

EMERGING MARKETS AT THE CROSSROADS

Investment drivers by select EM asset classes

	Factor	Public Equities	Local Currency Sovereign Debt	Hard Currency Corporate Debt	Opportunistic Real Estate
Political Risk	Rule of Law	Medium	Medium	High	High
	Risk of Conflict		Medium	Medium	Medium
	Corruption	High	Medium	High	Medium
	Degree of Market Intervention	High	Medium	Medium	Medium
	Election Cycle	Medium	Medium		Medium
	Strength / Bifurcation of Support Base	High	Medium		Medium
Policy Consistency / Ability	Fiscal Policy	High	High	Medium	Medium
	Pace of Market Liberalization	High	High	Medium	Medium
	Central Bank Credibility / Inflation Risk	High	High		Medium
	FX Policy	High	High	Medium	Medium
Infrastructure	Quality of Infrastructure	High			Medium
Institutional Quality	Property Rights			Medium	High
	Contract Enforcement	High	Medium	High	High
	Independent Judiciary			Medium	Medium
	Strength of Investor Protection	High	Medium	High	Medium
Environment for Innovation and Entrepreneurship	Level of Tertiary Education	Medium			
	IP Protections	High			Medium
	Internet and Mobile Connectivity	High			Medium
	New Businesses Density	Medium			
	Ease of Doing Business	High	Medium	Medium	Medium
Structural Imbalances	Capital Controls / Distortionary Policies	High	Medium	High	Medium
	Financial Sector Health		Medium	Medium	Medium
	Economic Diversity	High	Medium	Medium	
	Ability to Adjust to Shock	Medium	Medium	Medium	Medium
External Solvency	High	Medium	High	Medium	
External Liquidity	High	Medium	High	Medium	
Sustainable Growth	High	High	Medium	Medium	
Fiscal Stability	Medium	High	Medium	Medium	
Financial Stability	Medium	High	Medium	Medium	
Demographics / Middle Class Growth	High	High	High	Medium	
Market Scale / Liquidity	Medium	High	Medium	Medium	

Importance in Investment Decisions

High Medium

Source: Based on informal interviews with portfolio managers and investment researchers across PGIM. Views are as of 5/31/2017.

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