

EMIRATES

Business247

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The Numbers 1:55 PM

Dirham Pound	Dirham Euro	Dubai Index
5.85 (-0.07%)	5.13 (-0.14%)	1979.88 (4.51%)

World News :

Barclays sale reflects trust of investors in economy



You need some catalyst and change in sentiment could be one Zin Bekkali, Silk Invest. (SUPPLIED)



By Shveta Pathak on Sunday, June 07, 2009

The recent move by Abu Dhabi-owned International Petroleum Investment Company (Ipic) to divest its Barclays stake and invest in the petrochemical sector in the region shows confidence the investors have in the economy, said a senior executive of Silk Invest, a UK-based asset management company.

Zin Bekkali, Chief Executive Officer of Silk Invest, told Emirates Business, that "the sell-off is a good sign. It shows that the investors here know they have reached a certain potential. Investors' interest is growing and is likely to grow more in the region in comparison to the Western world".

Ipic, which sold some of its stake in Barclays, has said it wanted to focus on investing in hydrocarbon-related opportunities.

Bekkali said the recent recovery shown by Arab markets is sustainable and the markets, which have not shown as high recovery as several other regions, will again see the previous "boom" levels.

"The markets here are still much below the [desired] levels. The recent sell-off was much higher than what one can term as reasonable."

Expecting average price earning (PE) valuations in Arab markets to reach 15-20, he said: "These markets are growing more quickly than many of their peers. When we say PE for Arab stocks would go back to the level of 15, almost by definition, it means that they would reach their previous levels."

Bekkali said investor sentiment had started to show signs of improvement and there was positivity for markets in the region.

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OPINION



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Chris Dommett

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"We have seen that sentiment improved dramatically in past weeks, and international investors have begun to see that Arab and African markets have survived this crisis quite well."

While the recovery in case of Bric [Brazil, Russia, India and China] markets is much higher, the region's markets have recorded a relatively smaller uptake and would eventually touch Bric levels. Besides, performance of most sectors, barring the real estate, has not been "bad", which is a signal of potential strong opportunities that the region holds, he added.

On investment strategies that investors should follow, Bekkali said diversification was the key. Even in the case of sectors performing well, the focus should be to diversify and not concentrate all resources on a single country or a single sector, he said.

"One should not be investing in a single country or a single stock. One has to try to be diversified. Apart from sectors, individual performance of stocks is equally critical."

Dubai markets would return to their previous highs and the optimism may act as one of the catalysts. "You need some catalyst and change in sentiment could be one. Investors have every reason to believe stocks will go back to those levels as earnings quality is still there."

He said companies in the region have been performing much better than their peers in other parts of the world. "These companies here are doing much better than their peers globally. Sectors such as food, packaging, transport and healthcare have done really well."

He said the performance of many banks in the region too had been good with several of them seeing a rise in income. While the sentiment of late has been more optimistic, a large number of investors are adopting a wait-and-watch policy and seeking opportunities for investment. "There is a lot of cash ready to come into the market soon... which we think is an opportunity. We do not see another sell-off."

Investors from Europe and US have started to realise the opportunities the region holds, he added. "We have seen that investors are returning. Many of them are not from this region. Those from other countries are seeing value here even as the upward move may not be linear. Lot of people are finding ways to allocate assets to this new world."

The rebound would see sectors such as retail, food and also some of the companies linked to government spending such as construction companies engaged in infrastructure projects gaining the most, he said.

"If there is a strong recovery, banks too are likely to be among outperformers."

The economic scenario has started to improve but "it is a marathon", he said. "The world is still in a challenging environment. But some countries are better off than others. Countries such as China, India, and African and Arab countries are better placed."

Silk Invest, which launched two of its funds nearly six weeks ago, said investments were pouring in and from the present \$40 million (Dh146m), the company expected the fund size to touch \$100m soon.

Silk Route, he said, would consider opportunities in various sectors and was planning to come up with a fixed income fund and also a PE fund in the region.

"We are focusing on a diversified way of investing. We are looking at a fixed income fund focusing on the wider 'Silk region', including Central Asia, and also plan to set up a PE fund here," he said.

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