Key notes

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Philip Hunter, Manager of the Old Mutual Asian Select Fund

Asian equities fell 3.5% in January but this is a temporary blip

- They outperformed global equities in two years to September 2010
- At this point strong numbers from the US caused global investors to rotate out of Asian and emerging markets towards the West
- Asia has also been hit by rising oil prices
- Short-term uncertainty should not take away from long-term robust case for Asia

Rising inflation and interest rates are a cause for concern

- Important to avoid companies that may see their margins squeezed
- Invest in companies that can pass higher input costs on to customers
- Consumer stocks will find it hard to do this but the portfolio is already underweight here

As Western economies start to improve, Asian exporters look more attractive

- Need to be selective on individual stocks
- One stock he favours is China Merchants which operates the largest container ports in the region
- This benefits not just from exports to the West but from global trade as a whole

A favoured holding is Kasikorn Bank, based in Thailand

- Hunter is positive on the national economy
- In the last decade, corporate Thailand has been slow to invest in new capacity
- This has been changing in recent months as the political backdrop becomes more stable
- Corporate Thailand is beginning to borrow to finance capital investment
- This creates a strong net income growth for banks such as Kasikorn
- Stock remains good value today

Incitec Pivot, another favoured holding

- Two core businesses: explosives for the mining industry and fertiliser for agriculture
- Both areas likely to grow due to the underlying strength of commodity prices
- Farmers are using more fertilizer to increase yield
- Miners are increasing production as demand for commodities rises

Core themes in portfolio for Q2 2011

- Pro-cyclical bias in the fund, Hunter expects economy to deliver strong growth
- Overweight areas that benefit from this, eg industrials, IT, materials and energy
- Underweight defensives with less leverage into economic growth, eg telecoms and consumer staples

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