

Chowdhry: Brazil and India “offer the most compelling investment opportunities”



Jeff Chowdhry, who manages the F&C Emerging Markets Fund, believes that the larger developing nations continue to offer the most compelling investment opportunities and particularly favours Brazil and India on a medium to long-term outlook.

Brazil has a very large domestic economy alongside enormous and cost-competitive agricultural, energy and mineral resources, in addition to a strong banking sector. Although complacency and overconfidence by policymakers could lead the public sector to become an ever-increasing burden on the economy, Chowdhry believes that the stable and prudent economic policy to date has led to low inflation and interest rates, reducing borrowing costs and unleashing spending and investment.

Chowdhry is wary about India's high fiscal deficit and government borrowing programme, not helped by the Government's somewhat leisurely decision making process which could slow the growth rate, keeping the fiscal deficit high. "Nevertheless, the fact remains that India is now one of the fastest growing economies in the world, with a young population who are better educated and more entrepreneurial than China, meaning a better chance of increased foreign domestic investment (FDI)," he commented.

Although Chowdhry believes China offers long-term growth opportunities, he is underweight for the moment over concerns that the current recovery has been propped up by government spending and believes that strength may be threatened in the short-term over the health of the banking sector and a potential property market bubble. Once concerns abate,

Chowdhry will look to increase his exposure.

Looking at short-term opportunities, Chowdhry has added to Russia and Mexico on the belief that both look set to see some recovery this year.

"Russia has huge reserves in a number of resources, including natural gas and oil, and I believe they are ideally placed to benefit from the stabilising oil price. I am also positive that the American markets and economy look set to recover this year with Mexico being a key beneficiary given their high exposure to the US economy, coupled with their own cheap manufacturing base and competitive currency," Chowdhry concluded.

IRP Property Investments enjoys strong half-year results

IRP Property Investments Ltd, one of the three property investment companies managed by F&C, has posted strong gains in both its net asset value and share price for the six months ended 31 December 2009.

The company, managed by Ian McBryde at F&C REIT Asset Management, saw a net asset value total return of 21.2% for the half-year, which compares favourably with the 13.3% total return from the benchmark IPD Monthly index of UK commercial property. As property returned to favour after two years in the doldrums, IRP's share price bounced back dramatically, rising by 47.8% (55% including dividends) as the shares moved from a 21% discount to a 0.7% premium.

The dividend yield on the portfolio, which pays dividends four times a year in March, June, September and December, was 8.5% at the period end. The company is currently paying an annualised dividend of 7.2p per share.

In December, the company completed its first new property purchase since 2007. With funds available from the sale of 48/49 St James' Street, London, SW1, earlier in the year, the Company purchased a retail warehouse in Nelson, Lancashire for £5.2m, reflecting a net initial yield of 7.0% per cent. The unit is let to B&Q plc. Commenting on the market outlook, trust chairman Quentin Spicer said: "The momentum gathered in the second half of 2009 should carry on into the early months of 2010. The outlook beyond that point is uncertain, and while capital values were still around 40% below their peak as at 31 December 2009, problems remain on the

occupational side."

Manager Ian McBryde remains cautious and is predicting a slowing down of returns from the second half of 2010, with little capital growth occurring and income driving returns. This would appear to be supported by the narrowing of the yield gap between property and gilts (as measured by IPD), which was 2.6% per cent at 31 December 2009 compared with 3.8% per cent at 30 June 2009.'

Multi Manager add Templeton

F&C's Multi Manager Team have added Templeton Global Total Return to the F&C Multi Manager Cautious Fund, accounting for some 3.8% of the portfolio.

The Team funded the purchase by trimming a number of existing absolute return holdings and reducing their position in Old Mutual's Global Strategic Bond Fund, with the remainder coming from cash.

Fund Manager Paul Carne commented: "This move further increases our overseas bond exposure within the portfolio with the fund sitting alongside the likes of Old Mutual Global Strategic Bond, Fidelity US High Yield and PIMCO Global High Yield. This impressive offering invests globally in government, supranational and corporate debt across all rating spectrums."

F&C launches Fantasy Portfolio game

Registration opens on 8th March for F&C Investments' new Fantasy Portfolio game. Administered by Fantasy League Ltd, the game will allow private investors to try their hand at managing a £100m fund portfolio with no risk to their capital. Players choose from 10-20 funds from a selection managed by F&C, including its investment trust range and some open-ended SICAV and OEIC funds. The funds on offer cover the full spectrum of asset classes – cash, bonds, equities, derivatives, property and private equity. The game is also open to IFAs, fund of funds managers and other financial services professionals, though acceptance is at F&C's discretion. A Journalist League (with prizes) will be going live over the next few weeks – contact sarah.godfrey@fandc.com for details.

Press Contact: +44 (0)20 7011 4600

Jason Hollands (Corporate)
Tel: +44 20 7011 4168
jason.hollands@fandc.com

Paula Garrido (Institutional)
Tel: +44 20 7011 4190
paula.garrido@fandc.com

Jennifer Donohoe (OEICs)
+44 20 7011 5017
jennifer.donohoe@fandc.com

Sarah Godfrey (Investment Trusts)
Tel: +44 20 7011 4215
sarah.godfrey@fandc.com