



THOMAS WHITE • GLOBAL INVESTING
Capturing Value Worldwide™



Country Profile: Portugal

It has never been more important for you to understand what is occurring in the world beyond your country's borders. Whether you realize it or not, we are now all fellow citizens...Global Citizens.

The Thomas White organization was founded in 1992 with the goal of bringing the benefits of globalization to investors around the world. We believed that once investors understood that globalization was a positive force, they would also see the advantages of adding international equities to their portfolios. It only makes common sense that professional investors would begin searching the globe for the most attractive opportunities. Researching a wider universe of companies should improve long-term performance. Moreover, broad diversification typically lowers return volatility. Multinational corporations have been using this global strategy for years; why shouldn't investors do the same?

Now more than two decades later, our firm growth and strong subsequent portfolio performance has confirmed our investment premise. Currently, Thomas White professionals are performing research and managing over one billion dollars in close to 50 countries. We believe one reason for our success is that the nationalities of these analysts are as globally diverse as our portfolios.

A handwritten signature in dark blue ink that reads "James S. White, Jr." The signature is written in a cursive, flowing style.

Portugal: A Land Defined by the Sea



The Monument to the Discoveries celebrates Portugal's illustrious history as a seafaring power and a leader in global exploration during the 15th and 16th centuries.

Portugal is a land in transition. Once known as a wealthy, global empire, this country is steadily fighting against its controversial title as one of the PIGS* to regain its former glory as Europe's oldest nation. Jutting out into the Atlantic Ocean, Portugal is home to exotic beaches, citrusy wine, fresh fish, intricate embroidery, lush, green mountains, and ornate architecture.

Varying from its lively neighbor, Spain, the country is characterized by its romantic countryside life where natives relish a glass of Port wine and the sound of a melancholic ballad. The mélange of Islamic, Asian and Gothic art and architecture is the product of a history of foreign influence, demonstrating Portugal's crucial role in global exploration. A founding member of the North Atlantic Treaty Organization and the European Union, this culturally rich country hopes to stay at the frontier of EU integration despite its current financial woes.

A Melting Pot of Civilizations

As with many of its European neighbors, Portugal's origins are characterized by a blend of different civilizations and cultures. The Lusitanians, a Celtic group, first settled in the area beginning around 1,000 B.C. They

faced invasion 800 years later, when the Romans set foot on the Iberian Peninsula and finally conquered the Celts in 140 B.C., establishing a Roman province. In fact, Portugal's name is derived from the Roman name, Portus Cale, an ancient settlement on the northern coast. Subsequently, Germanic tribes such as the Suebi and the Visigoths dominated the area in the 5th Century until Muslim forces from North Africa took over in the 8th Century. In 718, Christians attempted to drive the Moors out of Iberia, marking the beginning of what is called the Christian Reconquista. Securing control of the north, Vimara Peres, a Christian duke, founded the first county of Portugal in 868.

The Birth of a Nation

During the 11th Century, Alfonso IV of Castile and León made his illegitimate daughter, Teresa, and her husband Henry, the Count and Countess of Portugal. This decision marked the region's first steps toward becoming a nation. After her husband's death, Teresa began an illicit affair with Fernando Peres, a Galician count, to the dismay of the Portuguese barons. With the help of

his followers, Teresa's son, Afonso Henriques, was able to force his mother into exile in 1128, proclaiming himself the Count of Portugal.

During his reign, Afonso captured Lisbon from Moorish control, driving the country's boundaries southward. In 1179, the Roman Catholic Church acknowledged Portugal as an independent kingdom, making Afonso the country's first king. Although successive generations fought against the Moors, it was ultimately Afonso III who united the kingdom, re-claiming the southern region of Algarve. His reign represents the end of the Christian Reconquista. After his death, there was growing tension with the nearby Spanish county of Castile.

In the 14th Century, during the reign of Afonso III's great-great grandson Ferdinand I, Castilian forces invaded Portugal, capturing the capital. With the king leaving no male heir, the Portuguese people chose João, the illegitimate son of Peter I, to be their ruler, securing their independence from Spain. Unknowingly, the country was on the verge of becoming a global empire with the birth of João I's son, Henry the Navigator.

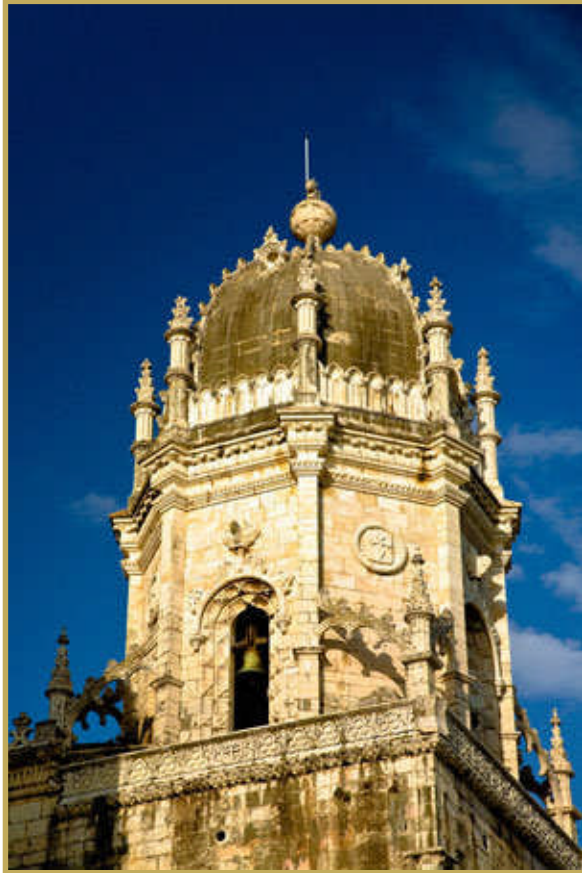
A Pioneer in the Age of Discovery

With the end of the Reconquista, the 15th Century brought a new era for Portugal, marked by prosperous maritime trade and the discovery of new territories. Motivated by scientific curiosity, religious zeal, and the lucrative spice trade of the East, Henry the Navigator embarked on various explorations of Africa's western coast. Yet his true contribution to the Age of Discovery was his influence on explorers such as Vasco da Gama, Bartolomeu Dias and Pedro Alvares Cabral, who would later discover lands rich in gold, diamonds and ivory. With their expeditions, Portugal became a colonial empire, encompassing territories in South America, Africa, and Asia.

The Golden Age Ends

Countering the prosperity of its newfound colonies, Portugal entered a time of political uncertainty, leading Philip II, the king of Spain, to take over rule in 1581. However, a revolution in 1640 brought Spain's sovereign hold over the country to an end, allowing the House of

Portugal and the World	
Nominal GDP (\$)	228.5 billion
GDP Rank	37/193
Per Capita GNI	\$21,860
Per Capita GNI Rank	49/213
Population Rank	77/225
Geographical Area Rank	111/250
Global Competitiveness Rank	49/146
Economic Freedom Index Rank	69/179
Human Development Index Rank	34/182
Major Industries	Fishing, automobile, tourism, aerospace, textiles, electronics, food, wood pulp, chemicals



Housing the tombs of the famous adventurer Vasco da Gama and illustrious poet Luis de Camoes, the Jeronimos Monastery celebrates Portugal's history as a seafaring power and its colonial presence around the world.

Bragança to ascend the throne. Although this rule would last until the 20th century, it marked a slow decline of the global empire in the 18th and 19th centuries. Weakened by a destructive earthquake in Lisbon, the Napoleonic Wars, and the loss of their richest colony, Brazil, Portugal's golden prime was transformed into an era of economic instability.

Political Turmoil

The 20th Century brought with it a period of political uncertainty. With a revolution in 1910, Portugal's monarchy dissolved, bringing rise to the Portuguese First Republic. Yet, republicanism didn't prevail. Coupled with the fragility of a new government and the financial woes that sprang from involvement in World War I, the country was overtaken by a military coup in 1926, in what would become one of Europe's longest-standing dictatorships. Creating the "New State" in 1933, Prime Minister Antonio Salazar's high regard for order helped to spread economic stability. Under his regime, Portugal was able to maintain a neutral stance during World War II. Although the country was a founding member of the North Atlantic Treaty Organization in 1949, Portugal didn't officially join the United Nations until 1955.

But Portugal's fight to suppress African independence movements in the early 1960s dented the country's economy. Growing military discontent with the war against decolonization resulted in the development of the "Armed Forces Movement." In 1974 this group led a successful non-violent coup to overthrow the government entitled the "Revolution of the Carnations." Two years later, the cornerstone of democracy was set, and Portugal's African colonies finally achieved their independence.

EU Integration

Regaining domestic stability, Portugal joined the European Union in 1986 and adopted the euro in 1999. By 2004, José Manuel Barroso, then Prime Minister, was elected as the president of the European Commission, marking Portugal's ongoing support of EU integration. In 1999, Portugal relinquished control of its last colony, Macau, to China, officially ending its reign as a global empire.

Despite economic growth in the 1990s, the 2008 financial crisis severely hurt Portugal's economy, leaving it with a high unemployment rate along with a high deficit. Jose Socrates, a Socialist prime minister, organized three austerity measures in 2010 to handle the growing economic dilemma. Yet, the opposition party, the Social Democratic Party, rejected the fourth measure offered by Socrates that year. This disapproval led to the forced resignation of Socrates and the election of Social Democratic Party leader, Pedro Passos Coelho, to the seat of Prime Minister.

In 2011, Portugal became the third country in the Euro-zone to ask for a bailout package after Greece and Ireland. Businessman turned politician, Passos Coelho, is determined to not let Portugal become a burden on the EU community. He has ambitious plans to help Portugal recover from its financial situation including privatization of the central bank, reformation of the constitution and spending cuts.

Life at Sea

The first few words "Heroes of the Sea" from Portugal's National Anthem are testament to the country's illustrious history as a seafaring power, echoing throughout Portugal's rich cultural past. The national architectural style, Manueline, proudly acknowledges this history with its maritime elements and cultural symbols from Portuguese colonies. Developed in the 16th Century, this ornate style can be found on the renowned Belem Tower and Jerónimos Monastery in Lisbon.

Luis Vaz de Camoes' famous poem, *Os Lusíadas*, describes Portuguese voyages abroad during the Age of Discovery, and has become the country's national epic. Exhibiting the delicate handiwork of the Portuguese people, Madeira needlework is some of the finest embroidery in the world. Inspired by the exoticism of the coastal archipelago, Madeira, this craft is the product of the empire's cultural interchange, incorporating Asian and European stitch techniques with romantic, floral designs to produce this world-renown embroidery. Still, the most important cultural vestige of Portugal's seafaring ways is the celebrated *fado* (destiny, fate). Continuing to be sung even today, this slow, romantic ballad embodies the Portuguese word, *Saudade*, meaning the feeling of longing or yearning, often used to describe life at sea. This art form is considered to be an embodiment of the Portuguese identity.



Inspired by the exoticism of the archipelago, Madeira, Portuguese needlework is recognized worldwide for its delicate handiwork, unique, floral designs and integration of European and Asian stitch techniques.



Named after the city, Porto, Port wine is Portugal's most famous export. It is a fortified wine that is made in the Douro Valley in the north, the third oldest protected wine region in the world.

Wine and winemaking are also key elements of Portuguese culture. Named after the city of Porto, Port is the country's most coveted wine. Made in the north, this after-meal drink can range from dry whites to tawnies, yet it is preferably enjoyed as a red. *Vinho verde* (green wine) from the north and Madeira from the eponymous archipelago are other popular wines for natives. As a nation of fisherman, the Portuguese revel in the hundred ways in which they prepare *bacalhau* (dried salted codfish), the national dish. Influenced by the Mediterranean and the country's former colonies, some other popular meals include *cozido a portuguesa* (meat and vegetable stew), *caldo verde* (green soup) and *cataplana* (seafood stew).

Not to be forgotten, the Portuguese are intensely passionate about football (soccer), their national pastime. Home to famous footballers, Eusébio and Cristiano Ronaldo, the country has one of the world's finest football teams. Adding to the sporting excitement, the population also enjoys bullfighting. Yet unlike the Spanish form of the sport, the Portuguese bullfighter confronts the bull on

horseback without any intent to kill the animal. The *forcados*, a group of young men, follow after the bullfighter to challenge the bull without any weapons. Other popular forms of recreation in Portugal include beach going and scuba diving, with 497 miles of coastline to enjoy. And with its balmy, Mediterranean weather, the country's south boasts champion-level golf courses, visited by people worldwide.

Although Lisbon and Porto are rapidly growing cities, the Portuguese value tradition and the tranquility of countryside life. The majority of this rustic population is ethnic Portuguese with immigrants from Brazil, China, and the country's former colonies in Africa and Asia. Still, throughout the country, Portuguese is mostly spoken and the primary religion remains Catholicism, despite the country's liberal standings on abortion and same-sex marriage.



1 A four letter acronym that refers to the European countries Portugal, Italy, Greece and Spain, which are at the center of the European debt crisis. Including Ireland, the countries are often referred to as PIIGS.

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