

# FINANCIAL TIMES

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## Going big on European equities

### Fund focus

**Ignis Argonaut's Barry Norris says strong growth is on the horizon, writes Rob Langston**

Investors are being urged to take advantage of potential returns from equities as Europe begins to emerge from the economic doldrums, with a return to growth for a number of the continent's large economies.

As France and Germany move tentatively towards growth, the outlook for European markets looks particularly attractive, says Ignis Argonaut's Barry Norris.

Mr Norris, fund manager of the £206.9m (\$342.2m, €236.4m) Ignis Argonaut European Alpha fund, believes there are compelling arguments for equities during the current economic environment.

A number of positive signs have begun to emerge since the market was brought to its knees at the

end of last year, he says, compared with other asset classes such as bonds or property.

"In eight years of running European equity funds, it is rare that there has been such a difference between the potential of equity prices and what most market participants expect to see," he says.

Mr Norris says the past 12 months have been an educational process for investors as the global economy first flirted with a 1930s-style depression before rallying to the high levels seen today.

"We have moved from a situation where there was doubt over whether there would be any economic recovery at all, at the beginning of the year, to a grudging recognition that most developed economies will move to recovery at the end of this year," he says.

"We are likely to see very strong focus on economic growth, stronger than we've seen in the last 30 years," he adds.

Mr Norris says companies that downgraded earnings forecasts at the beginning of the year are likely to raise

them again later this year.

Turning to the outlook for gilts and bonds, he says it would improve if interest rates were to rise but does not see much prospect of that. "Interest rates are very low – still at almost zero per cent – and major economies are unlikely to raise them any time soon," he says. "If they did, that would cause issues in the property markets."

The fund – launched in 2005 – has returned 9.9 per cent over the past 12 months, making it one of

the top performing funds in the Investment Management Association's Europe excluding UK sector.

The portfolio counts among its top holdings a number of top European banks and other high-profile companies such as French broadcaster TF1.

Since the beginning of the year, Mr Norris, like many other fund managers, has had to move quickly to keep pace with the changing market environment. However, he says he takes a contrarian view of markets, believing a recovery is likely to be V-shaped.

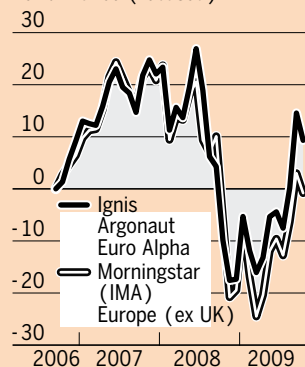
He is looking to increase exposure to life insurers and paper and semiconductor manufacturers despite poor performance of these sectors in the past.

"New bull markets are led by sectors that have done incredibly badly in previous bull markets," he says. "These are industries that have not necessarily been that profitable over the past 10 years, but they are very supple, and cost-cutting has been done."

*Rob Langston is a reporter on Investment Adviser*

### Ignis Argonaut European Alpha fund

Performance (rebased)



Source: Morningstar