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Optimistic experts survey the world of investment opportunities

The final panel discussion of the day at the Hubbis Middle East Wealth Management Forum focused on the investment opportunities wealth providers are promoting, in the region and globally. The dominant theme was optimism.

These were the topics discussed:

- *What products do you have that you feel would be most valuable in this market in 2018?*
- *Nearly everyone had a good year in 2017 - what are your best and worst predications for 2018?*
- *How will fees and transparency evolve - and is that good for you?*
- *What's your view on technology, margin pressure and regulatory reform?*
- *Multi asset, Income generation and liquid alternatives - Are these still the main themes?*
- *What's the way forward for how product manufacturers and fund selectors should partner with each other going forward?*
- *How are you engaging other markets in GCC and even wider - like India and Africa?*
- *Where is the big opportunity - international private banks, local banks, universal banks, insurance companies / platforms or family offices?*

"THE OUTLOOK FOR 2018 IS GENERALLY POSITIVE for equities," said one asset management expert. "But, it will ultimately come down to what we will see emerging from an inflationary standpoint."

A bird's eye view of the globe

Looking at the global equities universe, he indicated that investors should consider being underweight the US markets, due to expensive valuations in a mature cycle. The Eurozone should be neutral based on strong fundamentals and room for profits expansion, as well as potential to outperform an anticipated 2% GDP growth. While investors should be overweight the

PANEL SPEAKERS

- **Yunus Selant**, Regional Manager Middle East & Africa, Allfunds Bank
- **Nick Savastano,** Head of Offshore Global Life Groups and Middle East Financial Institutions, Invesco
- **Iheshan Faasee**, Client Portfolio Manager, Russell Investments
- **Dhiraj Rai**, Director, Gulf & Eastern Mediterranean, Franklin Templeton Investments
- **Akhil Chaturvedi**, Executive Vice President, Head of Sales and Distribution, Motilal Oswal Asset Management
- **Faisal Hasan, CFA**, Chief Business Development Officer, Head of Investment Research, KAMCO
- **Scott Littlewood**, Fund Manager, Helvetic Investments

YUNUS SELANT
Allfunds Bank

emerging markets of the Asia-Pacific region due to 5% or more GDP expansion and reasonable valuations.

"India has turned a major corner," said another panellist. "The current government is trying to rebuild the image of 'brand India' once again on the global landscape. We are now back from low growth to steady growth at about 6% or more as of now, with low inflation and falling interest rates. I think Indian markets are in for good run and not for next few years, maybe next decade or so."

THE EUROZONE SHOULD BE NEUTRAL BASED ON STRONG FUNDAMENTALS AND ROOM FOR PROFITS EXPANSION, AS WELL AS POTENTIAL TO OUTPERFORM AN ANTICIPATED 2% GDP GROWTH.

SCOTT LITTLEWOOD
Helvetic Investments

The same expert referred to India moving from a two trillion dollar economy to a five or six trillion dollar economy in the next 10 years. "Per capita income has been surging in the past decade and will at least triple from here as a result, so the discretionary spend and the consumption story is very attractive."

China is a key focus for many asset managers and investors when looking at the emerging markets. "For the past decade or so we have tended to look at China as a risk to the global economy, hard or soft-landing fears prevailing. But China has again turned into an opportunity. Yet we're talking about China as an opportunity and therefore considerable allocations are relevant."

Appetite grows for GCC risk

Looking broadly at the Middle East region and opportunities therein, one expert highlighted equities and real assets. Accordingly, ETFs should be in favour and multi-asset allocation.

One expert highlighted blue chip GCC regional stocks with healthy dividends as ongoing targets for many investors, due to their reasonable valuations and solid yields. The financial sector also has appeal, with the banks sitting on huge deposits and gradually mobilising those savings including via a growing wealth and asset management business.

The GCC region is clearly an attractive destination for investment, in selected sectors where there is liquidity. "International money is also helping improve the regulatory standards and the corporate

NICK SAVASTANO
Invesco

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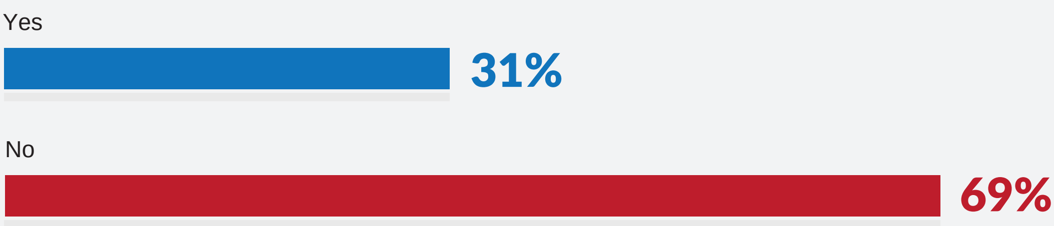

Source: Hubbis Middle East Wealth Management Forum 2018

governance thereby attracting more money into the region," noted one panellist. "Not only is the economy appealing, the region is diversifying and there are more and more investments opportunities."

However, although the GCC region has economic momentum it also has significant currency risk because the currencies are all pegged to the US dollar.

Yield in a low yield world

"A trend we see continuing is the search for yields in a low yield, low interest rate environment," said another panel member. "People are looking for income, whether from equities or bonds. The trend will continue at least for this year and foreseeable future."

A fellow panellist agreed. "We have noticed some key themes across all of our clients regardless of jurisdiction, namely the desire for income. We are entering a rising rate environment globally and the level of investment complexity is increasing, as is regulation. With so many unknowns in there, we believe that as it has always been, your best tool to mitigate uncertainty is to have a diversified approach in the portfolio."

This panellist explained that his firm is emphasizing Europe, Japan and the emerging markets in general as high conviction allocations within equities. "Within bonds however," he added, "there is a lot of fear mongering and that is unsurprising given that we see interest rates rising."

FAISAL HASAN, CFA
KAMCO

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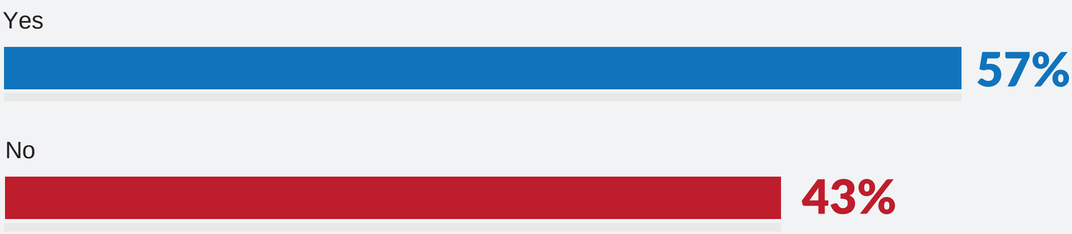

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But another markets specialist appeared to take a different view. "We continue to have exposure to fixed income given we are in a low yield environment. We have for example taken duration exposure and therefore attractive yields in countries like Argentina and Brazil. But I agree that in the shortened duration we see a significant risk on interest rates."

DHIRAJ RAI
Franklin Templeton Investments

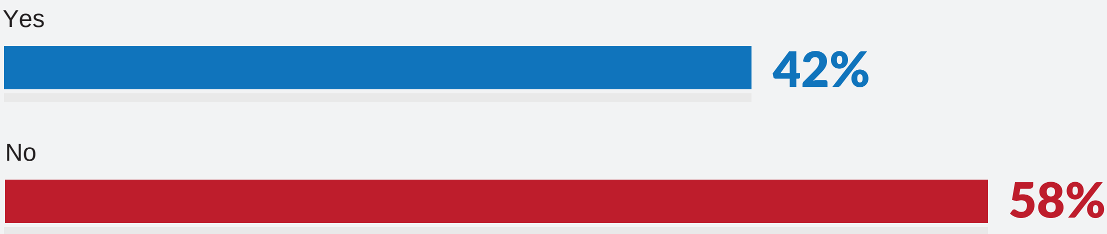
Cryptos and ICOs

One panel member highlighted the explosion of interest in crypto-currencies and initial coin offerings (ICOs) "Depending on the volatility they can stomach, clients might nowadays consider taking up to 2% of their portfolios in cryptocurrencies and tokens.

However, he also noted that the reason why this sector has not been a viable, mainstream investment option is because there have until now been no secure ways of getting into it. "You parked your money on an exchange open to cybersecurity and hacking risks. It is not viable unless you can get in and out, hence a properly regulated open-ended structure that we have been working with the regulators to create."

Another expert noted that although so many of the numerous ICOs in the past 18 months have proved to be backed by nothing but nonsense, there will be more substance in the future. "This year and further out we will see a huge, market develop in tokenized asset offerings, which is essentially taking an illiquid asset and tokenizing it and then creating a secondary

WILL YOU THIS YEAR INCREASE YOUR WEIGHTING IN INDIAN EQUITIES?



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liquid market. We will see these linked to fine art, precious metals, land, properties and so forth."

And a panel member reported that funds based on alternative investments such as art are gaining popularity, especially if they are very professionally managed and totally transparent. ■

DEPENDING ON THE VOLATILITY THEY CAN STOMACH, CLIENTS MIGHT NOWADAYS CONSIDER TAKING UP TO 2% OF THEIR PORTFOLIOS IN CRYPTOCURRENCIES AND TOKENS.

THIS YEAR AND FURTHER OUT WE WILL SEE A HUGE, MARKET DEVELOP IN TOKENIZED ASSET OFFERINGS, WHICH IS ESSENTIALLY TAKING AN ILLIQUID ASSET AND TOKENIZING IT AND THEN CREATING A SECONDARY LIQUID MARKET.

AKHIL CHATURVEDI
Motilal Oswal Asset Management

IHESHAN FAASEE
Russell Investments