

Views on Asia in 2012

Against the backdrop of a two-speed world, Fidelity's fund managers discuss why Asia is likely to be a bright spot in financial markets and shares their portfolio strategies for 2012.



Joseph Tse
Portfolio Manager,
FF - Asian Special
Situations Fund

"The current risk-off mode may well be the continuation of the famous 2008/09 Global Financial Crisis (GFC). It may well be the GFC playing out its second episode. The biggest challenge for fund managers is how to deal with the extreme volatility that almost no market participants alive have ever experienced. While the US economy is apparently weak, there are signs of improvements at the margin. Meanwhile, the structural challenges faced by Europe seem to be well publicized and may therefore be adequately discounted by the market. Elsewhere, the strength of the Asian economies remains largely intact despite the aforementioned headwinds. Thus, it may be unwise to be overly bearish at this juncture.

In this environment, I continue to focus on stock picking to drive returns. Within Asia, I remain positive on China in light of the strong balance sheets and cash flows of both Chinese companies and the China economy at large. In stark contrast, many western countries, companies and individuals are bankrupt or are going bankrupt. Sector-wise, I overweight in the telecom sector. Aside from its defensive nature, I believe telecom stocks are attractively valued. In addition, selected companies are in a position to benefit from the rise of the mobile internet.

On the contrary, I am underweight the utilities sector. Utility stocks are generally overpriced given the current lack of risk appetite.

In a polarized and largely low-growth world, I remain bullish on selected growth companies, especially for those in the internet and/or smartphone space. The low but rising internet/mobile internet penetration rate in the region represents significant growth potential. I have also increased exposure to Chinese banks and property stocks, as they are under-valued and should benefit if the Chinese government reverses its tightening policies."



Gillian Kwek
Portfolio Manager,
FF - ASEAN Fund

“Despite global uncertainties, the ASEAN economies should remain resilient and are forecasted to expand by around 3-5% in 2012. Inflation will ease next year on the back of deflationary forces from a slowing global economy. Fiscal stimulus and monetary easing will help provide some support to domestic demand, as exports slow.

The situation facing ASEAN is at worst a P&L (profit and loss) recession, not a balance sheet issue. Unlike what we saw in 1998, ASEAN is not at the epicenter of the financial crisis this time. The fundamentals of ASEAN are currently very strong no matter how you look at it – one of the most healthy financial sectors in the world, no governments here are running twin deficits, overall gearing is low for both private and government sectors, demographics are positive with young and growing population.

Unlike the developed world, ratings of Indonesia and Philippines have been upgraded in the last few quarters. Hence, I remain comfortable with the long term outlook for ASEAN and my strategy will be to stick to companies with secular growth drivers who have strong balance sheets.

Sector-wise, I remain overweight in consumer discretionary and health care sectors while underweight in telecom, utilities, banks and consumer staples. In general, I like consumer discretionary names in light of the promising domestic consumption story in ASEAN and I can find some attractive names within the gaming, media and auto industries. I remain positive on health care due to an aging population and the increased spending on health care. On the contrary, I am underweight in utilities because of their lack of catalysts and expensive valuations. I remain underweight in real estate because of tightening measures in Singapore and expensive valuations in countries like Malaysia and Philippines.”



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