

NWI Management

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Developed Markets (DM) vs. Emerging Markets (EM) Differentiation

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EM Sovereign Health

Fiscal Deficit as % of GDP

	2009	2010	2011
UK	-12.3	-13.4	-11.6
USA	-10	-10	-7.5
Eurozone	-6.6	-7.1	-5.2
Korea	-2.5	-1.9	-0.1
Indonesia	-2	-1.6	-1.5
Mexico	-2.1	-2.5	-1.5
Brazil	-3.2	-1.8	-2.5
China	-3	-2.8	-2.7
Russia	-6.5	-4.2	-3.9
Turkey	-6.5	-5	-4.2
India	-10.3	-9	-8.5

Hard-Currency Debt as % of GDP

	2009	2010	2011
USA	86.44	97.5	95.7
Eurozone	79.5	84.6	90.9
UK	60.2	71.3	85
China	7.8	7.4	6.5
Brazil	12.3	9.2	8.8
India	19	16.2	14.9
Mexico	20.4	19.4	19.4
Russia	31.5	23.9	21.7
Indonesia	29.5	23.8	21.9
Korea	45.8	36.1	34.4
Turkey	45.2	39.8	40.6

EM Growth: a World Apart

%yoy	2008	2009	2010		2011	
			GS	Consensus*	GS	Consensus*
USA	0.4	-2.4	2.6	3.1	2.4	3.0
Japan	-1.2	-5.0	1.9	1.5	1.6	1.5
Euroland	0.5	-4.0	1.2	1.3	1.9	1.5
UK	0.5	-4.8	1.8	1.4	3.4	2.2
Europe	0.8	-3.8	1.4	1.4	2.3	1.8
China	9.6	8.7	11.4	9.8	10.0	9.1
India	6.7	6.6	8.2	8.0	8.7	7.9
Brazil	5.1	-0.2	5.8	5.4	5.0	4.5
Russia	5.6	-7.9	4.5	4.1	5.5	4.5
BRICs	7.9	5.1	9.3	8.3	8.7	7.9
Advanced Economies	0.5	-3.1	2.2	2.4	2.5	2.5
World	2.8	-0.7	4.5	4.2	4.7	4.3

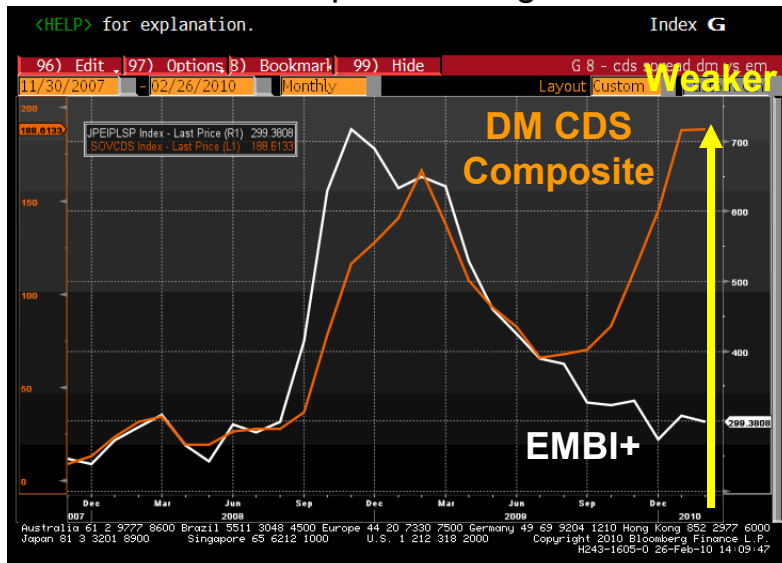
* Consensus Economics February 2010

Source: GS Global ECS Research

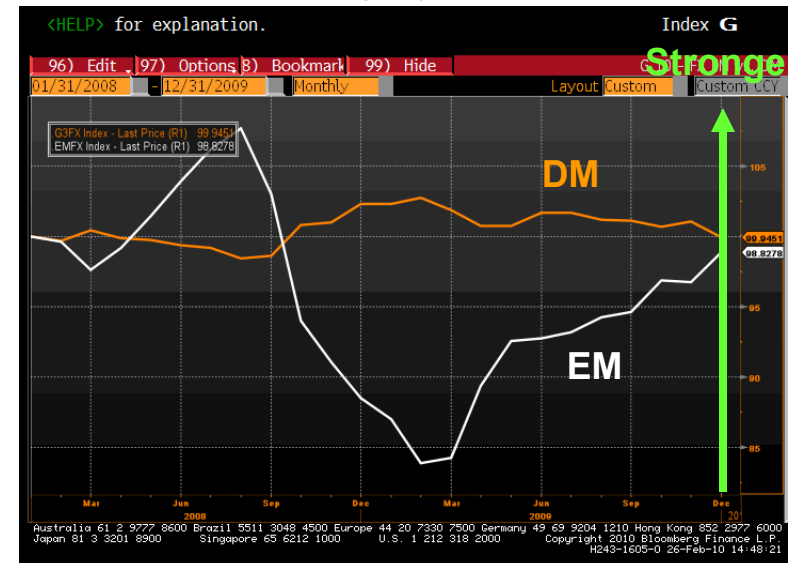
Emerging Markets vs. Developed Markets Regime Changes

	DM Stable	DM Stressed
EM Stressed	1990's EM riddled with crises	LEH failure
EM Stable	2000's pre-LEH EM outperforms DM	Post-LEH World "Decoupling"

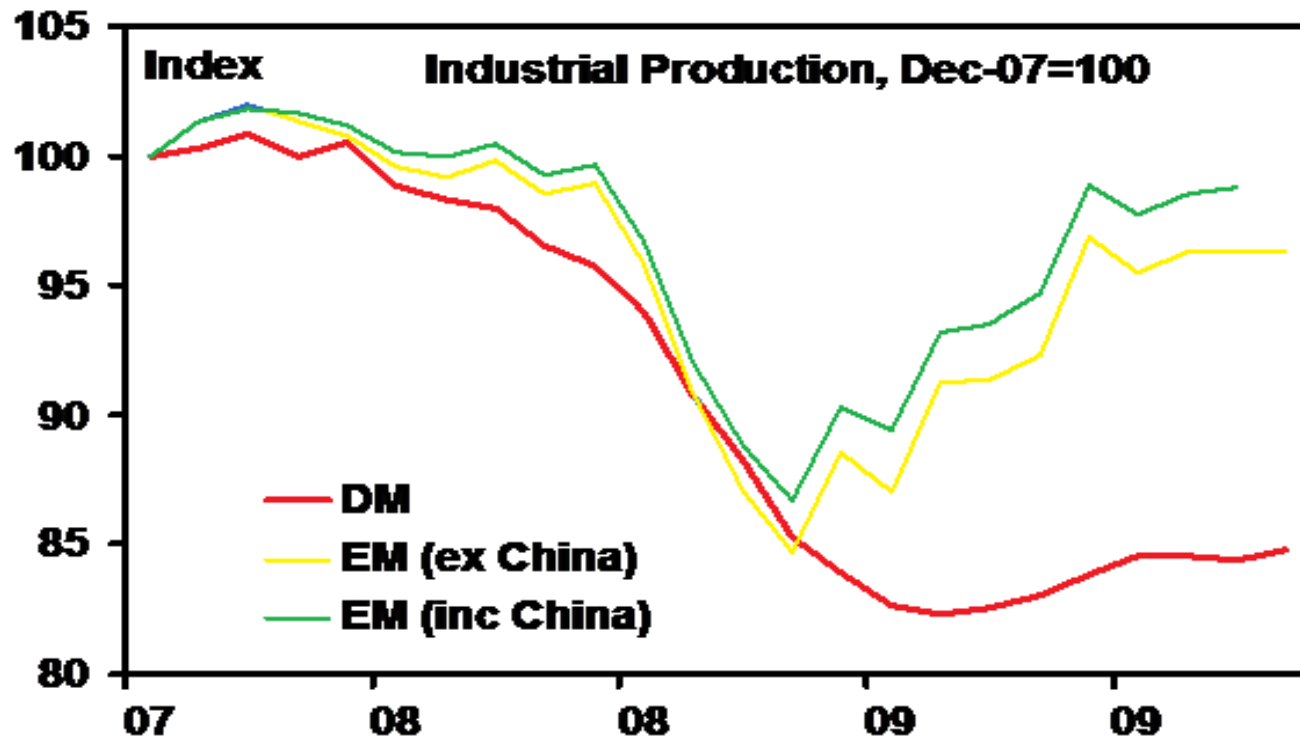
EM Sov' CDS Spreads Recovered post-LEH
DM Keeps Widening



EM Trade-weighted FX Recovered post-LEH
DM Slightly Weaker

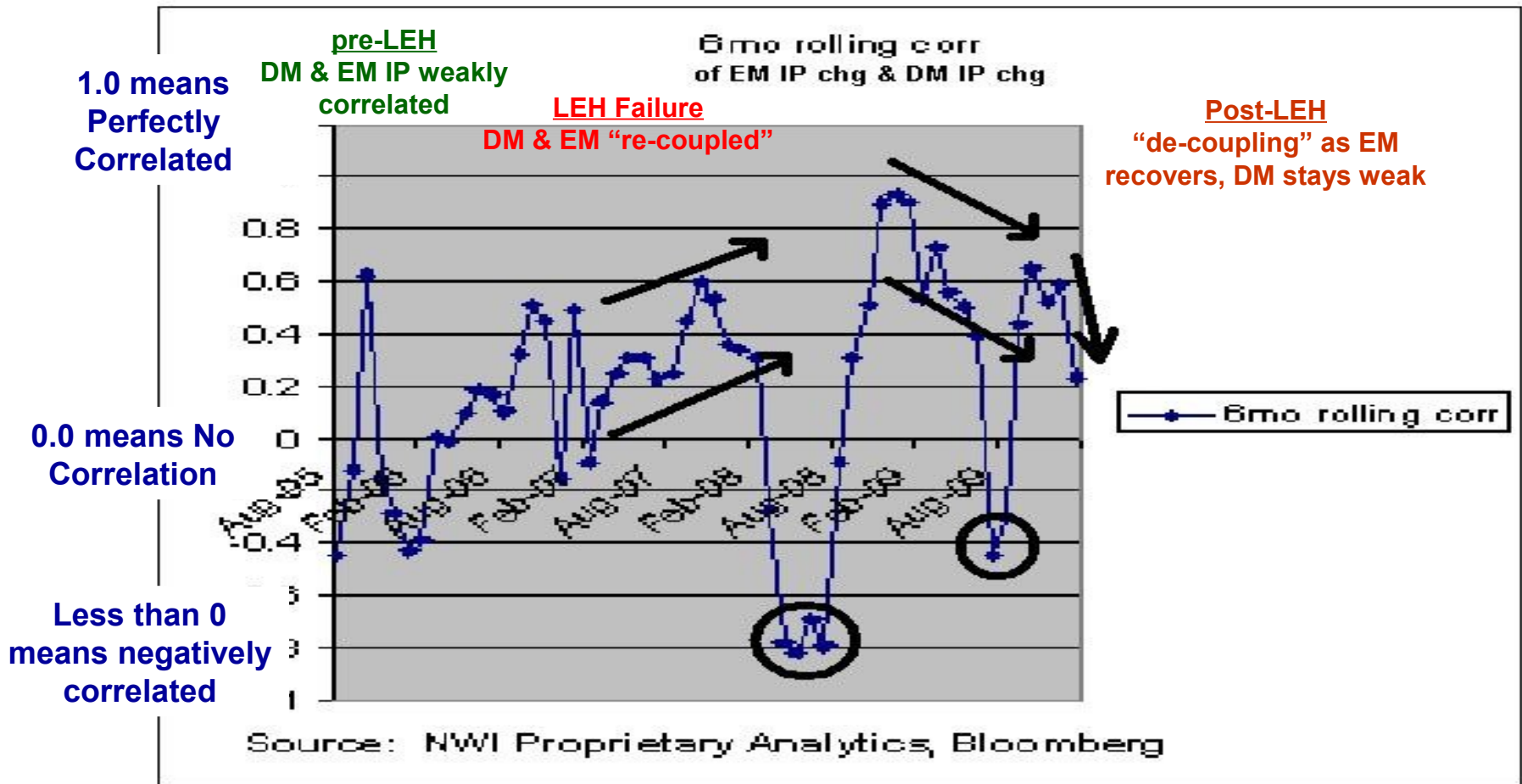


EM IP: a Green Light for Outperformance



Source: GS Global ECS Research

Shifting Correlations between IP: a New Stage of Decoupling?

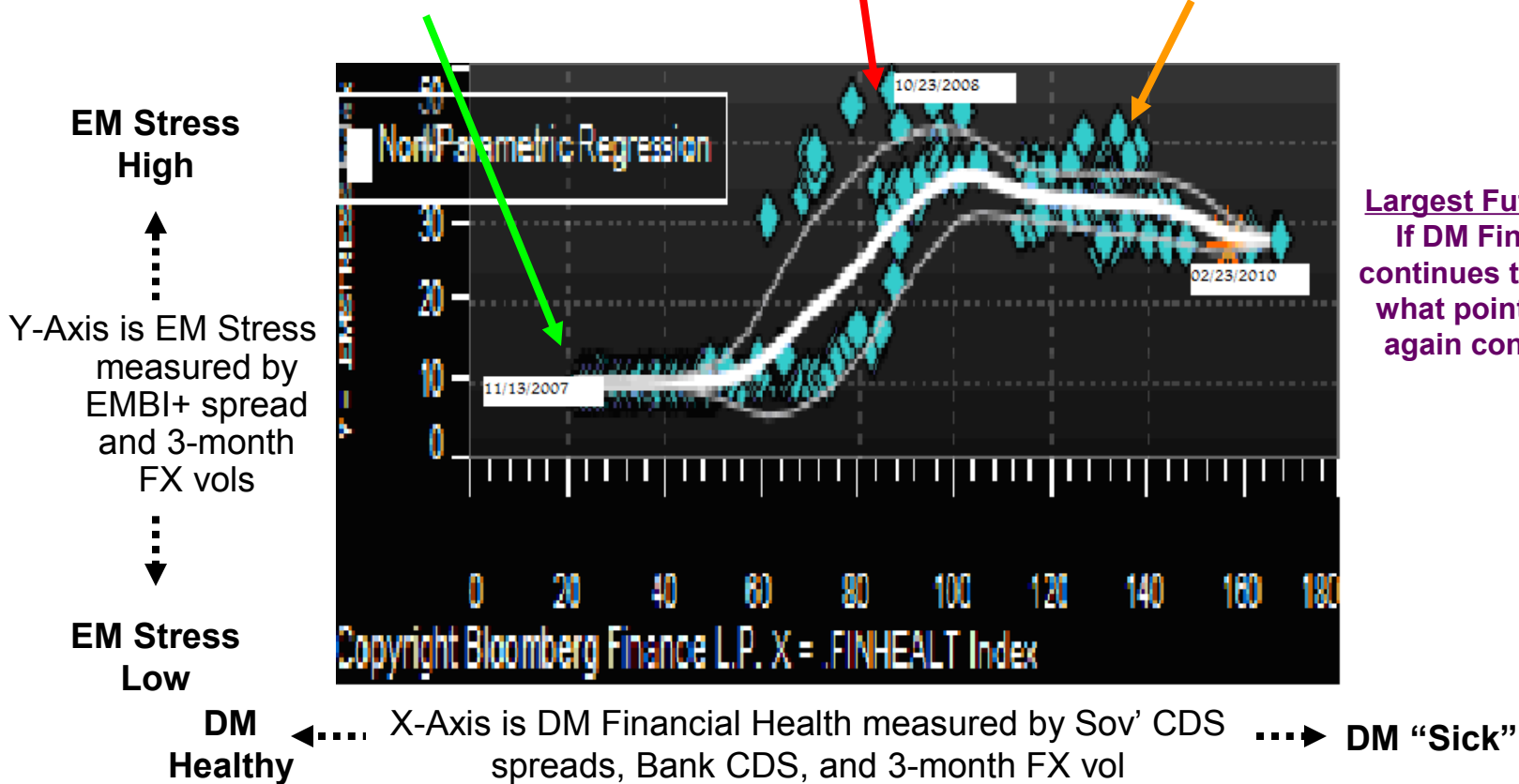


DM Financial Health vs. EM Stress

Typical of 2000's pre-LEH
DM Financial Health Good
EM Stress Low

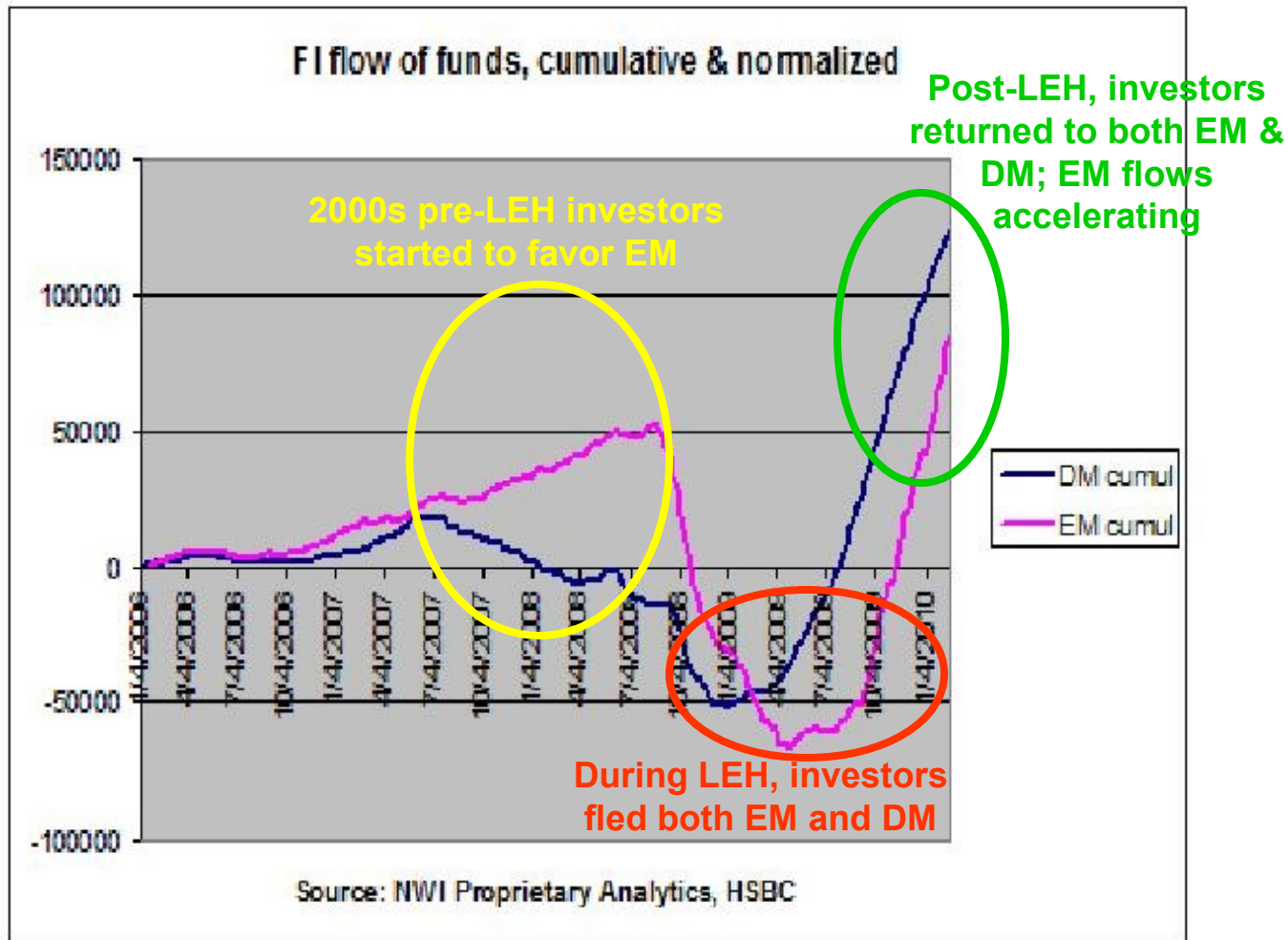
LEH Failure
DM Financial Health Poor
EM Stressed

Post-LEH
DM Financial Health
Worsening
EM Stabilizes



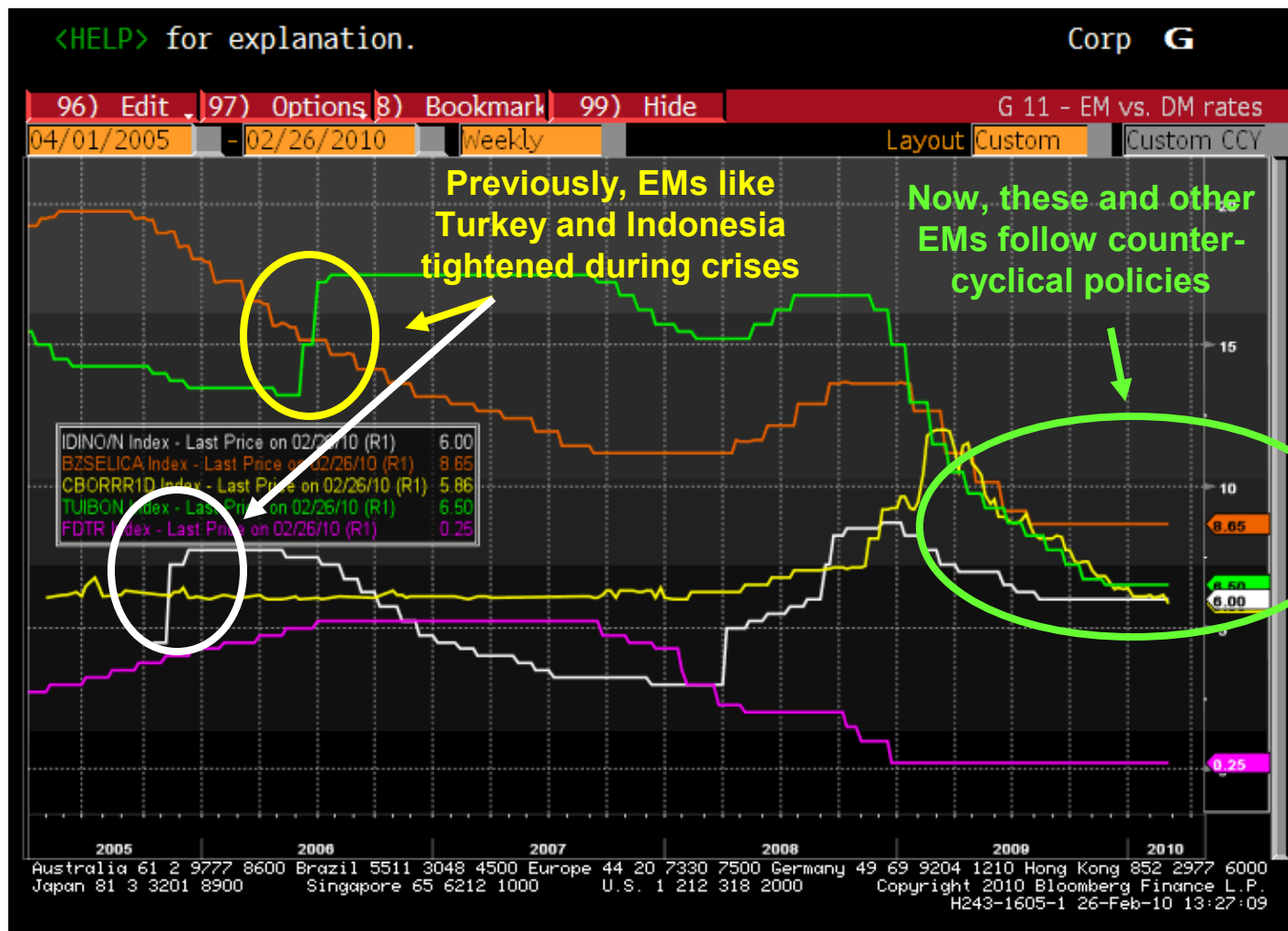
?
Largest Future risk for EM
If DM Financial Health
continues to deteriorate, at
what point would it once
again contaminate EM?
?

After the Crisis, Cumulative EM flows May Outpace DM

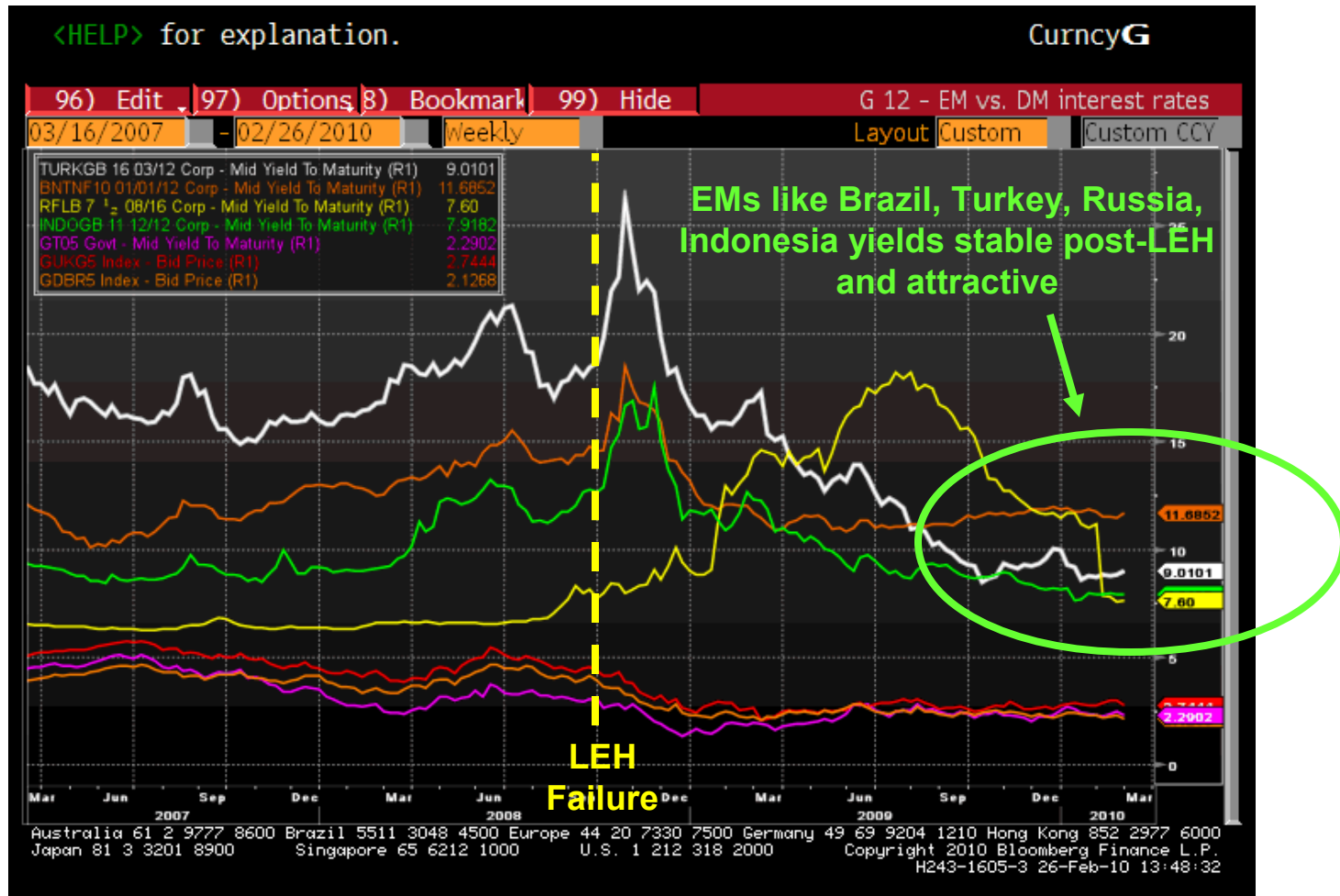


Credible Countercyclical Monetary Policy

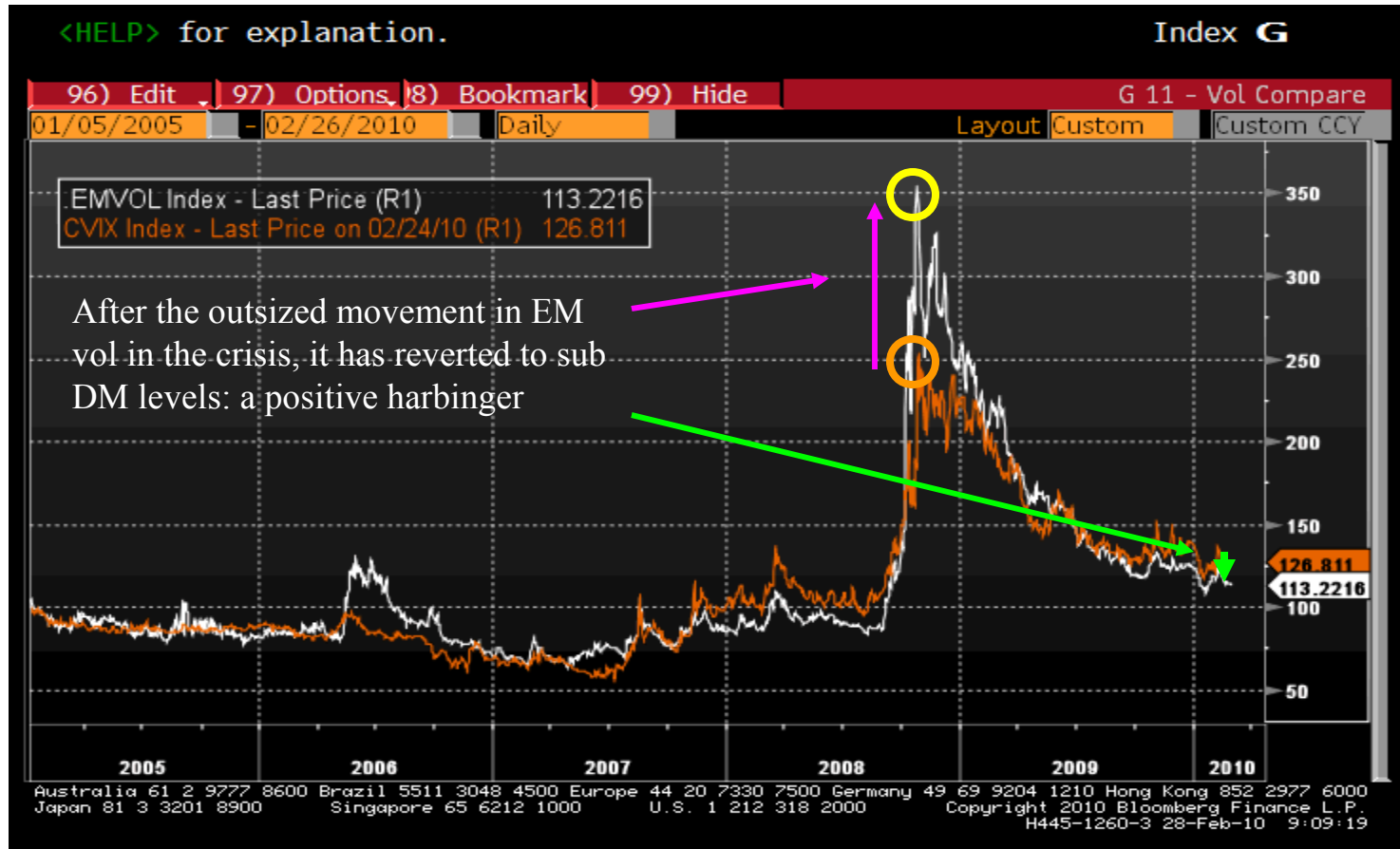
EM Policy Rates (Top of Chart) vs. U.S. (Bottom of Chart)



EM Yields (Top of Chart) vs. DM (Bottom of Chart)



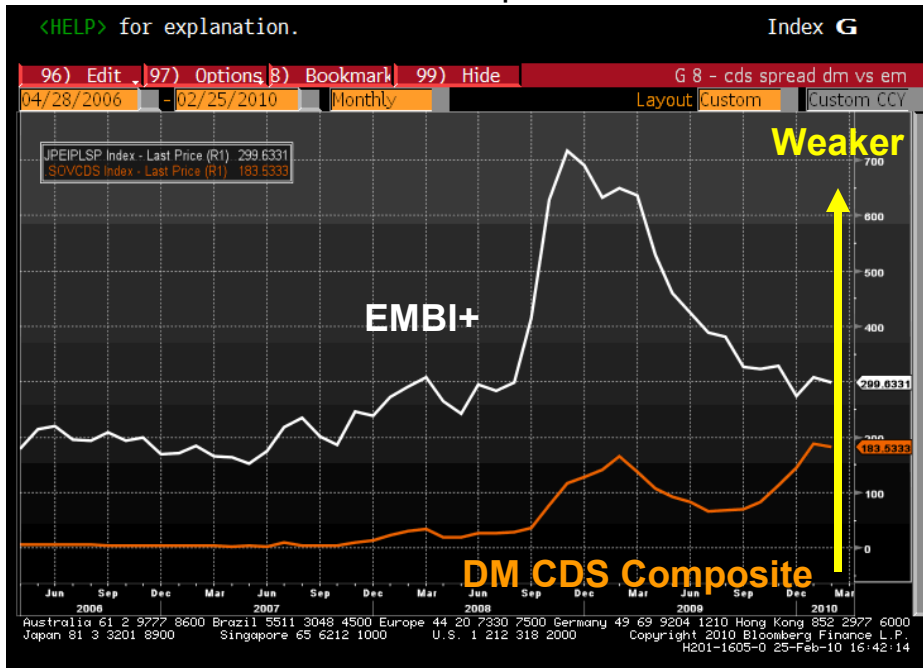
Post Crisis Realignment of Vols: a Brighter Future for EM?



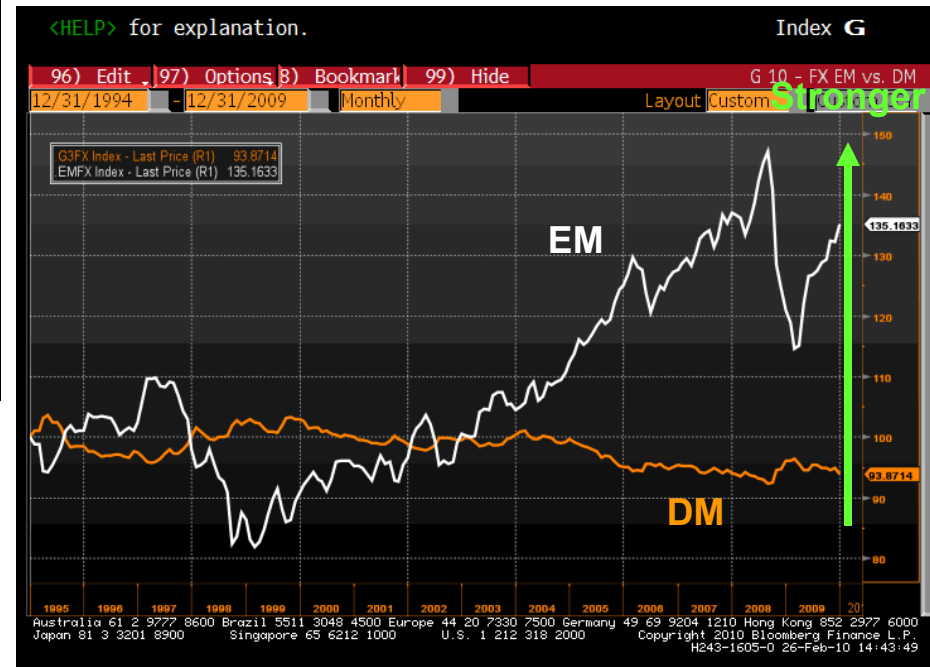
Source: NWI Proprietary Analytics, Bloomberg

Generational Opportunities in EM FX and Credit

EM and DM Sov' CDS Spreads 2006 - 2010



EM and DM Trade-weighted FX 1994 - 2010



Equities Have Not Decoupled – No Alpha, All Beta?

SPX vs. MSCI EM 1996 - 2010



Data source BBG;
Analytics NWI Proprietary

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Macro Concerns

- U. S. Economy
- U. S. Politics
- China's Macro Policies
- Europe and Southern Europe

2010 Investment Opportunities

- EM Offers Most Exciting Opportunities
 - ◆ Regime change of growth from DM to EM
 - ◆ EMs now display best macro-economic responsibility and stability
- Credit Differentiation
- Interest Rate Normalization
- Currency Realignment
- Equities to play EM growth