

Now it is all down to 'old fashioned' stock picking for long term investors, says First State's Subjally

In the environment of low or no economic growth, achieving meaningful returns for long-term investors is down to old-fashioned stock picking, according to Habib Subjally, Head of Global Equities at First State Investments. He says that whilst the markets remain affected by uncertainty, gains could be made through investing in companies with strong business models and management teams that can increase their market share and grow cashflow.

First State's Global Equities team manages a number of institutional mandates as well as the First State Global Opportunities Fund which is rated AA by Standard & Poor's. For the period since its launch in August 1999 to the end of November 2011, the fund produced first quartile performance, returning 130.3% compared to 34.9% for its peer group and 21.9% for the MSCI World Index.

Habib Subjally comments:

'The issues facing the global economy can be paraphrased as: Companies won't spend, Banks won't lend. Market risk appetite is low and government debt in the developed world is high. Confidence needs to return for this to be corrected but that is mostly up to government policy makers who have so far failed to demonstrate the necessary leadership.'

The fund manager says that the markets have seen some good news with the start of a new policy easing cycle and a fall in the oil price. However, this is being offset by the Eurozone contagion continuing to spread with no clear sign of abating.

Habib Subjally continues:

'In our conversations with companies, prospects appear better than the worst fears implied by many headlines with growth continuing, albeit at a reduced level in many cases. Whilst banks in much of the developed world are in a different, less healthy category, companies overall are strongly capitalised, generating free cashflows and often supported by attractive dividends.'

The fund manager says that there will still be winners and losers at a corporate level regardless of the macroeconomic context. Over the long-term, he believes that periods of extreme pessimism have proved to be great buying opportunities. As long-term investors, First State's Global Equities team focuses on individual companies with strong competitive dynamics rather than making short-term macro bets.

Habib Subjally explains:

'Driven by our bottom up stock picking, we continue to find attractive opportunities in most parts of the world, including the Eurozone. Most of our favoured stocks are international groups such as Danone, French multi-national producer of dairy products; Anheuser-Busch Inbev, the world's largest brewer; Praxair, a leading global provider of industrial gases; and Fresenius Medical, the largest dialysis services provider in the world. Many of these companies have successfully expanded their operations to Asia where they are taking advantage of favourable demographics and strong consumer spending driven by the emerging middle class.'

'One of the favoured stocks in the current market environment is Abercrombie & Fitch, an American retailer of casual wear for young and affluent consumers. Having opened its flagship store in Tokyo in 2009, the company has recently begun to expand across the rest of Asia, a focal point of the global specialty retailers that is largely due to the rising disposable incomes of the people in this region.'

Habib Subjally concludes:

'Stock selection will be critical to generating equity returns in the context of a global economy that is demonstrating, at best, modest growth rates. We look for companies which benefit from positive competitive dynamics, expand their product range and geographical footprint, and are led by strong management teams which can turn those market advantages into returns for their shareholders.'

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Notes for Editors**About First State Investments**

First State Investments provides specialist asset management services to wholesale and institutional investors across a diverse range of asset classes, including Asia Pacific and global emerging market equities, global equities, property securities, infrastructure, global natural resources and emerging markets debt.

First State Investments forms part of the asset management division of the Commonwealth Bank of Australia. In Australia we operate as Colonial First State Global Asset Management ('CFSGAM'). First State and CFSGAM collectively manage £87.7 billion on behalf of investors worldwide (as at 30th September 2011) and have offices in Sydney, New York, London, Edinburgh, Hong Kong, Singapore, Jakarta and Tokyo. In London and Edinburgh we have more than 200 staff.

CFSGAM (including First State) is a signatory to the United Nations' Principles for Responsible Investment, a voluntary program which encourages best practice in environmental, social and corporate governance issues.

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