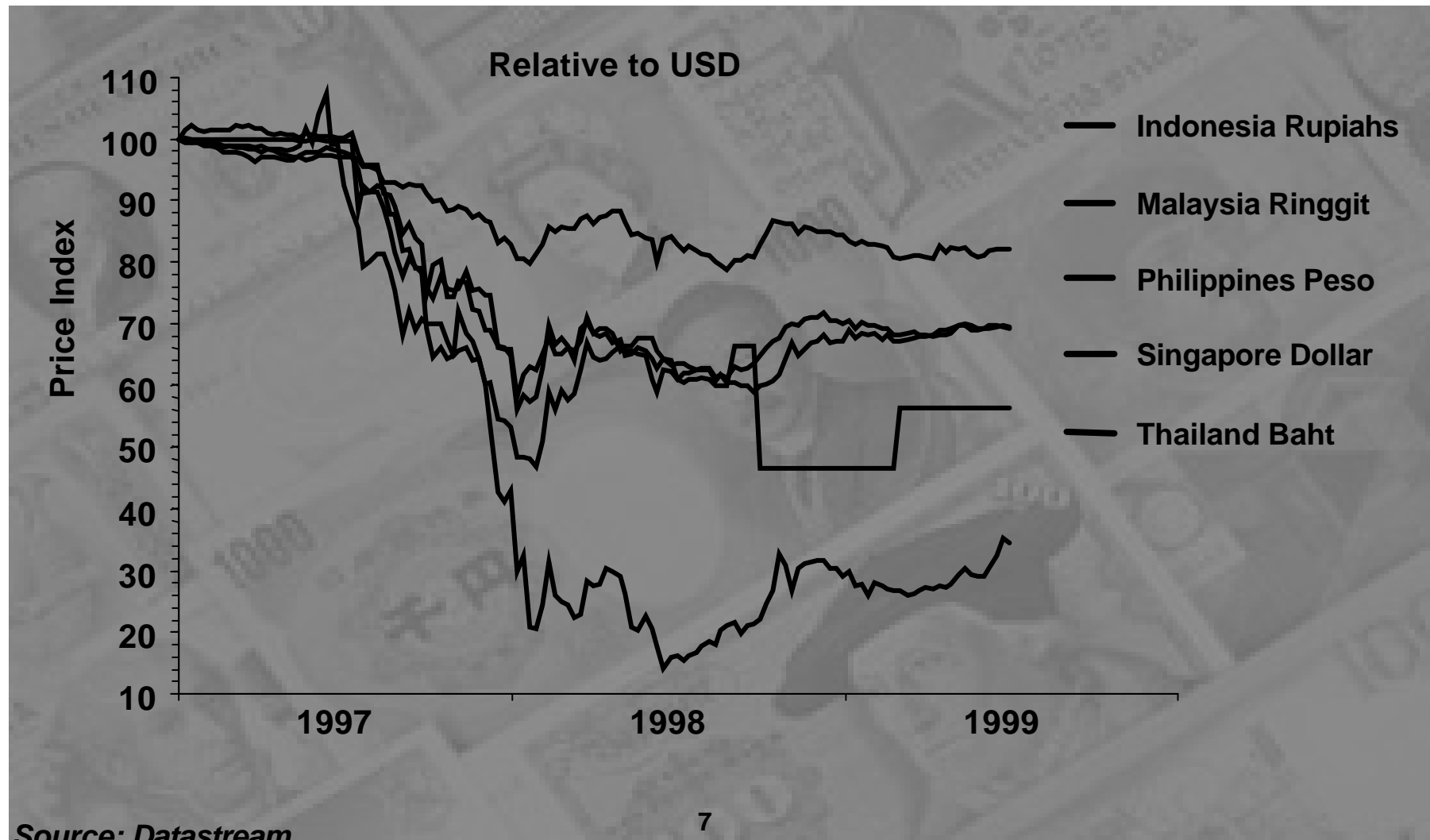
Efficient Frontier – 7 years to Jun-96



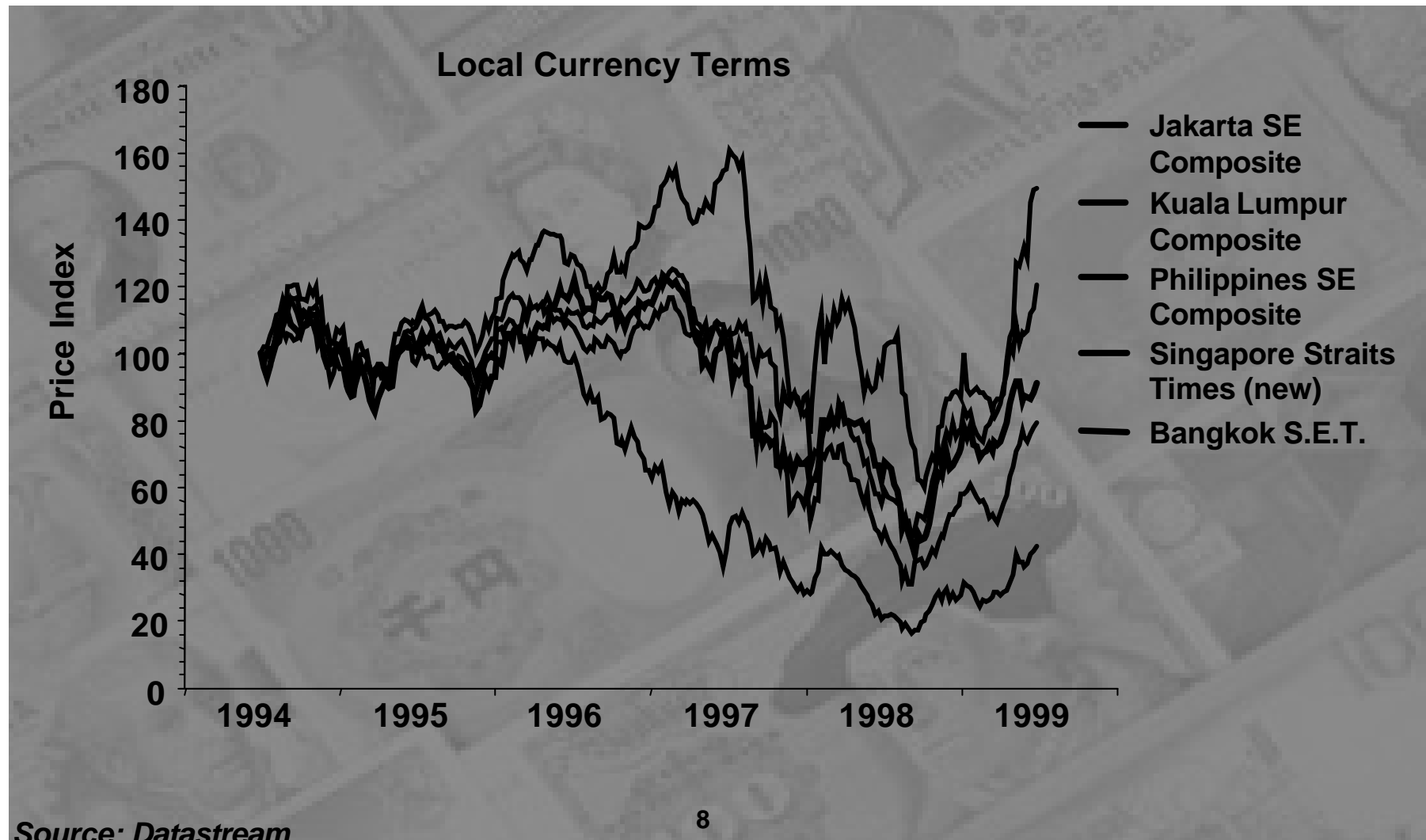
Efficient Frontier – 7 years to Jun-99



ASEAN Currencies



ASEAN Stock Markets



Risk Characteristics for the Philippines

Returns

	5 Years' Return in PHP %	10 Years' Return in PHP %
Manila Composite	-9.5	145.6
MSCI World	184.2	343.0
91D T-bills	87.6	368.5

Standard Deviation

	10 Years Annualised %
Manila Composite	36.8
MSCI World	17.5
91D T-bills	1.4

Correlation

	Manila Composite	MSCI World	91D T-bills
Manila Composite	1		
MSCI World	-0.6	1	
91D T-bills	0.0	-0.1	1

Different Portfolios

Returns

	3 Years Return in PHP %	5 Years Return in PHP %	10 Years Return in PHP %
70% T-bills & 30% Manila Composite	27.8	60.2	342.4
70% T-bills 20% Manila Composite & 10% MSCI World	41.7	78.0	358.7

Standard Deviation

	3 Years Annualised %	5 Years Annualised %	10 Years Annualised %
70% T-bills & 30% Manila Composite	12.2	10.5	11.2
70% T-bills 20% Manila Composite & 10% MSCI World	8.8	7.6	8.2

Stock Market Index Sizes in ASEAN

	<i>US\$ billion</i>
Philippines	32.3
Singapore	123.8
Thailand	57.2
Jakarta	50.7
Kuala Lumpur	74.9
US	2,771.7

As at 30/06/99

Social Security Assets

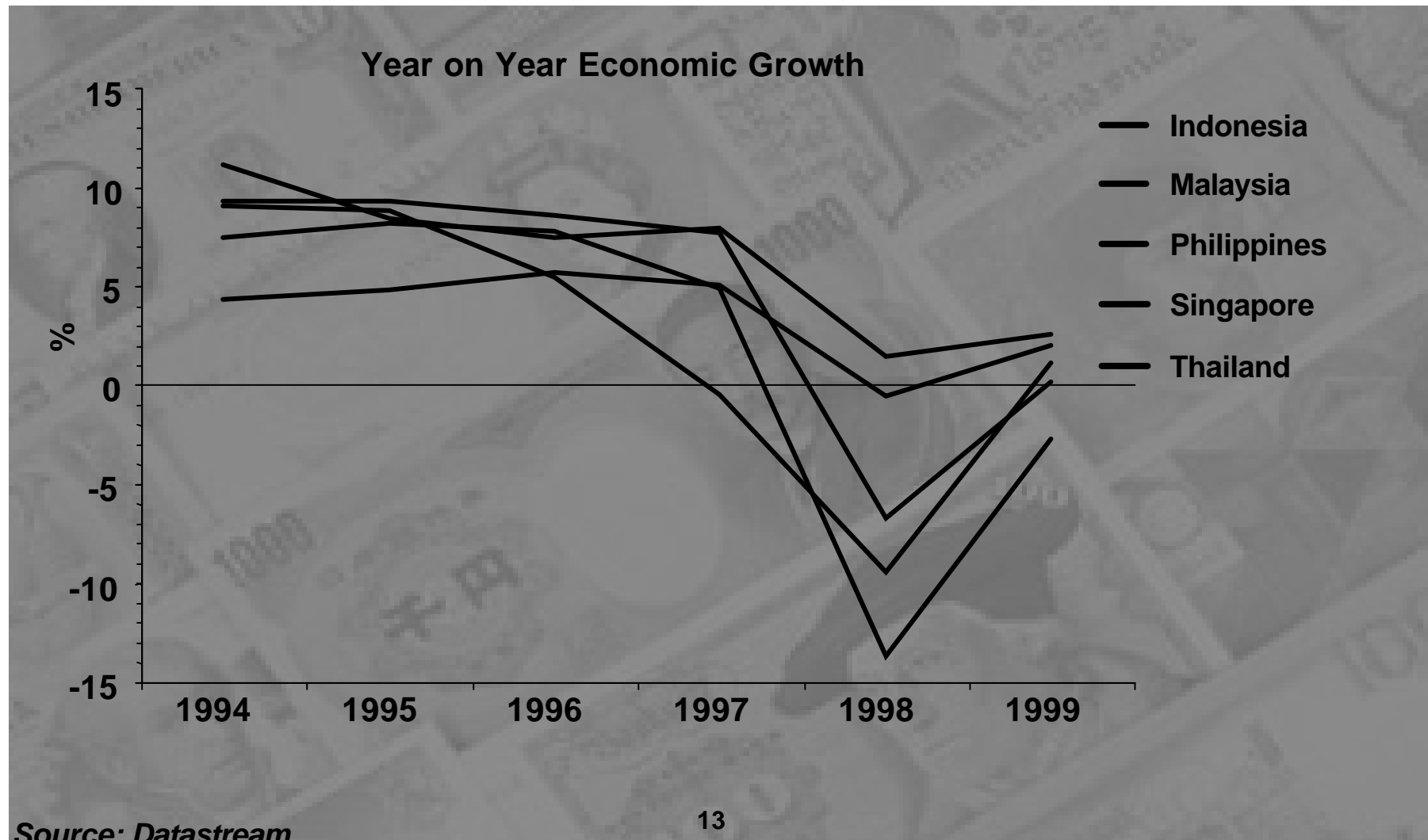
US\$ millions

CPF	48,071¹
EPF	33,287
Socso	1,485
SSS	3,506
GSIS	736
Astek	793²
Taspen	700E

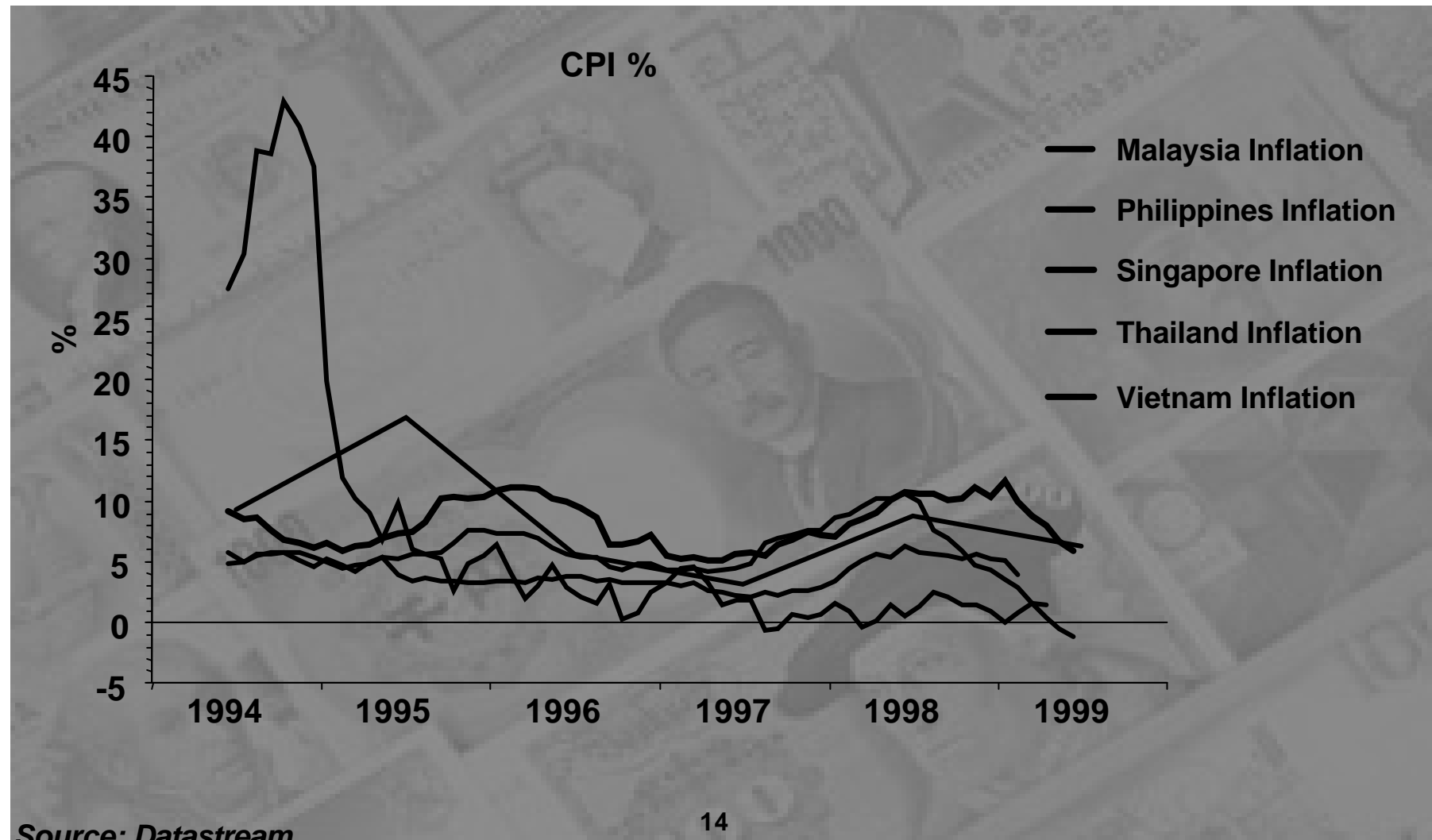
¹ 2/28/98

² 12/31/96

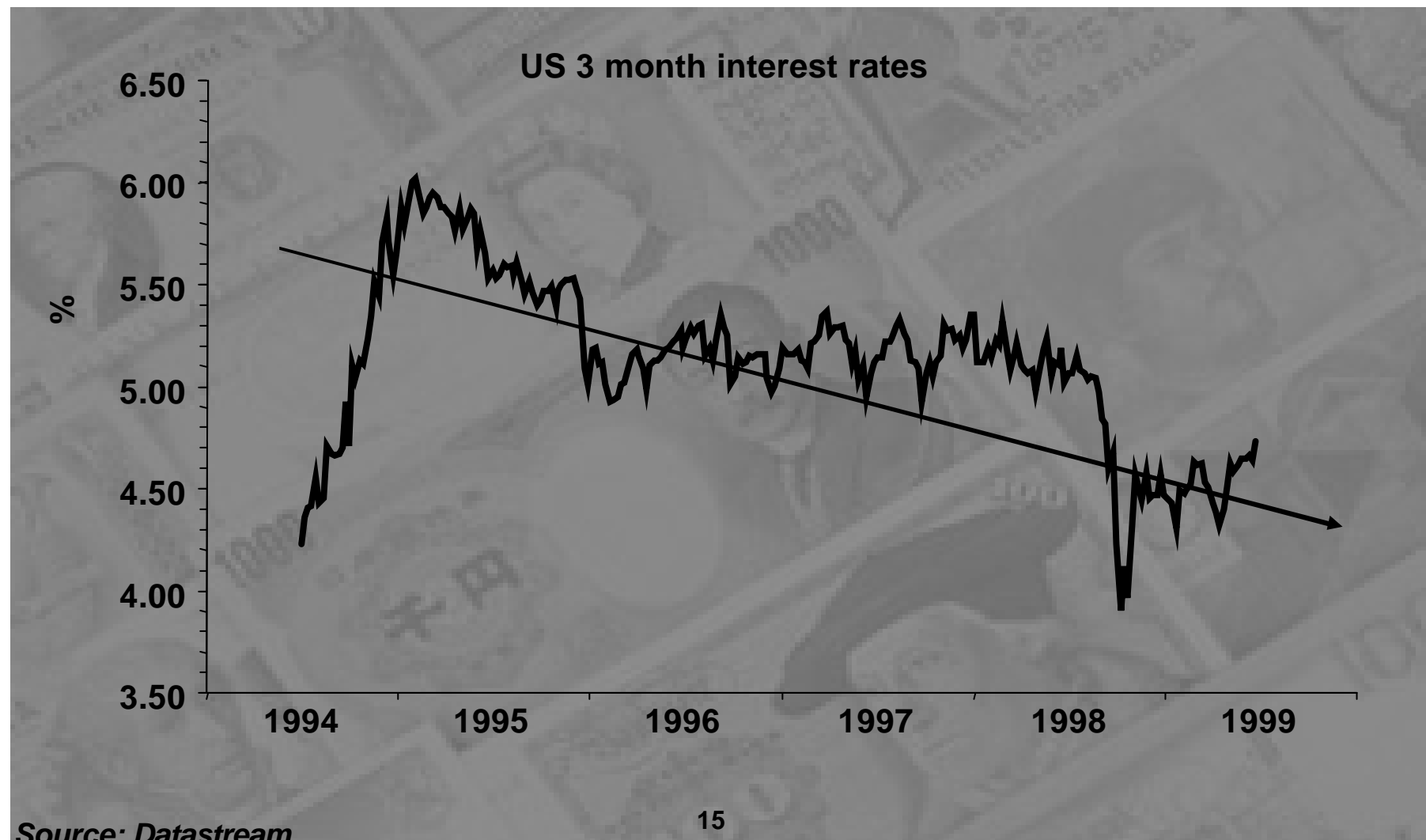
Diversification in the New Environment



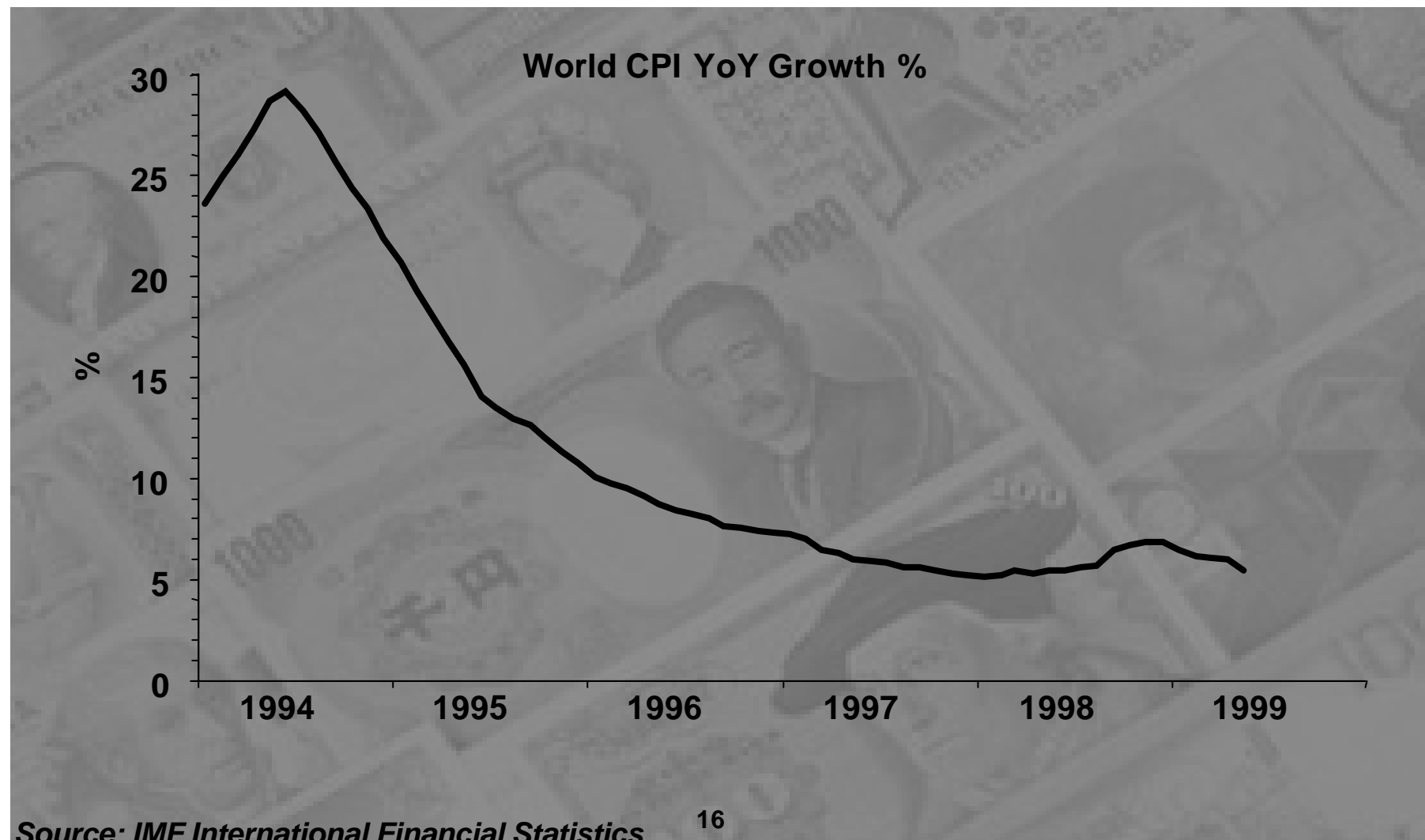
ASEAN Inflation



Global interest rates



Global Inflation and Investment Returns



Name that country

- ◆ **Less than 2% total pension assets in overseas fixed income**
- ◆ **Less than 10% total pension assets in overseas investments**
- ◆ **Restrictions on overseas investment for public funds**