



A New Approach to Global Equity Investing

Jim O'Neill

Chairman, GSAM

Donald MulvihillCIO Customized Beta Strategies,
QIS, GSAM**Abstract**

We believe that the Growth Markets—Brazil, China, India, Indonesia, Mexico, Russia, South Korea and Turkey—will be among the top ten contributors to future global growth.¹ An important question for investors favoring a rules-based means of accessing global markets is: What is the most efficient way to gain proper exposure to this opportunity while avoiding some of the shortcomings of commonly used benchmarks?

Many common indices used by investors to access global equity markets, including the Growth and Emerging Markets, are constructed using a market capitalization-based methodology, which we believe has serious drawbacks.

We propose a new rules-based approach to global equity portfolio construction aimed at delivering returns similar to standard benchmarks, but with less risk. This approach can be adapted to help investors gain what we believe to be an appropriate level of exposure to the Growth and Emerging Markets. In our view, the rapid and continuous economic expansion of these countries is the most transformational development of our times. We believe that investors should position themselves ahead of this trend to capitalize on the growing opportunities in this space.

¹ For more information on the Growth Markets framework and the categorization of Emerging, Growth and Developed Markets, please refer to Jim O'Neill's Strategy Series paper, *"It is Time to Re-define Emerging Markets,"* January 31, 2011.

Diversification does not protect an investor from market risk and does not ensure a profit.

This information discusses general market activity, industry or sector trends, or other broad-based economic, market or political conditions and should not be construed as research or investment advice.

These examples are for illustrative purposes only and are not actual results. If any assumptions used do not prove to be true, results may vary substantially.

Jim O'Neill is the Chairman of Goldman Sachs Asset Management, which is a separate operating division and not part of the Global Investment Research. The views expressed herein by Mr. O'Neill do not constitute research, investment advice or trade recommendations and may not represent the views and/or opinions of GSAM's portfolio management teams and/or the Global Investment Research. © 2011 Goldman Sachs. All rights reserved.

Please visit our [website](#) for additional disclosures. (59557.SA.OTU)