

# Fund executive sees prospects in crises

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EUROPEAN bank bonds, where credit risk is low, some global blue-chip shares, and rand hedge stocks offered investment opportunities in the volatile global markets, Coronation Fund Managers head of investments Karl Leinberger said on Wednesday.

Global markets are in turmoil due to fears of recession from the debt problems in the European Union and US, and low global growth.

Deleveraging of Organisation for Economic Co-operation and Devel-

opment (OECD) governments, consumers and banks would probably be a feature for "a very long period of time", Mr Leinberger said at a function in Durban.

The low-growth scenario was shared by Nedbank's Economic Unit, which on Wednesday said in a note on manufacturing data that global demand was expected to remain fragile. Investec economists said the euro zone might be in recession for most of next year, and growth in the US could be "less than robust".

Mr Leinberger cited the purchase by Coronation of R7bn of local bank bonds during the worst three months

of the financial crisis in 2009 as an example of how opportunities can arise during times of crisis.

The bonds were bought when bank performances were weak, but "we got some opportunities we will never see again", he said.

The bonds were yielding double-digit returns, while cash investments were yielding zero and government bonds only 2%-3%.

Mr Leinberger said that among the European banks, Coronation had bought Investec euro bonds yielding 11%-18%, Old Mutual euro bonds yielding 12%-14%, and Barclays euro bonds yielding 12%.

Investing in European bank bonds might seem risky given the economic problems in the European Union, but Mr Leinberger said that Investec and Old Mutual were "well run", with much of their income generated in SA, and it did not seem likely Barclays would default.

Rand hedge stocks in SA, such as MTN, Naspers, SABMiller, Mondi, Omnia and Trenchor, offered opportunity because the market had not adjusted to a 20% depreciation in currency over a year.

Mr Leinberger said quality global shares offered value for investors and many South African stocks were

trading at a premium to their international peers. He said the share prices of Vodafone, Heineken and Pfizer, for example, had fallen 57%, 20% and 60% respectively over an 11-year period.

Notwithstanding this, earnings growth over the period had been strong, with Vodafone, Heineken and Pfizer earnings growing 710%, 104% and 120% respectively.

The difference lay in their price-earnings ratios, with, for instance, Vodafone having been rerated from 199 times earnings in 2000 to 10,5 times this year.

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