

Record Favourability From Intermediaries Towards European And UK Equities

Monday 10 February, 2014

- Favourability towards European and UK equities is at its highest since the Barings Investment Barometer was launched.
- Overall, 91% of IFAs are either 'very' or 'quite' favourable towards European equities, up from 63% 12 months ago. For the UK, 93% are favourable, up from 79%.
- Number of intermediaries that believe Eurozone growth problems will be the biggest global macro-economic challenge has declined significantly over the past 12 months.

Sentiment towards European and UK equities from intermediaries is at a record high, according to the latest Baring Asset Management ("Barings") Investment Barometer (see note 1). Overall, 91% of IFAs are favourable towards European equities, up from 63% a year ago (see note 2), while 93% are now favourable towards UK equities (from 79%) - the highest since the quarterly survey was launched (see note 3).

The number of intermediaries 'very' favourable towards European equities has increased sharply to 39% from 18% a year ago and 4% two years ago. The number of intermediaries that are 'very' favourable towards UK equities has increased to 40% from 29% and 13%, respectively.

The highly positive sentiment towards European equities comes as the number of IFAs that believe Eurozone growth problems will be the biggest global macro-economic challenge has declined, to just under half (47%) from 71% in the first quarter of 2013 (see note 4).

The biggest global macro-economic challenge, cited by 59% of intermediaries, is the inability of over leveraged economies to reduce debt. The third most significant challenge cited by respondents was a continued slowdown in growth in China - slightly over a third (35%) of IFAs believe this will be the biggest threat to investment growth in the next six months, down significantly, however, from more than half (55%) in the previous survey

See attached table for full figures.

Rod Aldridge, Head of UK Wholesale Distribution at Barings, comments:

"The overarching sentiment from intermediaries towards Europe and the UK is clearly strong. In Europe, Barings expects to see continued support for asset prices in 2014 and equities to outperform bonds as the economic recovery continues. The UK is likely to be one of the strongest economies next year, with growth likely to be towards the 3% level, in our view."

Despite the recent fall in UK inflation (CPI) to 2% as at December 2013, more than three quarters (78%) of intermediaries believe the UK will experience rising inflation over the next three years. Just 4% believe the UK will suffer from deflation or disinflation. A significant majority (85%) report that clients are still concerned about the effect that inflation is having on their cash investments, up year-on-year from 80%.

Rod Aldridge concluded:

"While sentiment has turned strongly positive for both Europe and the UK, it is important for investors to bear in mind that uncertainties remain. The next 12 months will be very important with regards to a pan-European recovery, particularly for economies such as France and Italy. In this environment, we believe that investors need to actively manage opportunities and risks and take a long-term view."

-Ends-

Notes to Editors:

1. Online research conducted by Baring Asset Management amongst 102 investment professionals, between 13th December 2013 and 17th January 2014
2. Online research conducted by Baring Asset Management amongst 86 investment professionals, between 13th November and 10th December 2012

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3. Online research conducted by Baring Asset Management amongst 136 investment professionals, between 16th June 2010 and 14th July 2010

4. Online research conducted by Baring Asset Management amongst 108 investment professionals, between 15th February and 14th March 2013

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