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Myth:

There is a correlation between how fast the economy of an emerging market country grows and how well its equity market performs.

Many investors feel that they have to be allocated to the fastest growing emerging market countries in order to maximize returns. Contrary to this belief, there is very little correlation between how fast an emerging market country grows and how well its respective equity market participates.

Following is a comparison of the 21 emerging market countries that comprise the MSCI Emerging Markets Index. It shows that there is little correlation between the ranking of three year GDP growth and how well these markets have performed. The market capitalization that each country contributes to the Index is also highlighted.

		3 Year GDP Growth Rank	3 Year Equity Return Rank	Emerging Market Cap Weight (%)			3 Year GDP Growth Rank	3 Year Equity Return Rank	Emerging Market Cap Weight (%)
	China	1	16	17.26		Colombia	12	1	0.80
	India	2	15	7.98		Thailand	13	4	1.69
	Peru	3	3	0.71		Chile	14	2	1.68
	Egypt	4	17	0.47		Taiwan	15	8	11.45
	Indonesia	5	5	2.29		South Africa	16	6	7.81
	Morocco	6	13	0.15		Turkey	17	14	1.51
	Brazil	7	10	15.83		Russia	18	20	6.41
	Philippines	8	11	0.52		Czech Republic	19	19	0.32
	Poland	9	18	1.60		Mexico	20	9	4.52
	Malaysia	10	7	2.84		Hungary	21	21	0.36
	South Korea	11	12	13.79					

Lesson Learned:

When allocating to emerging markets, the bias should be towards security selection rather than country selection.

For more information about emerging markets investing, please contact your financial professional or Virtus at 1.800.243.4361 or Virtus.com

The MSCI Emerging Markets Index is a free float-adjusted market capitalization-weighted index designed to measure equity market performance in the global emerging markets. The index is calculated on a total return basis with gross dividends reinvested and is unmanaged and not available for direct investment.

Performance data quoted represents past results. Past performance is no guarantee of future results and current performance may be higher or lower than the performance shown.

*Investing **internationally**, especially in emerging markets, involves additional risks such as currency, political, accounting, economic and market risk. A portfolio with concentrated **sector investing** will be impacted by a sector's performance more than a broadly diversified portfolio. Investing in the securities of **small and mid-sized companies** involves greater risks and price volatility than larger, more established companies.*

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