ifaonline.co.uk

Multi-managers flee Europe as debt strife hits equities and euro

IFAonline| 18 Feb 2010 | 11:30
Author: Hysni Kaso

Multi-managers including Henderson and Thames River have recently reduced their allocations to Europe, following a turbulent few weeks for the region.

The IMA Europe ex UK sector has fallen 7.2% already in 2010, with a number of regional equity markets plummeting on the negativity surrounding Greece's debt problems.

This impact has also been felt in currency markets, with the euro falling sharply against many major currencies.

Global asset allocators have now lost faith in the region, moving underweight the eurozone for the first since September last year, according to the February BofA Merrill Lynch Fund Manager Survey. A net 11% are reporting underweight positions, down from 2% overweight in January.

Henderson's Bill McQuaker eliminated European exposure across both his £308.5m Multi-Manager Income & Growth and £62.9m Multi-Manager Distribution funds last month.

"Given what was happening in Greece and elsewhere in Europe, we felt it was prudent to take away the exposure, particular to the euro," he says.

"Currency was very central to this move. We could have neutralised the currency exposure and just left the underlying equities, but we thought the negativity could lead to a fall in broader markets.

"We increased positions in funds such as Pictet Asian Local Currency and Brown Advisory US Equity Value. This shows we are much more bullish on the prospects for the dollar and Asian currencies this year."

McQuaker still holds a 5% position in Europe in his £177m Multi-Manager Growth fund, across the Neptune European Opportunities vehicle and Henderson Eurotrust. However, the manager has hedged out the euro exposure.

Thames River multi-manager co-head Gary Potter has also recently reduced exposure to Continental Europe across the group's range - also due to currency concerns and debt risks.

"We are not aggressively cutting Europe, but we are just allocating the good cash flows we have been receiving to other markets," he says.

"We believe the best way to play Europe, or any geography this year, is through strong stock pickers - which is what we believe we have assembled."

Potter and co-head Rob Burdett hold European vehicles managed by Neptune, Ashburton, Cazenove, Odey and IVI.

T.Bailey multi-manager Jason Britton is also playing Europe through strong alpha generators, removing passive strategies to boost active exposure in his £168m Growth fund.

He has cut a 4.8% position in the L&G European Index trust and the iShares MSCI Europe ex UK ETF and moved into the £74m LV= European ex UK Growth fund, run by Mark Page.

"The current market is a real opportunity for active, stock picking managers. We are favouring managers who buy large caps with a bias towards the fiscally stable countries such as Germany, France, Switzerland and Sweden," he says.

Britton also holds Neptune European Opportunities and BlackRock European Dynamic.