Gold and property: investment strategies for unclear times

In the face of global uncertainty, and new challenges in trying to navigate the consequences of the Brexit vote, investors need to consider what they do with their money. Gold and real estate seem to be among the recommended options.

The full implications of the Brexit vote are yet to be seen. What is clear, though, is that it only adds to a growing list of global events that continue to characterise an investment landscape marked by uncertainty and doubt.

For wealthy individuals, knowing where to go from here and how to allocate their capital are difficult to answer.

"I see blood in the market for the next seven years," predicts Shan Saeed, chief economist at Kuala Lumpur-based global real estate and property investment company, IQI Holdings.

"This is the 'Great Depression part two'," he says, adding that he even sees the current global economic situation being even worse than the 1933 event.

Whether or not Saeed's outlook materialises, with Brexit being the latest in a series of events that have befallen the global economy since the 2008 crisis, including Greece's debt problems, it's hard to find evidence that things will look up anytime soon.

GETTING THE REQUIRED INFORMATION

To complicate matters, it can be hard for the average investor to get enough information to keep truly informed. Saeed says there he relies on a wide breadth of materials to build his opinions, warning against trusting mainstream media outlets at face value.

This means that central banks might not have the best information either. Several rounds of quantitative easing (QE) – better known to avid news watchers as a 'stimulus' – in which central banks print more money to try and jumpstart

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CIMB-Principal
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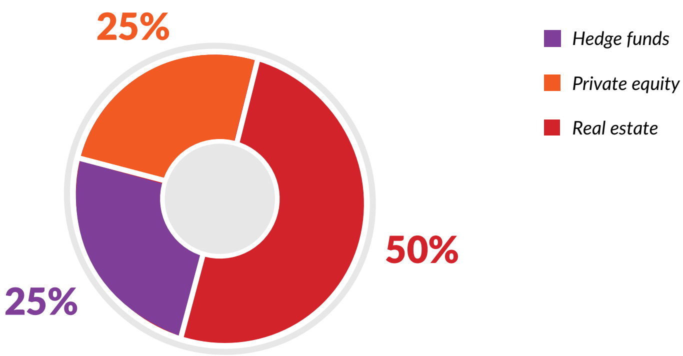
TO WHICH OF THE FOLLOWING TYPES OF ALTERNATIVES SHOULD CLIENTS MOST INCREASE THEIR ALLOCATIONS IN 2H 2016?



Source: Hubbis Malaysian Wealth Management Forum 2016

BEST INVESTMENT BETS

Current market sentiment doesn't mean all hope is lost, but times are delicate. As a result, investors should probably take a cautious approach with a prudent attitude.

"We like ASEAN, and there are still some growth pockets, but you have to be very, very selective," says Munirah Khairuddin, chief executive officer of CIMB-Principal Asset Management.

This requires bottom-up stock picking and bottom-up credit picking. "It is that kind of environment," she adds.

According to Khairuddin, gone are the days where investors could just have a view on a developed market. "You need to look for value in developed and emerging markets," she explains.

In terms of individual asset classes, Donoghue and Saeed agree that gold might not be a bad place to invest. "Gold actually has a higher yield [now] than most fixed income instruments," adds Donoghue.

Saeed is also an advocate of real estate alongside precious metals, pointing to economies, haven't proved very successful so far.

"[I've traded] interest rates for banks – JP Morgan, Barclays, Deutsche Bank – for 20 years," explains Seamus Donoghue, chief executive officer of Allocated Bullion Solutions.

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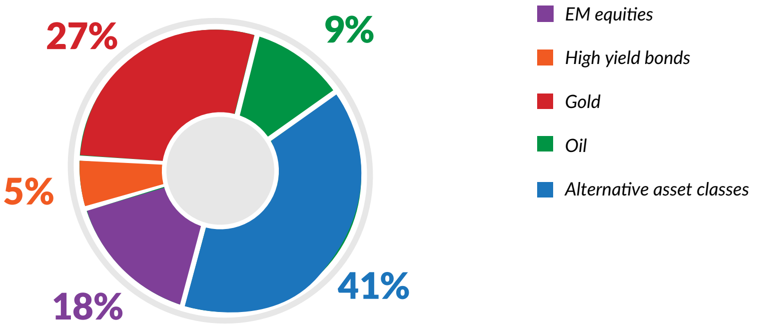
Allocated Bullion Solutions

WHICH OF THE FOLLOWING DO YOU THINK INVESTORS SHOULD MOST FAVOUR AT THE MOMENT WHEN WEIGHING THEIR OPTIONS?



Source: Hubbis Malaysian Wealth Management Forum 2016

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China's rush to buy up property around the world.

For example, a *New York Times* report in 2015 pointed to China's "new flow of cash" into properties in the US, Canada and other countries as 'upending the traditional dynamics of buying and selling'.

In April this year, *Bloomberg* reported that even though China's economy has slowed relative to previous years, it was unlikely to slow citizens' purchases of homes abroad.

Meanwhilem , oil rounds out Saeed's list of worthwhile investments, although he acknowledges this as something he has a long history of favouring.

WEATHERING THE STORM

Given that volatility is the new norm, Khairuddin also suggests investors should diversify their portfolios and wait for opportunities.

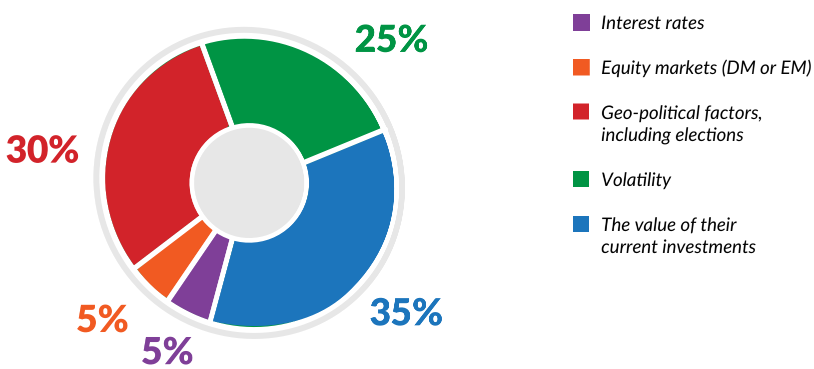
Yet Saeed, along with Donoghue, believes that part of the problem lies in political decision-making – much like Brexit – that has yet to occur. The US presidential election in November, for instance, will be impactful.

Already the short-term consequences of Britain leaving the EU have included a fall in the value of British sterling, stocks and investments. And more might be to come. "We could have other potential 'Brexits' emerging across in Europe," shares Donoghue.

As far as investor attitudes toward governments, Saeed believes the damage may have already been done. "Wherever you have confidence in the economy, GDP is up, investment is up and consumption patterns are strong. Confidence is like an appreciating asset."

The problem, however, is that confidence isn't leading the charge, he adds. Instead, fear is. And that's a reason for him to continue to watch political developments very closely. ■

WHICH OF THESE FACTORS WILL HAVE THE BIGGEST IMPACT ON CLIENT APPETITE OVER THE NEXT 6 MONTHS?



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