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PERSONAL WEALTH

REUTERS

Share prices on display at a securities company in Jakarta, Indonesia, whose stock market surged 41.3% this year (as at Dec 17). For 2011, many fund managers and strategists are still bullish on emerging-market stocks.

What to buy in 2011

What are the best equity, bond, commodity and currency plays for next year? To find out, *Personal Wealth* spoke to seven investment experts for their views about what the market landscape will look like over the next 12 months.

| BY KELVIN TAN |

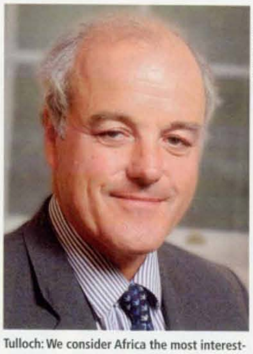
This year has been topsy-turvy, and divided into diverse halves. For most of 1H2010, global financial markets — spooked by China's surprise credit-tightening measures, Greece's sovereign-debt turmoil and the fear of a double-dip recession in the US — were in a slump.

After hitting a low in July, global equities and other risky assets started to make a comeback in late August after a slew of better-than-expected US economic data confirmed the world's biggest economy was still growing, but at a dreary pace. News of more quantitative easing, dubbed QE2, by the US Federal Reserve to aid the economic recovery in the US further boosted sentiment, triggering a big rally in the prices of risky assets over the past four months.

Bob Doll, vice-chairman and chief equity strategist for fundamental equities at global fund management house BlackRock, says: "Equity markets have come a long way over the past couple of months. For the year as a whole, they have been able to grind higher despite high volatility and some significant setbacks along the way."

Overall, 2010 turned out to be a decent year for most asset classes, particularly equities, gold and commodities. For equities, key stock market indices such as the Standard & Poor's 500, the MSCI World and the MSCI Emerging Market were up 11.5%, 7.8% and 12.4% respectively as at Dec 16. Equally impressive were commodities, whose prices, measured by the Thomson Reuters/Jefferies CRB Index of 19 raw materials, rose 12% on average this year (as at Dec 16). Among the biggest winners in the commodity space were gold and silver, whose prices surged 25% and 73% respectively.

To get some perspective on the investment landscape next year, *Personal Wealth* recently spoke to a panel of investment experts comprising Doll; emerging-markets guru Mark Mobius, chairman of Templeton Asset Management; veteran fund manager Angus Tulloch, joint managing partner of the Asia Pacific/global emerging markets equity team at First State Investments; Malaysia- and Singapore-based Tan Teng Boo, founder of boutique fund management firm Capital Dynamics; bond specialist Xavier Baraton, global chief investment officer (CIO) of fixed income at HSBC Global Asset Management; Frederic Lamotte, CIO of Credit Agricole Private Banking; and Lim Say Boon, CIO of DBS Private Banking.



FIRST STATE INVESTMENTS

Tulloch: We consider Africa the most interesting emerging area for investment at present

Looking ahead to 2011, the consensus among the experts is that risky assets such as equities and commodities are going to see another year of good returns, fuelled by easy monetary policies in a benign interest rate environment. Although volatility will remain high, equities, bonds and currencies from the emerging markets are expected to outperform those of the developed world next year, say the experts, who also like gold and industrial metals. Government bonds remain clearly out-of-favour with many investment pros, who continue to like corporate bonds. Read on to find out what you should be doing with your money in the coming year.

It was another volatile year for global financial markets. Which market event was the most remarkable?

Angus Tulloch: I would look back at 2010 as a year of inordinate confusion. Markets were, and are still, uncertain as to whether quantitative easing is working. On the macro front, the Greek and more recent Irish bailouts showed how fragile the global financial system is. My view is that we will see more episodes like these over the next year. Until investment-banking activities are conducted by genuinely standalone entities, independent of the retail banking sector, we are unlikely to see a more sustained return of global financial stability. On the micro front, the BP oil spill highlighted the importance of corporate governance and, specifically, the need for companies to look after the interests of all stakeholders — customers, employees, the community at large as well as shareholders. Companies that cut corners in search of short-term profit growth invariably hit a brick wall, and thereby fail to deliver long-term shareholder returns.

Tan Teng Boo: It was a year when many market events — such as the rolling European debt crisis, the unnecessary US-China currency war and the inexplicable tension in the Korean Peninsula — could have tipped the global economy into another year of contraction. But, despite persistent fears of a double-dip recession, the global economy continued with its merry expansion. For equity markets, 2010 was like 'much ado about nothing'. Many equity markets had a sideways trend. There was a dip of sorts in the middle of the year but confidence re-emerged after that. Unlike the collapse of Lehman Brothers in 2008, there was no single event that shook the market hard in 2010. To me, what is clearly very distinct about 2010 was the relentless bashing of China from every angle, especially by the developed nations.

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