

Where are the Optimists?

April 2008

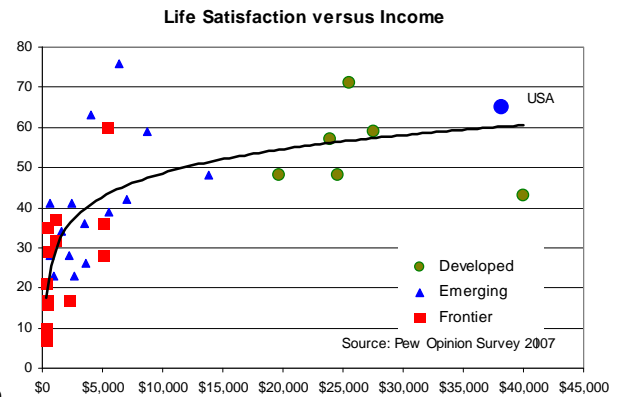
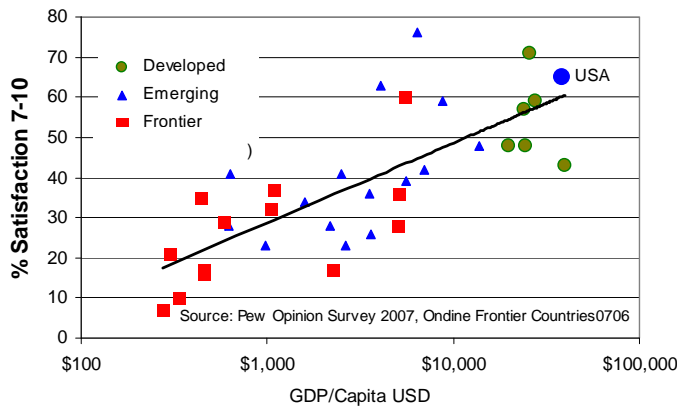
By Lawrence Speidell

The Pew Research Center¹ conducts surveys as part of its Global Attitudes Project. Their 2007 report, “Global Opinion Trends 2002-2007: A Rising Tide Lifts Mood in the Developing World,” has some interesting insights on differences in public opinion around the world. Among other findings, the data show that people in frontier countries are more optimistic than those in richer countries.

Life Satisfaction

One result of the survey, which is not surprising, is that money can buy happiness. As shown in Exhibit 1, there is a good correlation between the log of income and life satisfaction as measured by the percent of population ranking their life satisfaction between 7 and 10 on a 1-10 scale. In the left panel, we use the log scale on the horizontal axis of income (per capita GDP) whereas on the right the x axis is linear. This dramatizes the fact that there are diminishing returns to increases in income: as countries get richer they need greater and greater increases in dollar income to gain incremental levels satisfaction.. Looking at the trend-line, a doubling in GDP/capita seems to result in a 5% increase in the percent of people reporting high life satisfaction. In Africa this can be due to an increase from say \$500 to \$1000, whereas in a developed country, income would need to rise from \$20,000 to \$40,000 for a similar gain in satisfaction.

Exhibit 1² Life Satisfaction versus Income

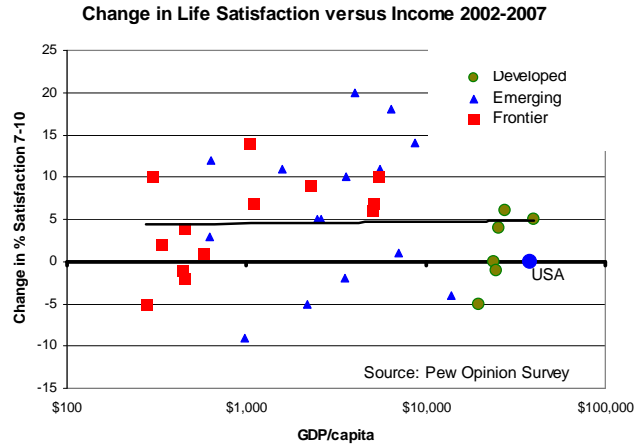


¹ www.pewglobal.org

² All Exhibits Source: “Global Opinion Trends 2002-2007, Pew Research Center, July 24, 2007

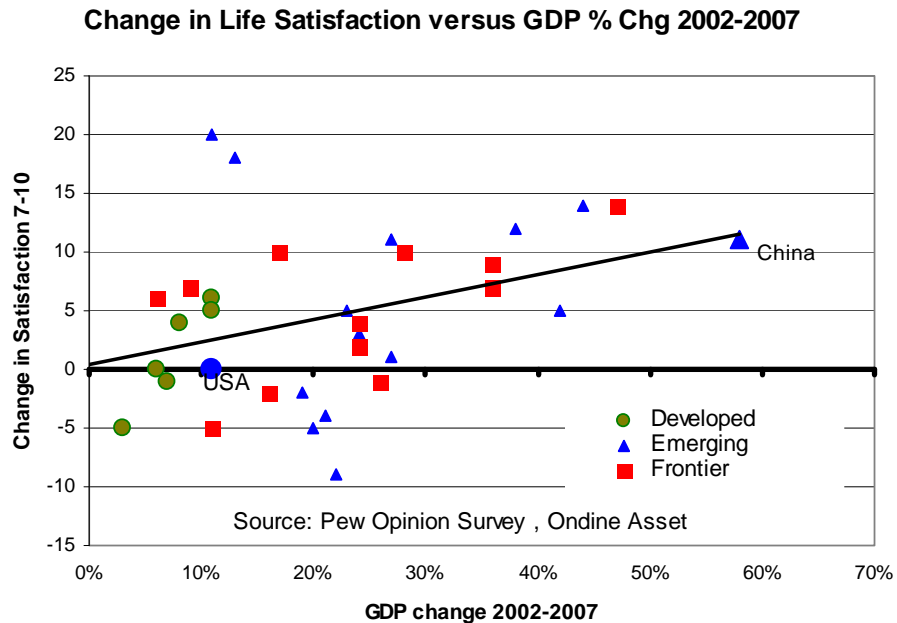
In Exhibit 2, we look at the changes in this measure of life satisfaction during the past five years. While there has been no change in the United States, satisfaction in most other countries has gone up with little difference between developed, emerging or frontier countries.

Exhibit 2



As shown in Exhibit 3, changes in life satisfaction seem to be related to GDP growth, and this highlights the importance of growth to the stability of countries such as China.

Exhibit 3

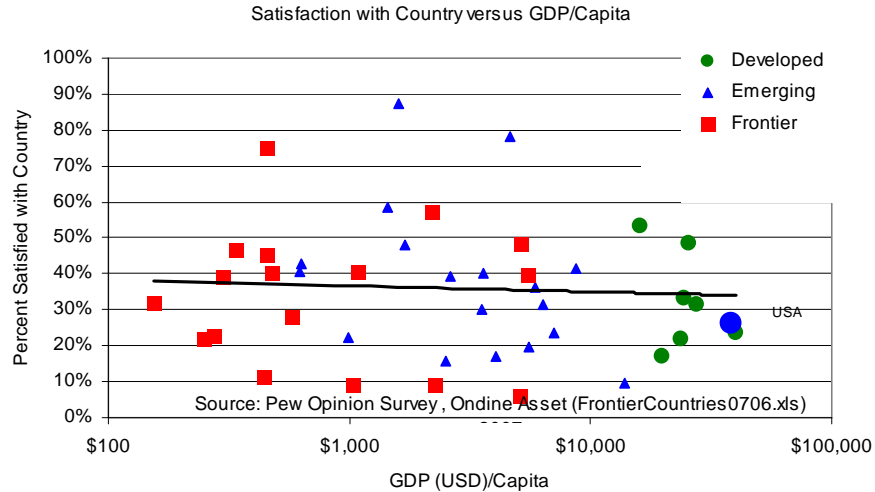


Satisfaction with Country

Next we look at the Pew data on the respondents' satisfaction with their country, based on the following interview question: "Overall, are you satisfied or dissatisfied with the way things are going in your country today?" As shown in Exhibit 4, there is little variation relative to income although if anything, the percent

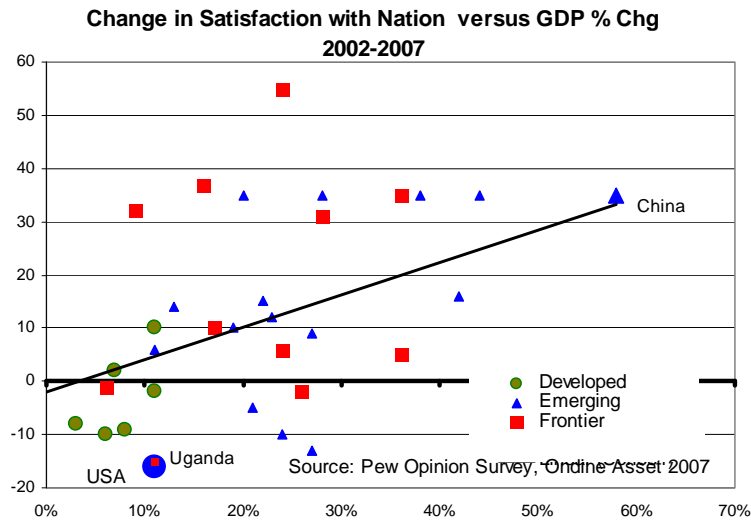
of people in the poorer countries who are happy with their country's policies is higher than that in the richer countries, with the U.S. being somewhat below average.

Exhibit 4



The U.S. is also below average when we look at the change in satisfaction with the nation compared with GDP growth from 2002 to 2007, as shown in Exhibit 5. In theory, people should be happier with their government after a period of strong growth relative to other countries. In fact, however, the drop in country satisfaction for the U.S. is slightly worse than that of Uganda while most frontier and emerging countries look strong on this measure.

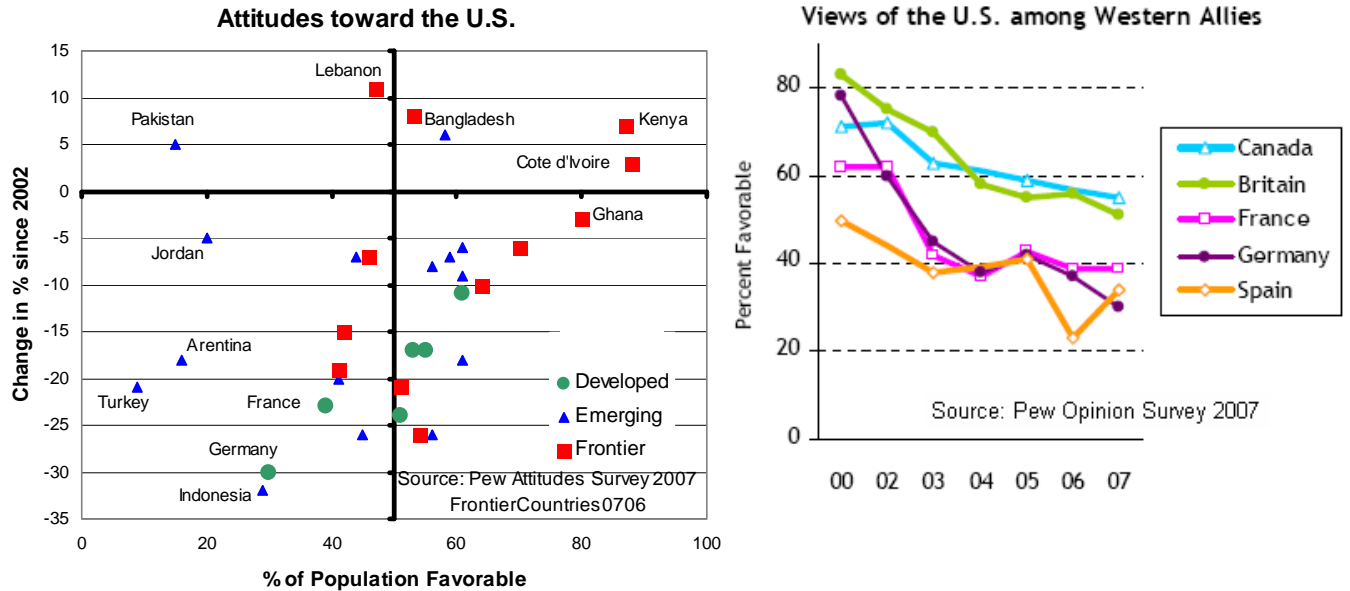
Exhibit 5



Another country level question the Pew researchers asked is about attitudes toward the U.S. (this is part of their Global Attitudes Survey). Exhibit 6 shows that the percentage of people viewing the U.S. favorably on the horizontal axis and the change in that percentage on the vertical. Across the 33 countries surveyed

in both years, the average favorable opinion toward the U.S. has dropped from 62% to 50%. While geopolitics is definitely not a popularity contest, it is interesting that the smallest decline has come in Frontier Countries where 60% of the people still view us favorably. In Cote d'Ivoire 88% of the people view the U.S. favorably, and the percentages are 87% in Kenya and 80% in Ghana.

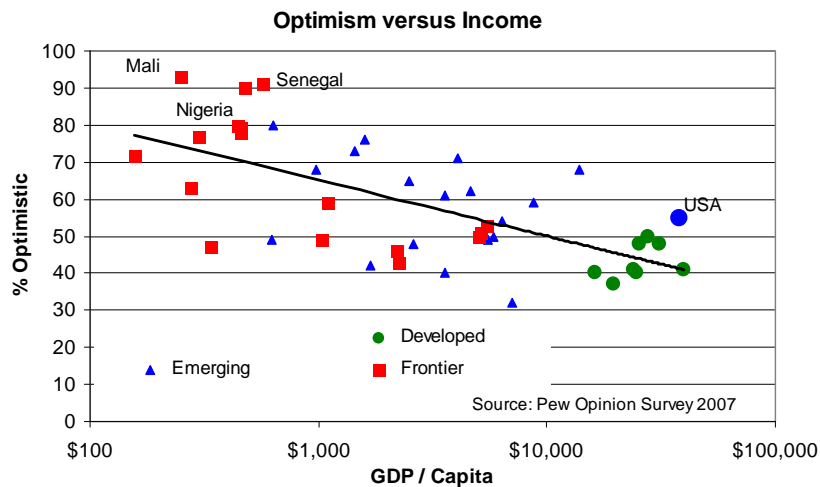
Exhibit 6



Optimism About the Future

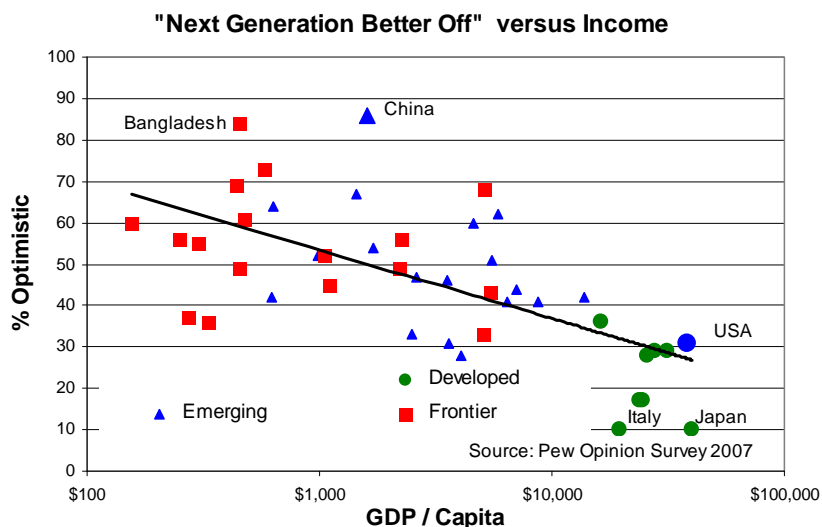
Now we look at the responses to the question: "Rate of your current situation relative to five years from now." Here the poorer countries are more optimistic than the richer, with 93% of people in Mali optimistic, 90% in Senegal, 91% in Cote d'Ivoire and 80% in Nigeria. There are outliers, such as only 50% optimistic in Lebanon and 53% in Venezuela, but these are understandable given the discord in the former and the regime in the latter. Interestingly, people in the U.S. are more optimistic over the next five years than the trend-line suggests, especially relative to the other developed countries indicated by the green dots.

Exhibit 7



A different perspective on optimism is provided by asking whether people believe the next generation will be better off than the current one. This is looking much further into the future, and the results are interesting. Developed countries, for example, are not hopeful, with only 10% of Italians and Japanese believing that their children will be better off than they are. In the U.S. the percentage is 31%. For all developed countries, the average is 23%, whereas for emerging countries it is 50% and for frontier countries it is 55%. In China, a whopping 86% believe the next generation will be better off, and in Bangladesh, the percentage is 84%.

Exhibit 8



Conclusion

As investors in Frontier Markets, we believe that these survey results are encouraging. While there is much suffering in the poorer countries of the world today, the people there are optimistic about the future and especially about the prospects for the next generation. We believe that the world economy will continue to grow in the coming years and that some of the fastest growth will occur in places that are currently the least developed. There will be a shift in the share of world wealth in favor of developing economies, and that is likely to increase the overall level of life satisfaction on our planet. If these trends come to pass, we will be pleased with the returns from investing in Frontier Markets; but more important, we will live in a world of better health, more life satisfaction and more enduring peace.

About Frontier Market Asset Management

Founded in 2006, Frontier Market Asset Management holds more than 35 years worth of investment experience including work in Emerging and Frontier Markets since 1987. For more information about Ondine Asset Management, please contact us at (858) 456-1440.

This is not an offering. An offering will be made only by means of a final offering memorandum and only in those jurisdictions where permitted by law.

The fund is subject to a variety of risks, including but not limited to: investments may be speculative and subject to a high degree of risk; investments may be illiquid; an investor could lose all or a substantial amount of any investment in the fund; there is no secondary market for interests in the fund nor is one expected to develop, and there are substantial restrictions on transferring an investment in the fund; the fund's portfolio may be leveraged and experience volatility; fees and expenses of the fund may be higher than those of other investments and will reduce the portfolio return. Consult the fund's offering memorandum for complete risk disclosures and other important information.