

## WHY I LIKE EUROPEAN EQUITY MARKETS

As is well known, I do not like the Euro, nor want the UK to join it; I also believe that economic growth in Europe remains hampered by socialist governments and excessive taxation and has suffered from the failure to implement US and UK style "supply side" reforms.

However, I believe these factors are "in the price", and I expect the next two or three years to be more favourable for Continental European equity investment than US or UK equities.

The Euro has now weakened by approximately 50% against Sterling, since the latter's exit from the Exchange Rate Mechanism in 1992, and by some 30% against the US Dollar over the same period; European businesses are, as a result, considerably more competitive in both home and overseas markets. While continental European governments may not have embraced Anglo Saxon modernisation, many European businesses have. Orchestrated largely by US investment banks, venture capital in continental Europe is also now growing apace; corporate restructuring is taking place amongst smaller as well as larger



**Howard Flight**

Conservative MP,  
Arundel & South Downs;  
Shadow Economic  
Secretary to the Treasury;  
Joint Chairman,  
Investec Guinness Flight

companies. Export oriented European companies are also benefiting from the recovery of emerging economies, to whom they are major capital goods exporters.

Above all, since the inception of the Euro, money supply in continental Europe has grown strongly – by around 10% per annum – both boosting retail demand and starting to feed through to drive up asset prices.

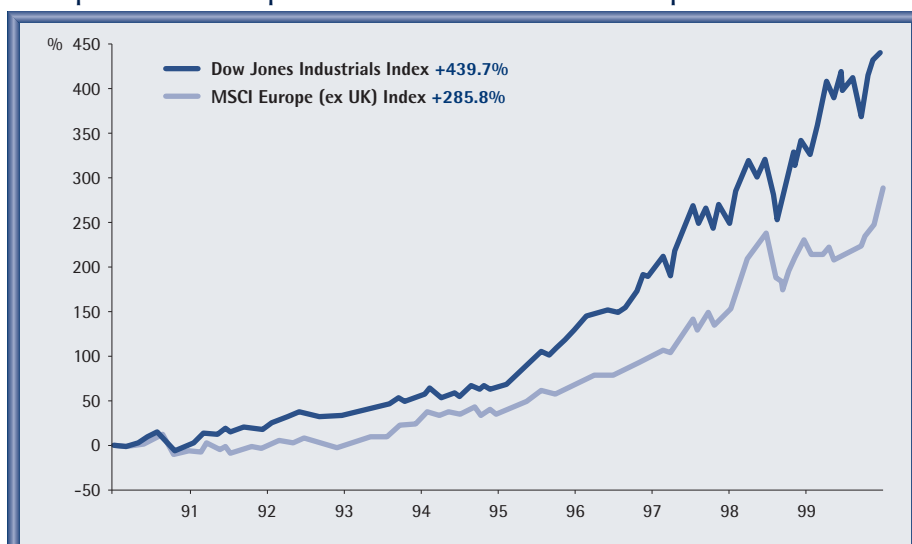
As the graph below shows, when measured by the MSCI Europe Index versus the Dow Jones Industrials Index, Europe has under-performed the US market by 50% since 1990; this, moreover, excludes most of the US high-tech and internet stocks which are not in the Dow Jones Industrials Index. The scene looks set for a period of relative recovery by continental Europe. European companies should have major scope for profits growth, as European economies recover some of the lost growth of the 1990s. Unlike the UK and the US, continental

Europe is not threatened by a period of high real interest rates which are being used by the Federal Reserve and the Bank of England to check boom conditions – there is not yet any boom to head off in Europe and there is plenty of slack capacity.

Given the potential upside in Europe, it is not surprising that North American portfolio flows to continental European markets are rising. There is also a special factor; continental European businesses are dominant in mobile telephone technology and in this sector, Europe is well placed to lead the new "wireless" revolution, combining together net communication and mobile phone access.

Continental European equity investment needs to be selective; there remains a large number of relative "dinosaur" industries and businesses. More than ever, stock and sector selection are key. This lies behind Investec Guinness Flight's decision to enter into an exclusive relationship with the BlackRock Group, in respect of European equity investment advice, for our various European equity funds. The BlackRock Group have an exceptional record in European equity management and have recently bolstered their expertise in this area by recruiting Albert Morillo and his team from Scottish Widows, the UK-based fund manager. Morillo and his colleagues have consistently been one of the best performing investment teams in the European sector over the past ten years.

## Europe has underperformed the US over the past decade



Source: S&P Micropal, 1.1.90 to 3.1.00, offer to offer, gross, based in US Dollars

### Summary

- European equities to outperform
- Investec Guinness Flight recruits top-rated European team
- Stock and sector selection more important than ever

1 March 2000

# FUND PROFILE

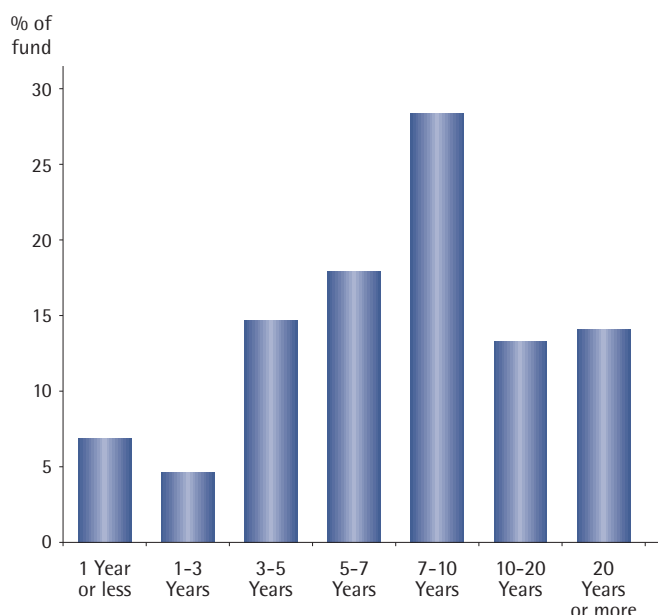
## US Dollar High Yield Bond Fund

Bond markets had a tough time in 1999 and in the very short term there seems to be little respite in prospect with the US economy continuing to power ahead and central bankers in the developed world implementing tighter monetary policy in order to contain inflationary pressure. Against this difficult background, we are pleased to be able to highlight the excellent performance of the US Dollar High Yield Bond Fund – one of the 13 funds which constitute the International Accumulation Fund – a Guernsey-based accumulating or 'roll-up' umbrella fund.

### Performance highlights

- Number 1 in its S&P Micropal sector over the calendar year 1999 and 1998\*
- 1st quartile in its S&P Micropal sector over 1, 2 and 3 years\*
- Current running yield of 7.78%\*\*
- Offers scope for attractive capital gains and a high income

### Maturity profile\*\*\*



### Performance comparison versus sector average (periods to 1.2.00)\*

	1 year %	2 years %	3 years %	5 years %	Since launch % (1.1.92)
<b>US Dollar High Yield Bond Fund</b>	<b>13.62</b>	<b>18.21</b>	<b>24.19</b>	<b>61.81</b>	<b>87.79</b>
Sector Average	1.75	-0.22	12.29	39.72	74.37

For more details of the top-performing US Dollar High Yield Bond Fund, contact the broker support desk in London on +44 (0)20 7597 1900 or send them an e-mail at [broker@igfgam.com](mailto:broker@igfgam.com). Alternatively, contact your local office using the details shown in the panel below.

\*Source: S&P Micropal. All figures offer to offer, gross income reinvested in US Dollars. Five year quartile rank: 2. \*\*Estimated gross running yield as at 28.2.00, net of manager's charges. \*\*\*As at 29.2.00. The US Dollar High Yield Bond Fund may invest in securities which have a low credit rating and it may therefore have a higher credit risk than those funds which do not invest in such securities.

### Contacting us

#### London

Tel: Broker Support: +44 (0)20 7597 1900  
UK Freephone: 0800 389 2299  
Fax: Broker Support: +44 (0)20 7597 1919  
E-mail: [broker@igfgam.com](mailto:broker@igfgam.com)

#### Guernsey

Tel: Investor Services: +44 (0)1481 712176  
Fax: Investor Services: +44 (0)1481 712065  
E-mail: [offshore.investor@igfgam.com](mailto:offshore.investor@igfgam.com)

#### South Africa

Tel: +27 21 410 5100 Fax: +27 21 418 5825

#### Hong Kong

Tel: +852 2861 6888 Fax: +852 2861 6861  
E-mail: [investec.asia@igfgam.com](mailto:investec.asia@igfgam.com)

#### United States

Tel: +1 626 795 0039/+1 800 434 5623  
Fax: +1 626 795 0593 E-mail: [mail@gffunds.com](mailto:mail@gffunds.com)

[www.investecguinnessflight.com](http://www.investecguinnessflight.com)

This research and analysis has been procured by Investec Guinness Flight Limited in the normal course of its activities as an international investment manager and may already have been acted upon where deemed appropriate. The information is being made available to you because it may be of incidental interest. Past performance is not necessarily a guide to the future. Fluctuations in the value of the underlying securities and the income from them and changes in interest and exchange rates mean that the value of these investments and the income arising from them may fall as well as rise and are not guaranteed. Investors should be aware of the above average volatility associated with many developing markets. Issued by Investec Guinness Flight Limited, regulated by IMRO and the Personal Investment Authority.

March 2000

# INVESTEC GUINNESS FLIGHT

Global Asset Management  
2 Gresham Street  
London EC2V 7QP  
Telephone: +44 (0)20 7597 2000  
Facsimile: +44 (0)20 7597 2001  
www.investecguinnessflight.com

3 March 2000

Dear Intermediary,

Please find enclosed the March edition of the *Market and Funds Review*. This month, Howard Flight focuses on the advantages of investing in continental European equity markets.

## Investec Guinness Flight signs deal with BlackRock

As you may have noticed from recent coverage in the trade press, Investec Guinness Flight has hired the services of BlackRock's Albert Morillo to manage its mainstream European offshore equity funds as well as its onshore European Trust. Under the agreement, Albert Morillo will be the investment adviser for the funds and Investec Guinness Flight will have exclusive rights to promote BlackRock's European investment expertise to retail investors. Morillo has one of the best track records in the industry and has rewarded his investors handsomely over time.

Since the announcement of this deal there have been a number of requests received by us to issue further information. Rest assured that we will bring you more details of this exciting development in the very near future; in the meantime, if you have any questions about the BlackRock deal, or would like to register for further details when they are available, please call the **Broker Support desk on +44 (0)20 7597 1900**.

## US Dollar High Yield Bond Fund

Sustained global economic growth over the past eighteen months has caused difficult conditions in most bond markets. It is therefore pleasing to be able to tell you that the US Dollar High Yield Bond Fund (part of the Guernsey-based International Accumulation Fund range) was the best performing fund in its S&P Micropal sector over the calendar years 1999 and 1998\*. Further details of this top performing fund are shown on the reverse of the *Market and Funds Review*. If you would like further details, please use the fax back form, **call us on +44 (0)20 7597 1900** or send an **e-mail to broker@igfgam.com**. If you have US Dollar oriented clients who want a high income without taking excessive credit risks, this fund could provide a solution.

## Wired® Index Fund update

The offshore Wired® Index Fund now stands at over US\$138 million in size. Since its launch in August of last year, the Fund has produced a performance of 42.0% in US Dollars\*\*. If you would like further details, please use the fax back form or visit [www.wiredindexfund.com](http://www.wiredindexfund.com).

Yours sincerely,



Bill de Lucy  
Sales Director

\*Source: S&P Micropal, offer to offer, gross income reinvested in US\$. Five year performance: 61.8%. \*\*Source: S&P Micropal, offer to offer, gross income reinvested in US\$ from 9.8.99 to 1.2.00. Wired® is a registered trademark, and Wired Index™ a service mark of Advance Publications and are used with the permission of Advance. Advance makes no warranty, express or implied, including no warranties of merchantability or fitness for a particular purpose or otherwise, to any person or entity as to the result to be obtained from or any data included in, or any other matters concerning, the Wired Index™ or the trademarks.

**Investec Guinness Flight Limited**  
Regulated by IMRO and  
The Personal Investment Authority  
Registered address as above  
Registered Number 2036094, England  
A member of the Investec Guinness Flight Marketing Group