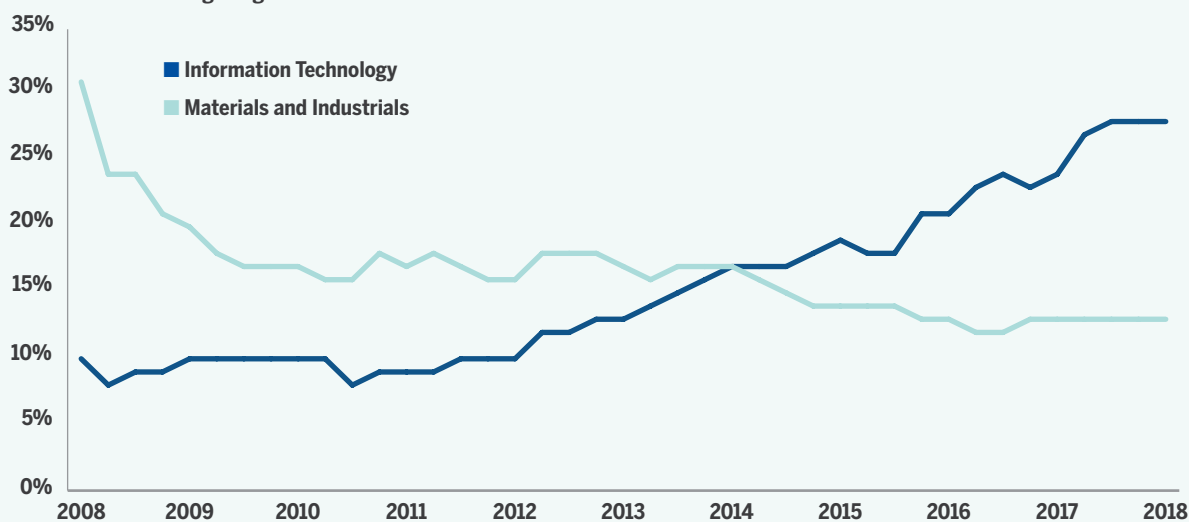


## Emerging Tech Is Booming

Emerging technology is taking off at an impressive rate. We don't mean early stage technology that is being used in developed markets but rather existing technology being adopted in emerging markets. The sector composition of what drives emerging markets is thus changing rapidly, carrying implications for investors.

### Technology Gains in MSCI Emerging Markets Index

MSCI EM Sector Weighting



Source: FactSet

- Prior to the Global Financial Crisis, emerging markets were heavily driven by cyclicals, such as Materials and Industrials. They were two of the top three sectors and comprised over 30% of the MSCI Emerging Markets (EM) Index market capitalization.
- Over the past decade, however, MSCI EM Index sector composition has changed dramatically. Materials and Industrials now combine for only 13% of the index. The technology sector has displaced these old economy sectors and has gone from an approximately 10% weighting to 28%, and is now the largest sector in the index. In fact, technology has a larger weighting in the MSCI EM Index than in the S&P 500.
- Asia ex-Japan's strong position in the global internet market has been bolstered by the growth of publicly listed companies in China; that combined with the continued growth in existing technology names in South Korea and Taiwan has driven the EM technology sector weight.
- Emerging markets are increasingly relying on technology and this is reflected in the MSCI index composition. Investors interested in emerging markets investing may want to consider strategies with investment teams who possess expertise in technology investing.

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**Risk Disclosure:** Investing in the stock market involves gains and losses and may not be suitable for all investors. Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Many technology companies have limited operating histories and prices of these companies' securities have historically been more volatile than other securities, especially over the short term. Technology companies may also face increased competition, government regulation, and risk of obsolescence due to progress in technological developments.