



Media Release

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Sarasin finds a silver lining in the financial storm Asian stocks may rally first

While the world has been rocked by a global financial crisis over the past four weeks, global government interventions have led **the Chairman of the Sarasin Group Asset Allocation Committee, Guy Monson**, to advise investors to take a fresh look at global markets. "At every point in a crisis, as I have experienced over the past 20 years, there comes a time when you can begin to see a silver lining, although in this case, it may be gold for a few more months," he said.

Guy Monson, Chairman of the Asset Allocation Committee, Sarasin Group

"While the speed and severity of this global financial crisis are unprecedented, investors should realize that there are tremendous investment opportunities available now and that, if policy responses are correct, core Asian economies could lead a stock market rally."

Speaking in Hong Kong, Guy Monson said that the world is now reliant on Asia for growth as the engine of global demand. He is optimistic that core Asian economies, and particularly China, will manage the crisis, noting that China is well positioned with minimal internal and external debt. China's growth will be dependent on domestic demand, with exports to slow sharply due to a recession effect outside Asia. Asian economies will be helped by reduced inflation rates due to falling commodity prices and real oil demand destruction in the US.

While growth rates in Asia will slow, Asian stocks and other Emerging Market stocks are undervalued, creating opportunities for investors. For the 700 largest listed Asian companies, financial leveraging has fallen from 65% to 22%, the lowest level in the world. Some 40% of Asian stocks pay higher dividends than the government bond markets, with that rising to 80% for Singapore stocks, Guy Monson said.

Guy Monson also pointed to the creation of a new asset class. "Unprecedented government actions over the past week have resulted in the creation of hybrid half-state half-private sectors", he said. "These will provide interesting bond opportunities for investors."

Beyond blue-chip Asian corporates, after recent declines, Sarasin also recommends the high quality corporate bond markets, including the emerging hybrid bond markets; defensive stocks (utilities, water, food, and particularly pharmaceuticals); and energy and materials (metals and mining).

Guy Monson said that global equity markets had been the victims of their own success, having provided the only liquid exit for distressed hedge funds, over-leveraged prime brokers and derivative managers seeking to offset risk in the bond or commodity markets. Forced sellers then dragged down the only market that was 'Open for Business'.

While this means equities may yet 'overshoot' on the downside, large global companies can offer liquidity, dividend flows that have growth potential (against money market rates that will tumble) and what are, in most cases, balance sheets that are now far stronger than those of their bankers – all at unprecedented valuation lows.



Investors holding such equities via regulated funds also have daily liquidity, segregated custodial accounts and extraordinary levels of diversification. As banking conditions normalize, and with unlimited Central Bank support, these assets will rally first. Further, Sarasin recommends avoiding companies that are vulnerable to discretionary consumer spending or non-essential capital investment programmes.

Sarasin issued some caveats. For a recovery to be sustained, investors should look for money-market rates to narrow, a US Dollar that does not experience a precipitous fall, and stabilizing housing prices in the US.

Biography

Guy Monson joined Sarasin in London in 1984 after receiving an MA in Economics from Oxford University. In 1988 he became manager of Sarasin's flagship GlobalSar family of balanced investment funds, winning awards for investment performance and risk profile. He pioneered the use of Thematic Investment in the management of Global Equity portfolios, resulting in the highly successful EquiSar family of funds. In 1997 Guy became Chief Investment Officer for the Bank Sarasin Group. In 2001 Guy was made a CEO of Sarasin Chiswell (the predecessor of Sarasin & Partners) and subsequently Managing Partner of Sarasin & Partners LLP. He is also the Chairman of the Asset Allocation Committee for the Sarasin Group.

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