

# FUND MANAGERS DIARY



**PHILIP HUNTER**

“Chinese investors currently see the best opportunities on their own doorstep”

**Tuesday** I return to the office after the bank holiday weekend. Although Asian markets were open yesterday, developments were limited and the three main points of interest from the previous week look likely to be this week's too. Investors are focused on the much anticipated (and much leaked) results of the US bank stress tests, returning risk appetite and the

debate about the extent of the market rally. Also of interest is Taiwan, following news that China Mobile will purchase a stake in Far EastTone, heralding a new age in relations between China and Taiwan. Perhaps the era of military posturing and missile testing has come to an end.

**Wednesday** Good results from leading banks fuel the Asian rally further. Numbers from Standard Chartered and UOB in Singapore both highlight that the increase in bad debt provisions in Asia will be manageable, and that well-capitalised banks are benefiting from reduced competition from their American and European counterparts.

I have an interesting meeting with a sell-side analyst who covers the property sector in Hong Kong and China. He reports seeing increasing evidence of a rebound in property purchasing activity in both places. A subsequent conversation with a friend in Hong Kong confirms similar activity in the rental market. The good deals that were abundant a month or so ago have now dried up.

**Thursday** Seemingly, no dining experience in the UK is complete without a discussion of property prices, and lunch today is no exception. Over dim sum with colleagues and a broker, the conversation finds its way to further signs of stability in the American property market. Anecdotal evidence points to increasing interest from cash buyers, who are being tempted

into residential real estate where rental yields are attractive. Auctions are apparently seeing more interest, which is quite timely ahead of the results of the US bank stress tests.

A meeting with an Australian analyst on the commodity sector provides a further boost to the recovery story. I discover that Chinese imports of iron ore have largely recovered, as has steel production. Raw materials are finding their way to end users rather than being stockpiled, suggesting that the government's stimulus package is having a positive impact.

**Friday** Official confirmation of the stress tests boosts market sentiment and gives sceptics further cause to return to equities. A poll of CIOs conducted at this week's Goldman Sachs conference revealed that most were underweight equities in the general and financial sector. Meanwhile, holdings of cash relative to equities within balanced portfolios remain at historically high levels.

**Saturday** Weekend lie-ins are a thing of the past with a baby who's just approaching a year old, so I decide to hit the tarmac and enjoy the fine weather. Katie Melua sung about there being 'nine million bicycles in Beijing' but I'm pleased that there are rather fewer on the quiet lanes of Hertfordshire.

**Sunday** Having ridden my bicycle for the first time in ages, my legs are complaining, so I resolve to stick with my motorbike.

**Monday** There is news from Hong Kong of increasing mortgage lending competition among local banks, which should help sustain the positive sentiment in the Hong Kong and China property sector. My optimism about the Chinese market is supported by a conversation with an equity salesman who covers China-based investors with global investment mandates. I'm interested to hear that Chinese investors currently see the best opportunities on their own doorstep.

● Philip Hunter manages the Old Mutual Asian Select fund. His diary runs from May 5-11.

## E.TR@DER

From: e-trader@stella-am.com  
To: phil.dump@pgbrokers.co.uk  
Subject: This market!

It pains me to say this but you've been more right than me recently. Now this merger is in the open I need to concentrate more on my fund, so expect orders. Any chance of Wimbledon tickets, by the way?

From: e-trader@stella-am.com  
To: shirleyw@constellationif.com  
Subject: VAIT.

You have met the board of this trust haven't you? I fell out with them when we had the mandate, so I need to visit the chairman and rebuild my

bridges. Will you come with me?

From: e-trader@stella-am.com  
To: torquil.everton@interfinance.com  
Subject: Meeting up.

I've arranged to come round with Shirley Webster to discuss both the management of the trust and what will be happening now that we are merging with Constellation. I'm sure you will be satisfied with our plans.

From: e-trader@stella-am.com  
To: shirleyw@constellationif.com  
Subject: Any news?

That's all settled then – I'll pick you up at your office and we'll meet the Chairman and one of the other directors at his office next week. Incidentally, I forgot to ask – have you heard back from the clinic yet?

From: hugh.golder@stella-am.com  
To: e-trader@stella-am.com  
Subject: New board appointments.

We need to get the new management structure sorted out so we can announce who is doing what as soon as we can. I'd like you to join the main board as investment director – not CIO, but rather an overseer of the managers. Is that OK with you?

From: e-trader@stella-am.com  
To: lisa.aspinall@stella-am.com  
Subject: Board changes announcement.

Aren't you the clever one! Ricardo Dorca is not a happy man – but I'll bet it will be a popular move with the Constellation people. It's still a secret, though, so be careful who you tell. Hugh could always change his mind!

To be continued...

Fund Strategy, 50 Poland Street, London W1F 7AX. Tel 020 7943 8000. Fax 020 7943 8090. E-mail fund.strategy@centaur.co.uk. Subscriptions 020 7292 3751. Editor Daniel Ben-Ami Deputy editor Adam Lewis Features editor Will Jackson American editor Vanessa Drucker Senior staff writers Tomas Hirst, Natalie Kenway, Hannah Smith Staff writer Stefanie Eschenbacher Contributors Patrick Collinson, Julian Marr, Brian Tora Production editor Nichola Gaudion Sub-editor Terry Stone Website editor Ally Lee Group art director Colin McHenry Art director financial services Stuart Woodward Assistant art editor Matt Stevens Division production manager Simon Hadley Division deputy production manager Nita Patel Production assistant Amanda Shaw & Gemma Bailey Circulation manager Ian Paxton Publisher Richard Fletcher Sales manager Rory Wilson Publishing director Patrick Ponsford Cover Colin Thomas ISSN 1472-3042. Published by Centaur Media. Printed by Pensord Press. Registered with the Post Office as a newspaper. ABC July 2007-June 2008. Average net circulation 6,037.