

A Pivotal Change in Brazil

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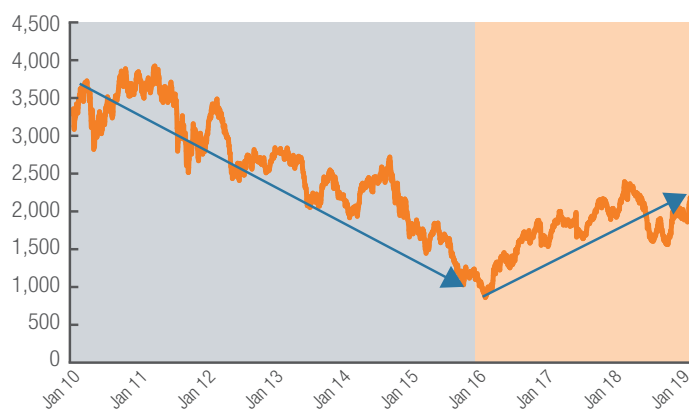
What Happened?

Brazil is in the early stages of a potential structural change, which has set the stage for a market-friendly investment environment. After a 5 year collapse when Brazilian equities fell roughly 73% between 2011 and 2016,¹ the MSCI Brazil Index has since rallied about 88% through year-end 2018.²

14 years under Brazil's PT (Worker's Party) government led to investment challenges such as a growing fiscal deficit (approximately 10% of GDP), the use of State funds to create "national champion" companies that challenged the concept of free trade and capitalism, an increasing legacy of protectionism, a lack of central bank autonomy, and one of the largest corruptions schemes in global history ("Lavo Jato").

These challenges led to negative GDP growth, higher public debt and thus an increase in country-risk, which, together with a decline in commodity prices, weakened the country's currency. The Brazilian real (BRL) moved from a peak of BRL1.54/USD to above BRL4/USD between 2011 and 2015, which led to a spike in inflation and put pressure on the central bank to raise interest rates, creating additional hindrance on growth.

Chart 1: Brazilian Equities Rebound



Source: Bloomberg. As of 1/31/19.

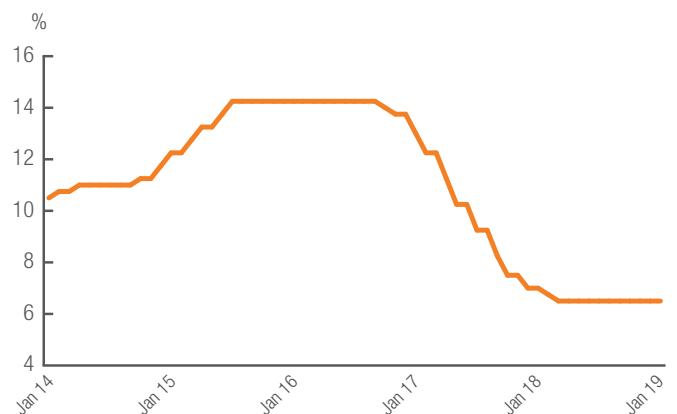
¹Bloomberg, MSCI Brazil Index (USD), based on cumulative results from 12/31/2010 to 12/31/2015.

²Bloomberg, MSCI Brazil Index (USD), based on cumulative results from 12/31/2015 to 12/31/2018.

What Changed?

Prospects for political change increased with Lavo Jato and the 2016 impeachment of President Dilma Rousseff. Global investors saw an opportunity to invest in a country paying a 14.25% base rate, a seemingly more independent central bank, a powerful judiciary system, and a new government focused on fiscal reform. This brought a wave of foreign direct investment, which strengthened the currency and led to lower inflation (especially in the low growth environment), allowing the central bank to cut interest rates 725 basis points since November 2016.

Chart 2: Brazil's Declining Interest Rate Policy

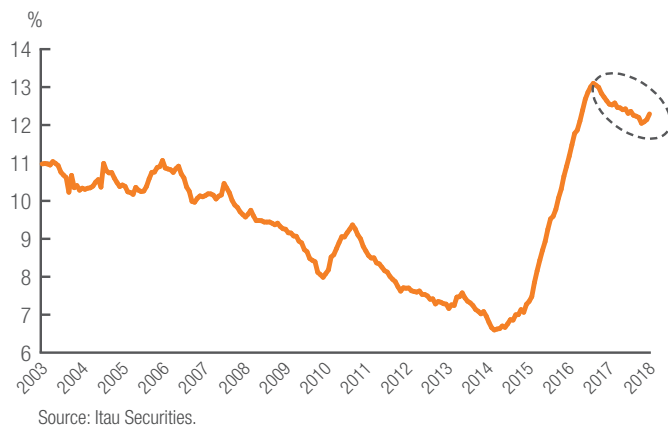


Source: Bloomberg. Based on Brazil's Selic Rate. As of 1/31/19.

Where Are We Now?

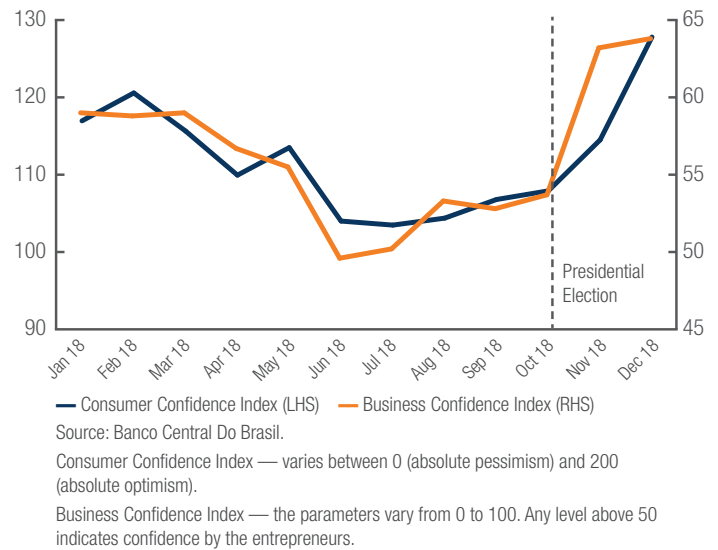
Despite this positive momentum, GDP growth remained tepid and unemployment hovered around 12%. Much of the stagnant environment was due to the market fearing a potential PT victory in the Fall 2018 presidential election. Now, with this risk behind us, and President Bolsonaro leading the executive branch with a market-friendly Finance Minister, investors are looking at a situation with low inflation rates, credible monetary policy, low capacity utilization rates, pent-up demand, and significant political catalysts in the form of social security reform, privatizations, and trade liberalization.

Chart 3: Unemployment in Brazil is Starting to Improve



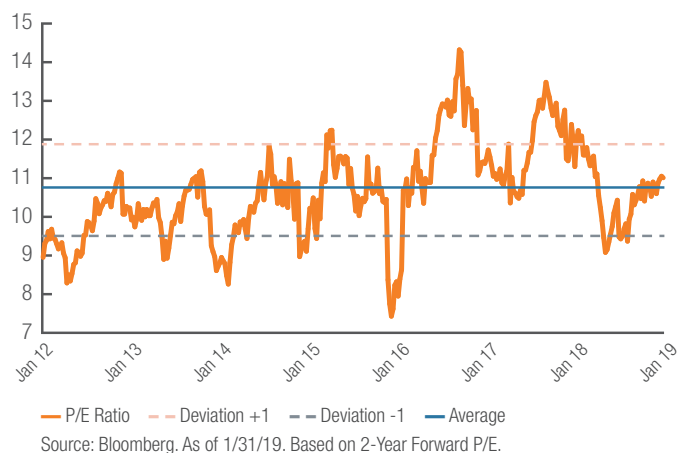
In the past few months, we have begun to see an improvement in consumer confidence, employment, and investment. Valuation multiples are still in-line with historical averages. If Brazil can move forward with the necessary reforms, firm up its fiscal deficit, and leverage the country's tremendous advantages in natural resources and demographics, Brazilian equities could be set for an attractive multi-year re-rating.

Chart 4: Prospects of Political Change Bring Confidence Back to Brazil



Global investors saw an opportunity to invest in a country paying a 14.25% base rate, a seemingly now independent central bank, a powerful judiciary system, and a new government focused on fiscal reform.

Chart 5: Brazilian Equities are Trading In-Line With Its 5-Year Historical Average



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Definitions and Important Information

Basis Point (bp) is a unit that is equal to 1/100th of 1% and is used to denote the change in a financial instrument.

Gross Domestic Product (GDP) is the monetary value of all the finished goods and services produced within a country's borders in a specific time period.

MSCI Brazil Index is designed to measure the performance of the large and mid cap segments of the Brazilian market. You cannot invest directly into an index.

Price/earnings (P/E) ratio is the ratio for valuing a company that measures its current share price relative to its per-share earnings.

Standard Deviation is a measure of how much an investment's returns can vary from its average return. It is a measure of volatility and in turn, risk.

Past performance is no guarantee of future results.

Investment Risk — There can be no guarantee that any investment strategy (risk management or otherwise) will be successful. All investing involves risk, including the potential of loss of principal.

Emerging Markets Risk — The risks of foreign investments are typically greater in less developed countries, which are sometimes referred to as emerging markets. For example, legal, political and economic structures in these countries may be changing rapidly, which can cause instability and greater risk of loss. These countries are also more likely to experience higher levels of inflation, deflation or currency devaluation, which could hurt their economies and securities markets. For these and other reasons, investments in emerging markets are often considered speculative. Similarly, investors are also subject to foreign securities risks including, but not limited to, the fact that foreign investments may be subject to different and in some circumstances less stringent regulatory and disclosure standards than US investments.

An investor should consider the Fund's investment objectives, risks, charges and expenses carefully before investing. This and other important information about the investment company can be found in the Fund's prospectus and summary prospectus. To obtain a prospectus or summary prospectus, please contact your financial advisor or call (888) 335-3417. Please read the prospectus carefully before investing.

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