

Please see below a press release from Baring Asset Management on how the results from its latest Investment Barometer survey indicate that concern over the Eurozone debt crisis is greater than ever among investment professionals. The survey found that over three-quarters cite the Eurozone crisis as the biggest global macroeconomic challenge facing investors, compared to 65% in the last quarterly survey. The survey further reveals:

- 51% saw the Eurozone debt crisis as a major challenge at the start of the year
- 41% cited the prospect of a second banking crisis as one of the biggest global challenges of the next six months, a significant increase from 15% who cited it as a concern in the last survey
- 74% cited the ability of over-leveraged economies to reduce their debt as a major challenge to investment growth compared with 65% in the previous quarter
- 77% remain concerned about the impact of inflation on their cash investments
- 70% of respondents were negative on cash as an asset class and almost nine out of ten say their clients have already, or plan to, reallocate cash investment to inflation-protected assets (89%)
- 76.5% of advisers are still most likely to encourage their clients to diversify their assets in order to navigate the current levels of market volatility, followed by encouraging more regular reviews of their investment portfolios (49%)
- There has been a trend towards more clients being advised to de-risk their portfolios (up to 34% from 27% in the last quarter)
- 90% identified global equities as the most attractive asset class, only slightly ahead of emerging market and Asian ex-Japan equities (89% and 86% respectively)
- Fixed income has increased in popularity, with 66% of respondents being favourable towards the asset class compared with just 39% in the last survey
- The number of advisers recommending that clients decrease their exposure to fixed income has reduced significantly over the quarter from 64% to 41%
- Emerging markets remains the most popular asset class for investment professionals when advising on asset allocation, with 46% encouraging investors to increase their exposure, followed by Asian equities (37%) and multi-asset funds (31%)

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## **INVESTMENT PROFESSIONALS INCREASINGLY CONCERNED ABOUT VOLATILE MACROECONOMIC ENVIRONMENT**

- **Barings Investment Barometer reveals Eurozone debt and the prospect of a second banking crisis are the top concerns for investment professionals**
  - **Nine out of ten looking to reallocate cash investments to combat inflation**
    - **Fixed income returning to favour**
  - **Emerging markets the most popular asset class for those advising on asset allocation**

The results from the latest Barings Investment Barometer<sup>1</sup> survey have indicated that concern over the Eurozone debt crisis is greater than ever among investment professionals. The survey, which explores intermediaries' attitudes towards the current economic outlook and their views of major asset classes, found that over three-quarters (78%) cite the Eurozone crisis as the biggest global macroeconomic challenge facing investors. The figures illustrate a growing lack of confidence as 65% considered this a significant

challenge in the last quarterly survey<sup>2</sup>, and only 51% saw the Eurozone debt crisis as a major challenge at the start of the year<sup>3</sup>.

The prospect of a second banking crisis has also become a prominent cause of concern for investment professionals with two in five (41%) citing this as one of the biggest global challenges of the next six months, a significant increase from 15% who cited it as a concern in the last survey. The ability of over-leveraged economies to reduce their debt is also of greater concern, with 74% citing it as a major challenge to investment growth compared with 65% in the previous quarter.

Exploring attitudes towards inflation, the Barometer has highlighted that investment professionals remain concerned about the impact of inflation on their cash investments (77%). 70% of respondents were negative on cash as an asset class and almost nine out of ten say their clients have already, or plan to, reallocate cash investment to inflation-protected assets (89%).

In line with the results of the last survey, the latest quarterly results have found that advisers are still most likely to encourage their clients to diversify their assets in order to navigate the current levels of market volatility (76.5%), followed by encouraging more regular reviews of their investment portfolios (49%). There has been a trend towards more clients being advised to de-risk their portfolios (up to 34% from 27% in the last quarter), which reflects the growing macroeconomic concerns investors are facing.

Looking at asset classes in terms of their favourability, global equities were cited as the most attractive asset class (90%), only slightly ahead of emerging market and Asian ex-Japan equities (89% and 86% respectively). Fixed income has increased in popularity, with 66% of respondents being favourable towards the asset class compared with just 39% in the last survey. Indeed, the number of advisers recommending that clients decrease their exposure to fixed income has reduced significantly over the quarter from 64% to 41%. Emerging markets remains the most popular asset class for investment professionals when advising on asset allocation, with 46% encouraging investors to increase their exposure, followed by Asian equities (37%) and multi-asset funds (31%).

**Rod Aldridge, Head of UK Retail Distribution at Barings, comments,** “The growing concern among investment professionals regarding the outlook for Europe, and the belief that a second banking crisis is becoming more likely, was to be expected given recent headlines, but it is encouraging that investment professionals continue to place such a great emphasis on diversification of assets in order to navigate these recent uncomfortable levels of volatility.

“As the search for growth continues the popularity of emerging market and Asian ex-Japan equities supports the compelling stories that these markets have to offer. However, the revived favourability towards fixed income perhaps reflects the increasing desire of investors to remove a certain amount of risk from their portfolios. We have certainly witnessed an improved appetite for specialist fixed income vehicles, such as

our High Yield and Emerging Market Debt funds, as investors look for diverse ways to manage their risk / return profile.”

**ENDS**

### **Notes to editors**

<sup>1</sup> Online research conducted by Baring Asset Management amongst 120 investment professionals, between 22<sup>nd</sup> June and 18<sup>th</sup> July 2011.

<sup>2</sup> Online research conducted by Baring Asset Management amongst 134 investment professionals, between 16<sup>th</sup> March and 14<sup>th</sup> April 2011

<sup>3</sup> Online research conducted by Baring Asset Management amongst 171 investment professionals, between 15<sup>th</sup> December 2010 and 12<sup>th</sup> January 2011

### **Barometer results**

Full results available at:

<http://www.barings.com/uk/ProfessionalAdvisers/NewsViews/BaringsInvestmentBarometer/index.htm>

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This year, Baring Asset Management is proud to support The Indee Rose Trust, a charity providing vital help and support for children and their families who have been diagnosed with a brain or spinal tumour.  
[www.indeerosetrust.org](http://www.indeerosetrust.org). Registered charity number 1132471.

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