

THANK YOU TO OUR SPONSORS



AGF[™]



Matthews Asia



SANDS
CAPITAL

T.RowePrice



UBS

Disruption and Implications for Emerging Markets Investing



Regina Chi
AGF INVESTMENTS INC.

September 2019 |



The Fourth Industrial Revolution – Disruptive Technologies

1st



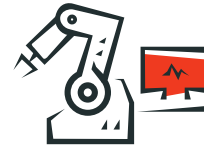
**Steam and Water
Power**

2nd



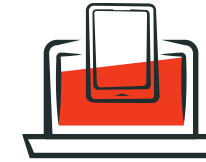
**Mass Production,
Electrification**

3rd



**Computer and
Automation**

4th



**Cyber Physical
Systems, AI**

Source: Martin Currie, December 2018.
Please see appendix for the full disclaimer.

Why is Disruption More Prevalent Today?



Globalization



Deglobalization



**Technological
advancements**



**IoT, virtual reality,
robotics, etc.**



Demographics



**Millennial workforces,
global urbanization,
aging populations, etc.**

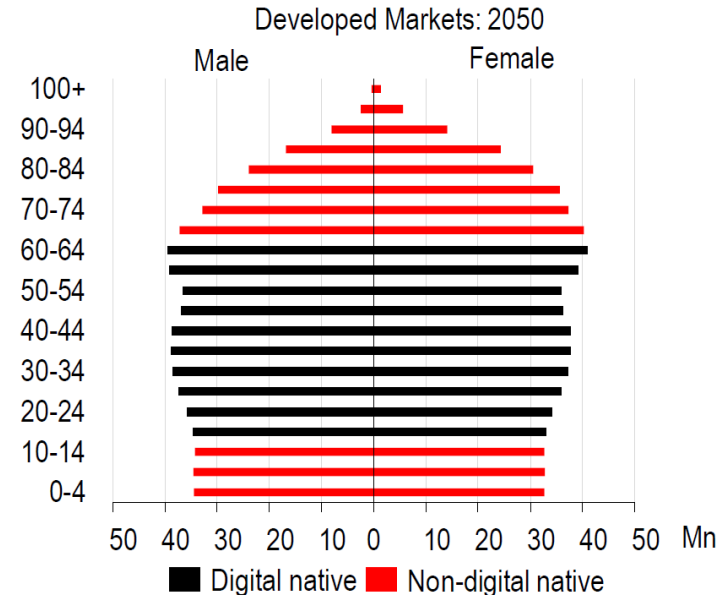
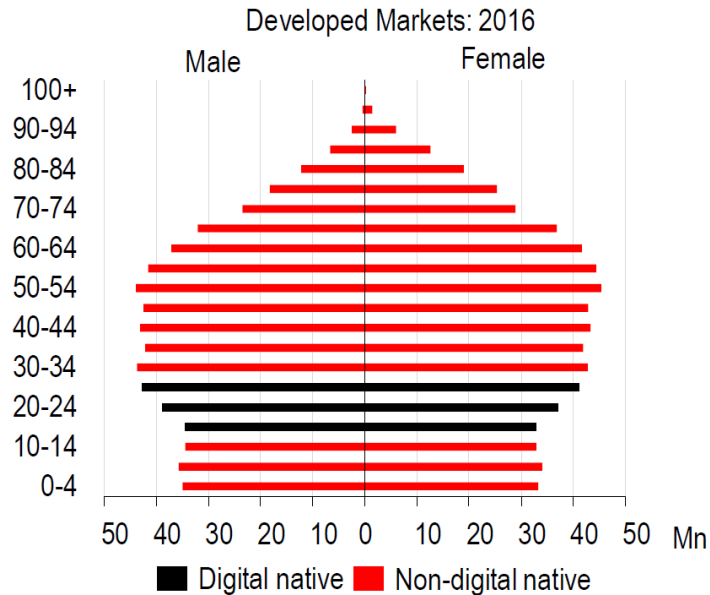
Please see appendix for the full disclaimer.

P&I | CONFERENCES Emerging Markets

Demographic Shift to Drive Consumption and Innovation

Digital natives are a small share of today's consumers and workforce...

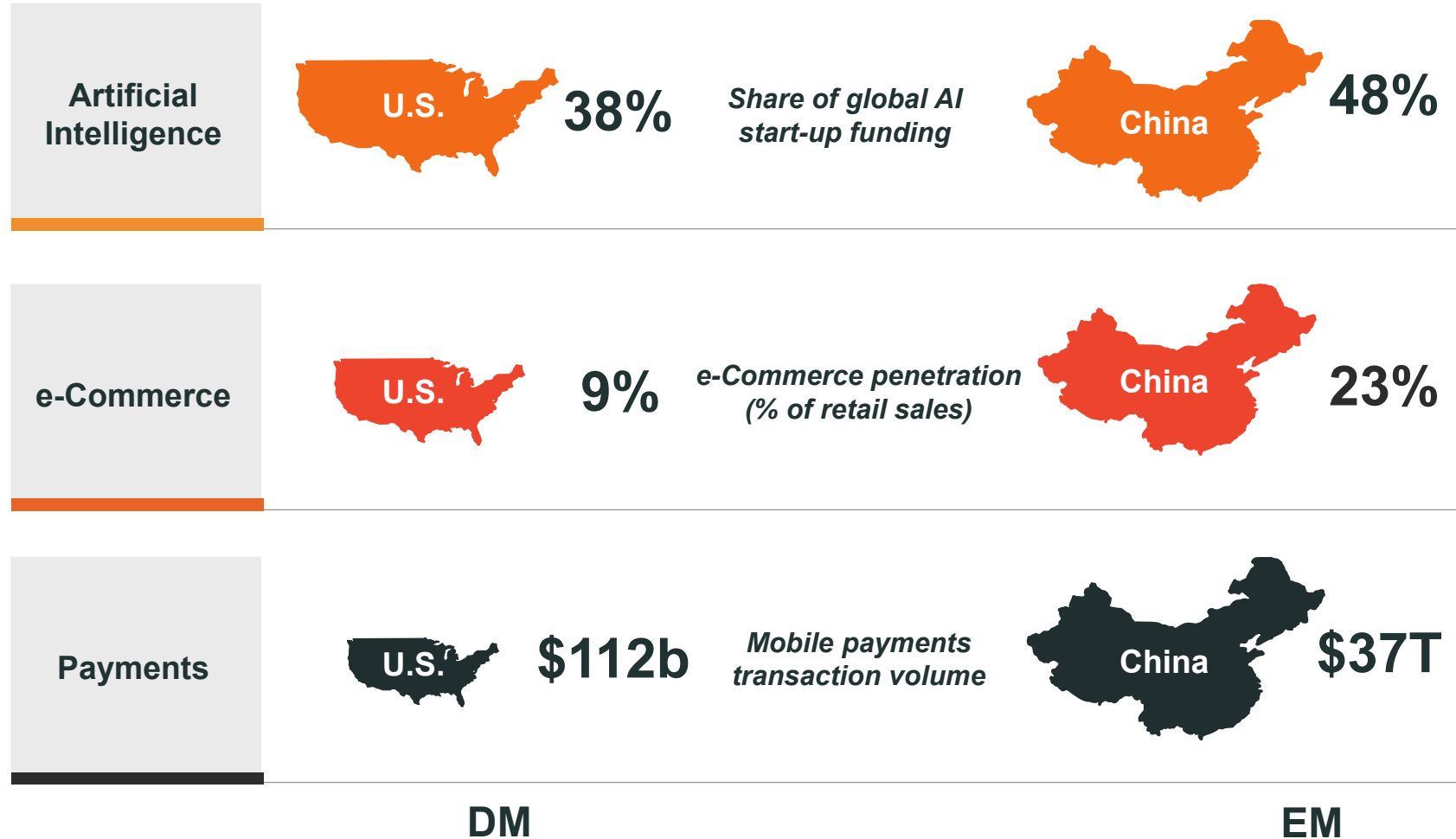
...rising to be the majority of the population by 2050



Source: HSBC Research, April 2018.

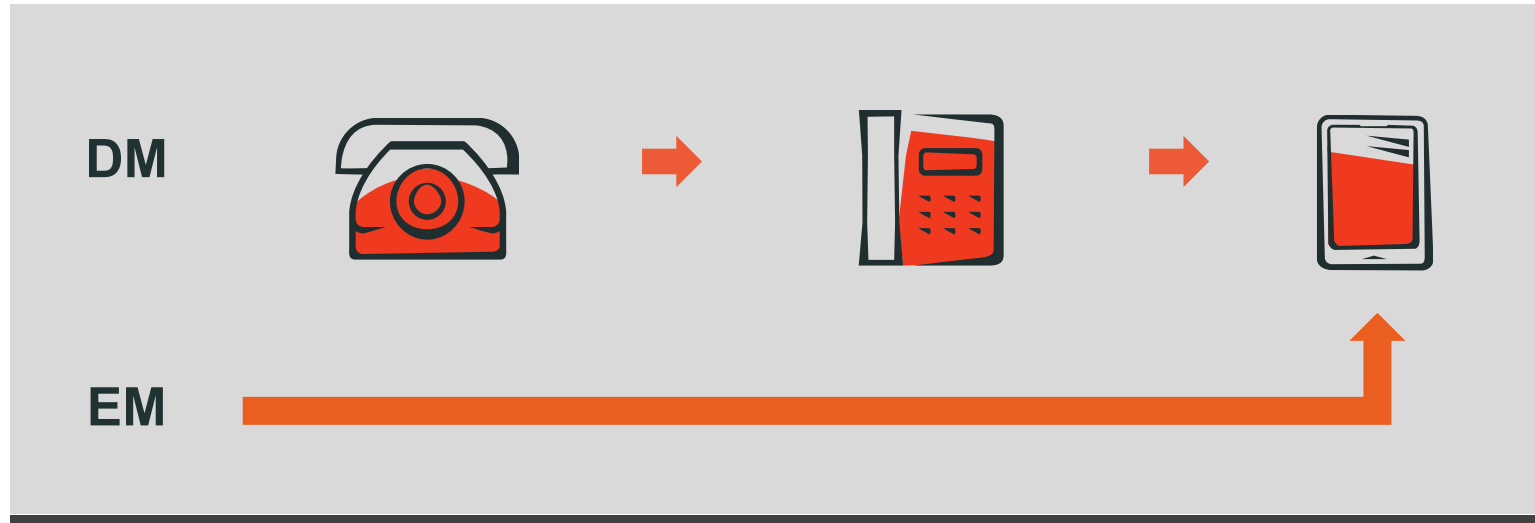
Please see appendix for the full disclaimer.

EM, an Accelerator of Disruption¹



Sources: AI: CB Insights, 2017 data. E-Commerce: Statista, 2017 data. Payments: Forrester (U.S.), 2016 data and People's Bank of China 2018 data, in U.S. dollars. ¹The U.S. is used as an example in this illustration as a representation of developed markets and China as a representation of emerging markets. Please see appendix for the full disclaimer.

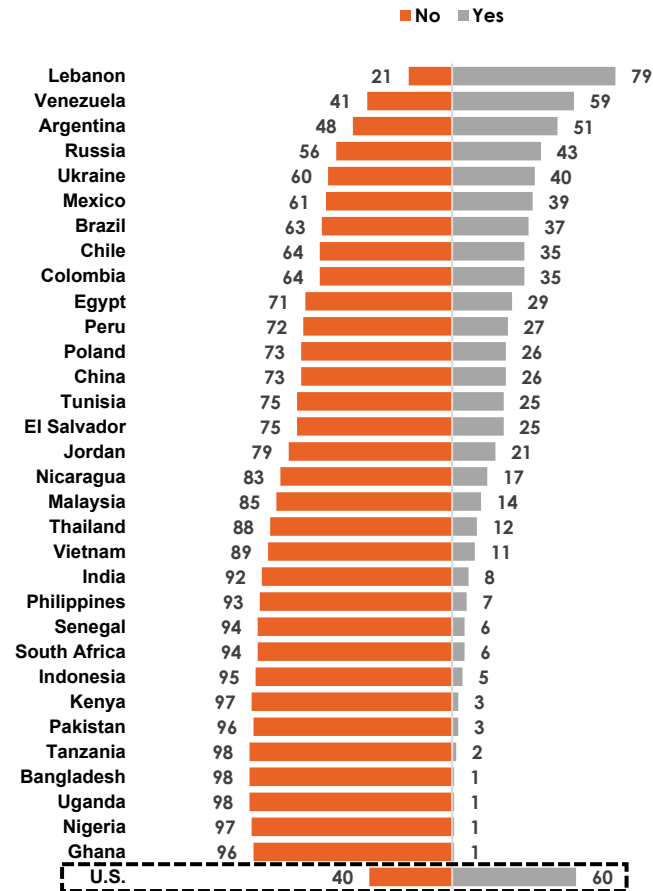
Leapfrogging: Communications



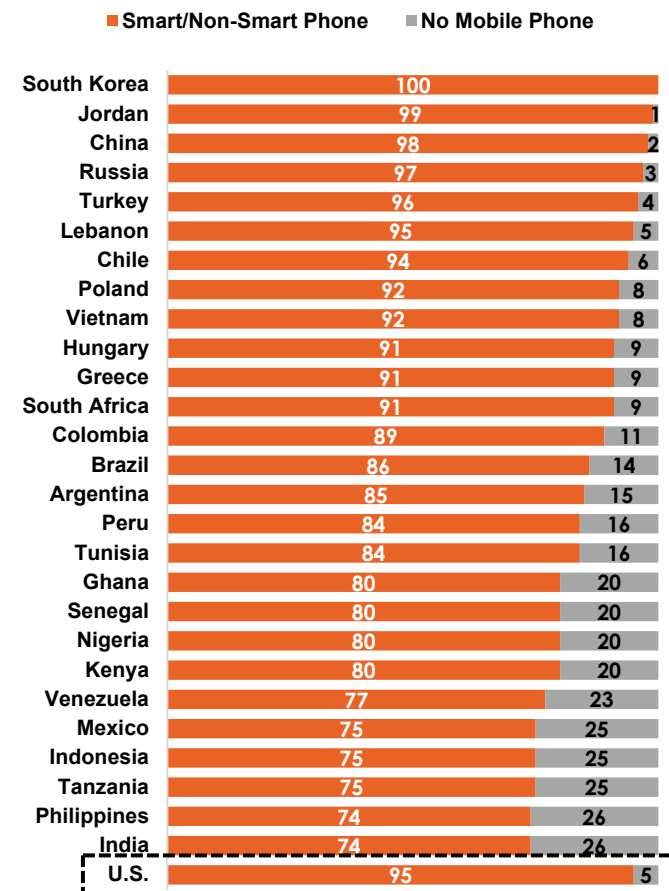
Please see appendix for the full disclaimer.

Leapfrogging: Communications

Much of the developing and emerging world do not own a fixed line phone¹

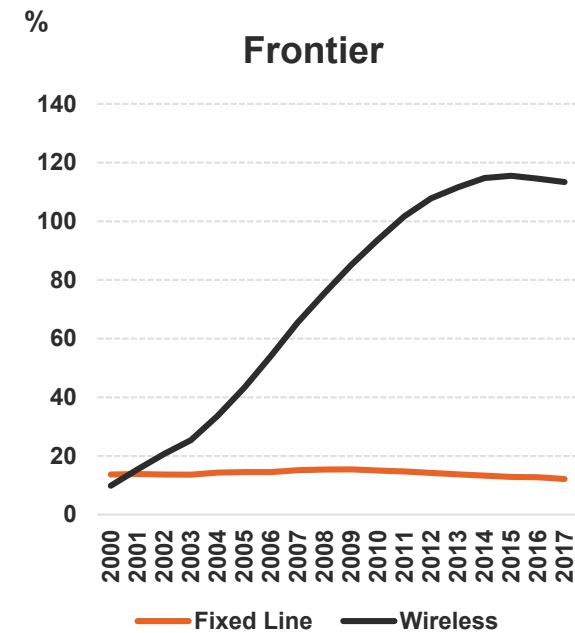
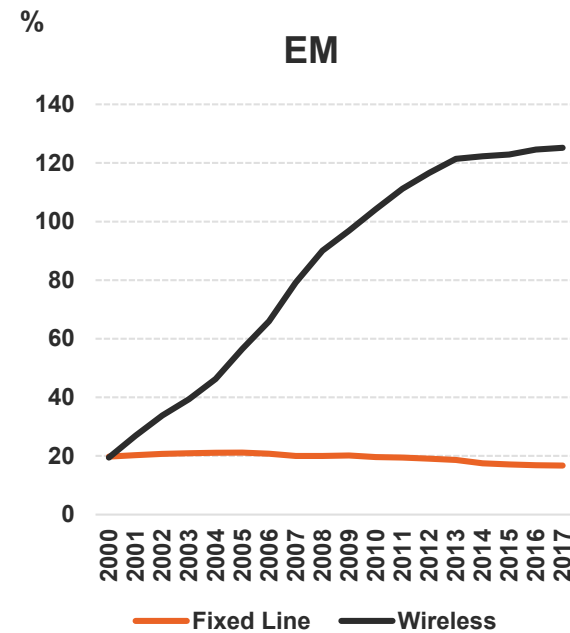
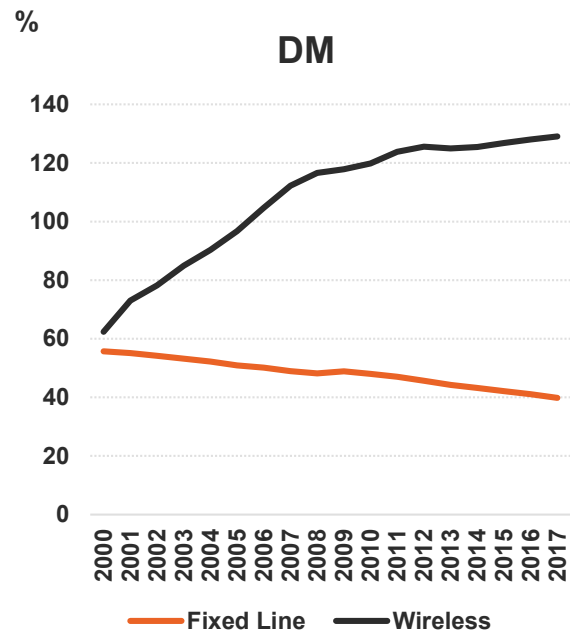


The developing and emerging world have jumped straight to mobile phones and smartphones



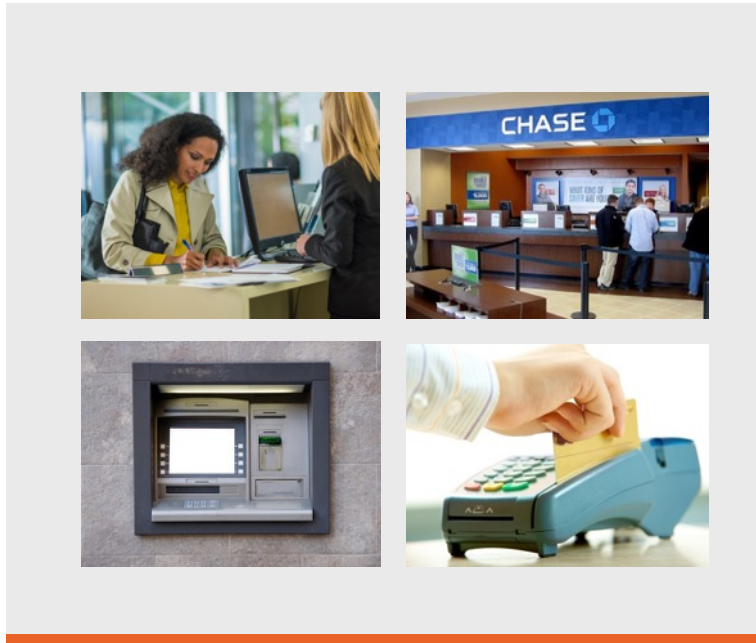
Sources: Left: Spring 2014 Global Attitudes Survey, PEW Research Center. Right: Spring 2017 Global Attitudes Survey, PEW Research Center. ¹Survey Question: Do you have a working landline in your house? Please see appendix for the full disclaimer.

Fixed vs. Mobile Penetration Across Markets



Source: HSBC Research, January 2019.
Please see appendix for the full disclaimer.

Leapfrogging: Financial Services



DM

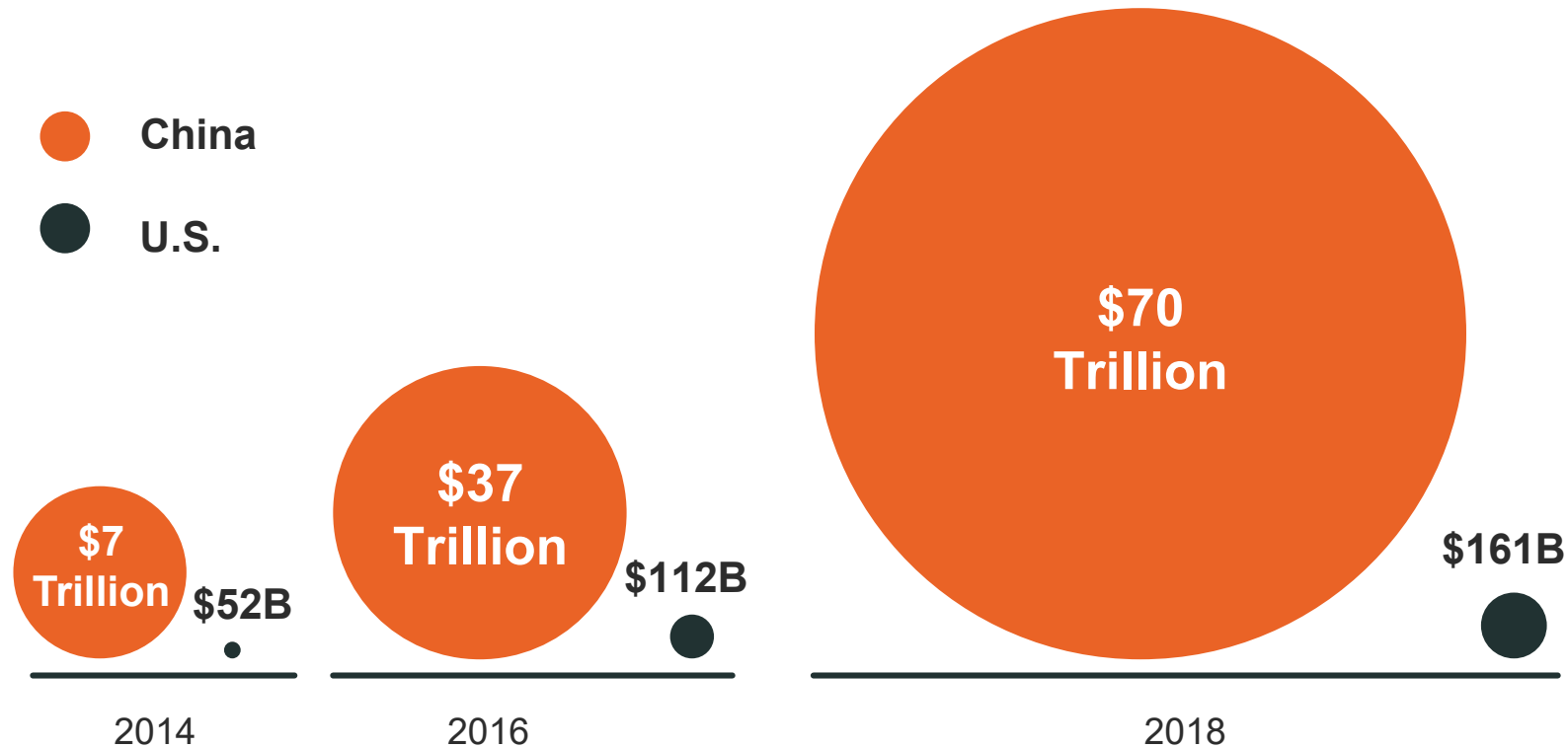


EM

This illustration is not intended as a recommendation to purchase or sell any securities or engage in any particular transaction.
Please see appendix for the full disclaimer.

Different Paces of Disruption: Payments

Mobile Payments Transaction Volumes – China vs. the U.S.



Source: U.S. figures from Forrester, 2016 data; 2018 an estimate. China figures (in U.S. dollars) from People's Bank of China, actual data.
Please see appendix for the full disclaimer.

Patterns of Disruption

**Radically Lower
Cost**

**New Business
Models**

**Differentiated
Experience**

Source: Bain & Company, August 2018.
Please see appendix for the full disclaimer.

Radically Lower Cost: Airtac

AirTAC



Disruptor



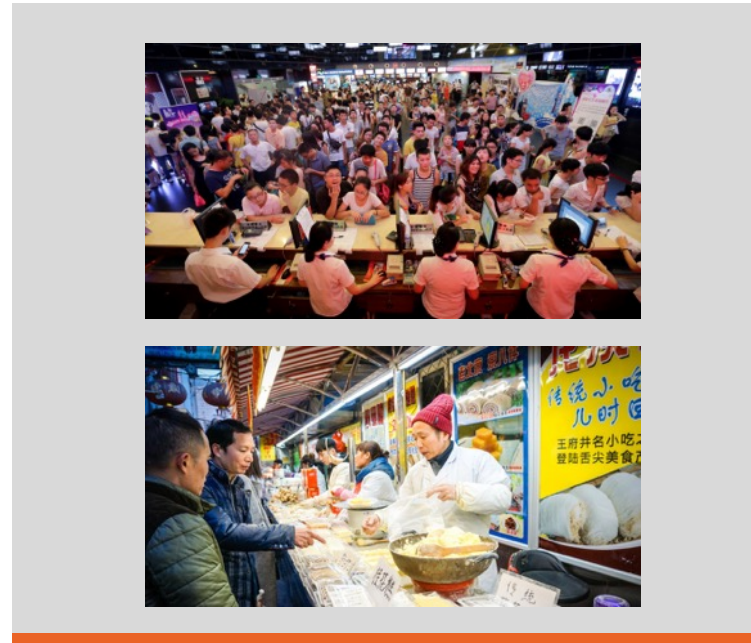
Disruptee

Sources: Company filings, January 2019. This illustration is not intended as a recommendation to purchase or sell any securities or engage in any particular transaction. Please see appendix for the full disclaimer.

New Business Models: Meituan-Dianping



Disruptor



Disruptee

Sources: Company filings, January 2019. This illustration is not intended as a recommendation to purchase or sell any securities or engage in any particular transaction. Please see appendix for the full disclaimer.

Differentiated Experience: Flipkart



Disruptor



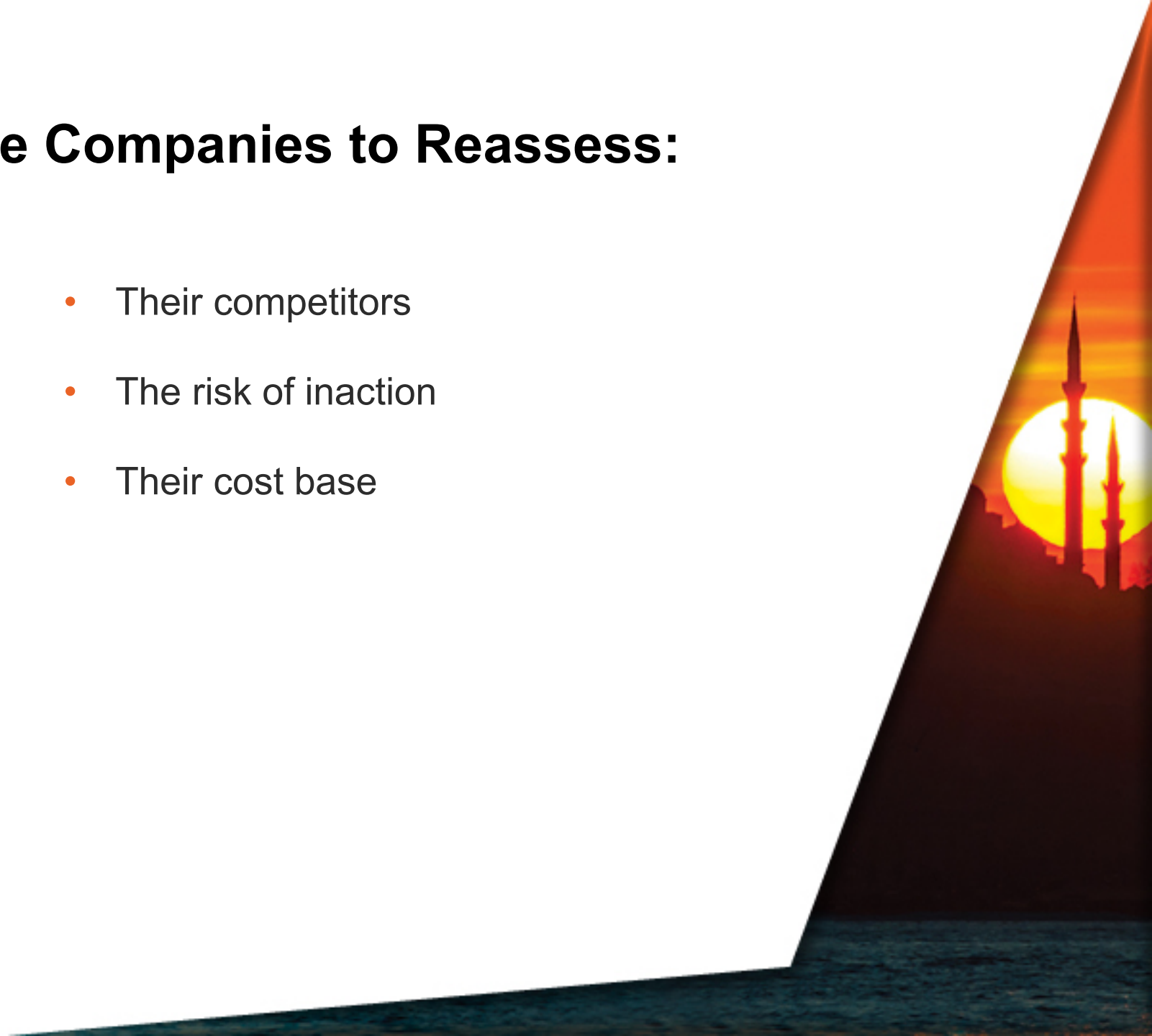
Disruptee

Sources: Company filings, January 2019. This illustration is not intended as a recommendation to purchase or sell any securities or engage in any particular transaction. Please see appendix for the full disclaimer.

Disruption Will Challenge Companies to Reassess:

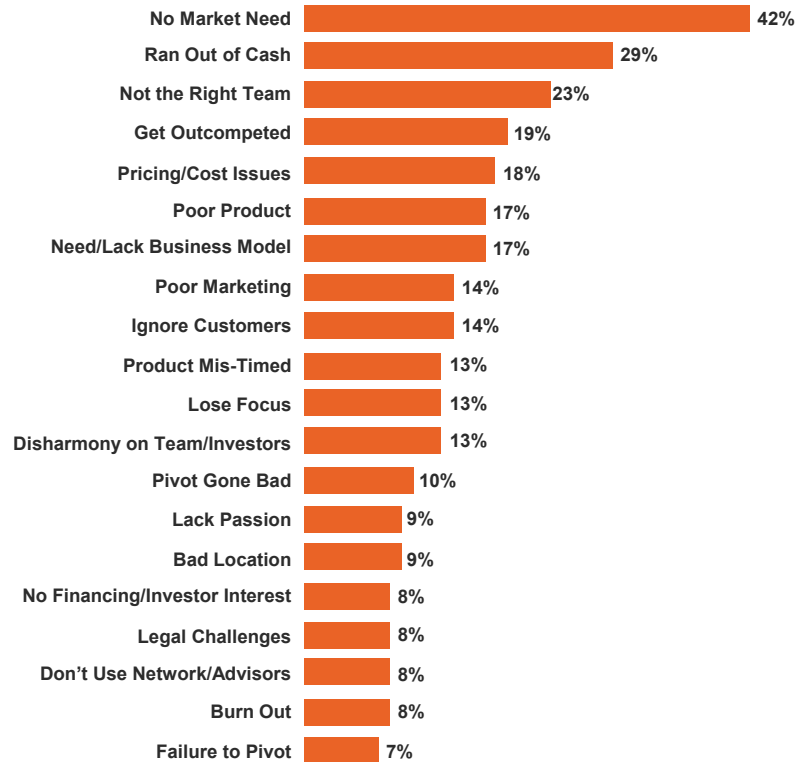
- What business they are in
- Who their customers are
- Their value proposition
- Their competitors
- The risk of inaction
- Their cost base

Source: Ernst & Young, 2016.
Please see appendix for the full disclaimer.

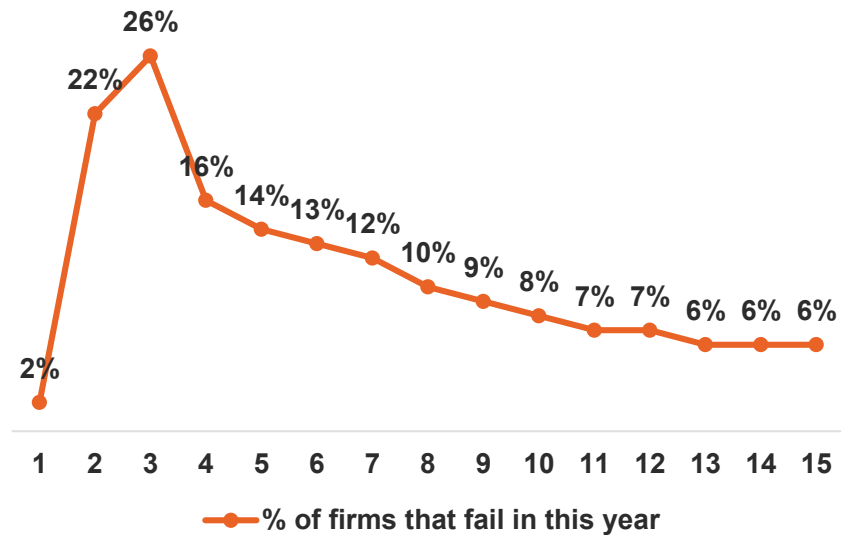


Innovate or Die

Top Reasons Start-Ups Fail



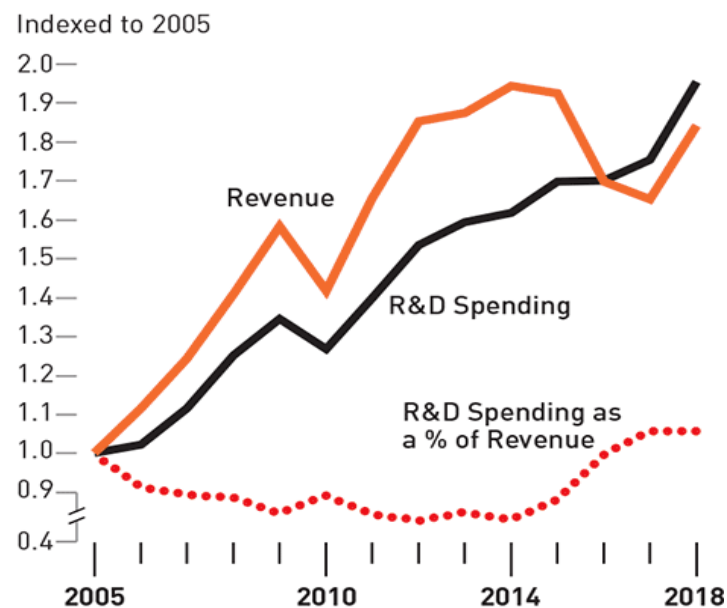
Average Failure Rate Per Annum



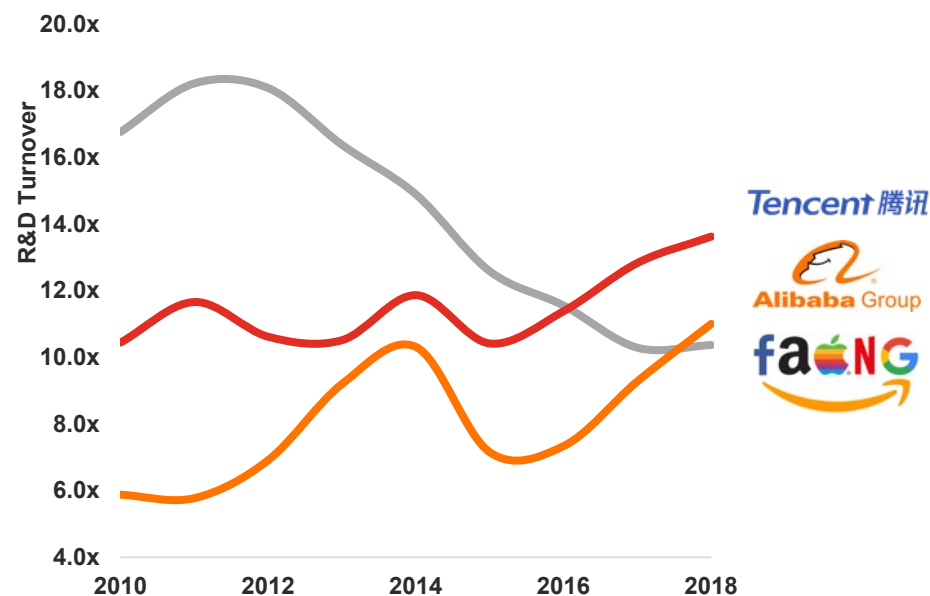
Sources: Left: CB Insights, 2014. Right: UK Companies House, 2016.
Please see appendix for the full disclaimer.

Identifying Long-Term Winners

R&D and Revenue Continues to Climb



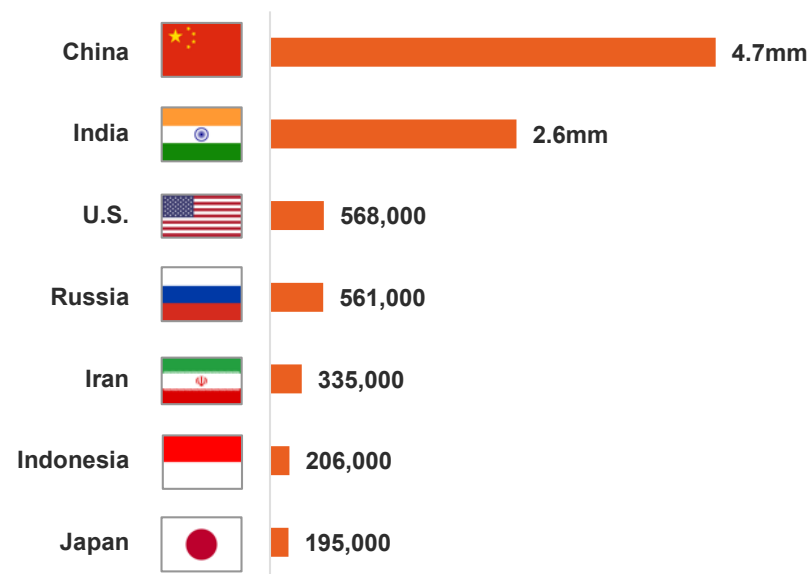
Chinese Internet Giants Have Overtaken FAANG in Terms of R&D Turns



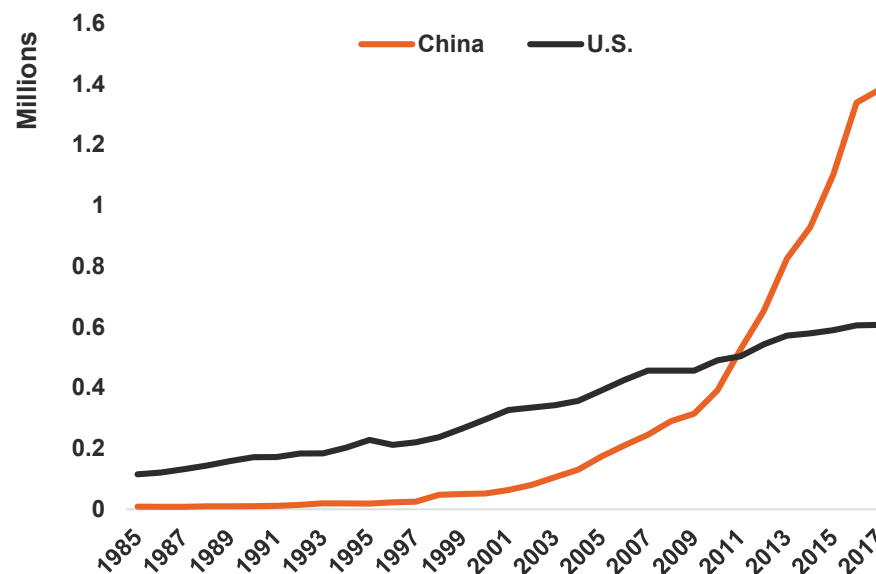
Sources: Left: Capital IQ data, Thomson Reuters Eikon data, Strategy& analysis, October 30, 2018. Right: Bloomberg, January 2019. Note: R&D turnover is defined as Revenue divided by R&D expense. This illustration is not intended as a recommendation to purchase or sell any securities or engage in any particular transaction. Please see appendix for the full disclaimer.

Innovation Driven by Higher Concentration of STEM Graduates

Top Countries with the Most Graduates in Science, Technology, Engineering & Mathematics (2016)



Patent Applications Received by IP Offices in China and the U.S.



Sources: Left: World Economic Forum, 2016. Right: World Intellectual Property Organization (WIPO), 2017.
Please see appendix for the full disclaimer.

Traditional Competitive Moat Against Disruption

Defendable Business Moats

- Economies of Scale



- Network Effect



- Intangible Assets



- Switching Cost



Companies grow
within their moat

This illustration is not intended as a recommendation to purchase or sell any securities or engage in any particular transaction.
Please see appendix for the full disclaimer.

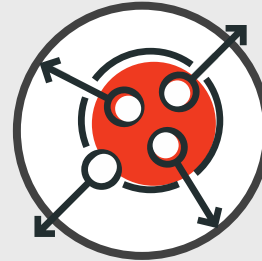
Additional Moat Considerations to Avoid Disruption

Willingness to Disrupt

- Innovative Cost Structure
- Back Local Winners with Global Scale
- Faster Innovation
- Rise in Specialization for Bespoke Products



BHARAT FORGE



Culture of Innovation

Capital Allocation

► Investing in technology, R&D

This illustration is not intended as a recommendation to purchase or sell any securities or engage in any particular transaction.
Please see appendix for the full disclaimer.

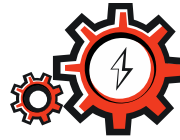
Successful Companies Must:



Embrace disruption
and challenge the
status quo to
maintain their
competitive moat



Encourage out-
of-the-box
thinking and
diversity



Encourage
innovation *and*
failure



Focus on positive
economic profits

**Successful investment managers must remain
disciplined and agile in an era of disruption**

Please see appendix for the full disclaimer.

P&I | CONFERENCES Emerging Markets

Disclaimers

The commentaries contained herein are provided as a general source of information based on information available as of July 26, 2019 and should not be considered as personal investment advice or an offer or solicitation to buy and / or sell securities. Every effort has been made to ensure accuracy in these commentaries at the time of publication, however accuracy cannot be guaranteed. Market conditions may change and the manager accepts no responsibility for individual investment decisions arising from the use or reliance on the information contained herein.

Past performance is not necessarily a guide to future performance. The value of investments and the income from them can fall as well as rise. Investments denominated in foreign currencies are subject to fluctuations in exchange rates, which may have an adverse effect on the value of the investments, sale proceeds, and on dividend or interest income. Investors may not necessarily recoup the full value of their original investment. Investors should be aware that forward looking statements and forecasts may not be realised.

References to specific securities are presented to illustrate the application of our investment philosophy only and are not to be considered recommendations by AGF Investments Inc. It should not be assumed that investments in the securities identified were or will be profitable.

AGF Investments is a group of wholly owned subsidiaries of AGF Management Limited, a Canadian reporting issuer. The subsidiaries included in AGF Investments are AGF Investments Inc. (AGFI), AGF Investments America Inc. (AGFA), Highstreet Asset Management Inc. (Highstreet), AGF Asset Management (Asia) Limited (AGF AM Asia) and AGF International Advisors Company Limited (AGFIA).

AGFA is a registered advisor in the U.S. AGFI and Highstreet are registered as portfolio managers across Canadian securities commissions. AGFIA is regulated by the Central Bank of Ireland and registered with the Australian Securities & Investments Commission. AGF AM Asia is registered as a portfolio manager in Singapore. The subsidiaries that form AGF Investments manage a variety of mandates comprised of equity, fixed income and balanced assets.

This document may not be reproduced (in whole or part), transmitted or otherwise made available to any other party without the prior written consent of AGF Investments Inc.

This document is for use by accredited/professional investors only.

Published Date: July 31, 2019.

THANK YOU TO OUR SPONSORS



AGF[™]



Matthews Asia



SANDS
CAPITAL

T.RowePrice



UBS