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GILTS STILL OFFER VALUE, SAYS THESIS AM'S LALLY

2 Michael Lally, chief investment officer at Thesis Asset Management, has reaped the benefits of holding his gilt positions through a turbulent summer.

Lally has now, however, begun to sell into rallying gilt prices, offloading his longer dated stock.

The current market supports his view that gilts and equities will pass through a period where they will counterintuitively move in tandem.

He said: 'Convention – and most mathematical models – dictate that this should not really happen but over the past two months it actually has and so we have been selling, in particular, longer dated stocks.'

'We have also been buyers of index-linked gilts recently on the basis that there is likely to be a pick-up in inflation some time next year. We're not expecting it to be a lot by long-term standards but index-linked gilts are cheap historically, only just above real values, so it is a safe place to put money at the moment.'

Regionally, Lally is going overweight in Asia and emerging markets. He is particularly interested in Asian investment trusts as there has been some profit-taking there, which has brought the discounts in a bit.

Meanwhile, since the election in Japan, he has been reviewing the opportunities in the region.

He said: 'It has only just happened and so we are not rushing into anything, but it is a big change and we will be looking carefully at which of the more radical policies are brought in by the new administration.'

Lally was previously concerned about European equities as an investment due to the currency risks earlier this year and he is aware that most asset managers are still quite bearish. However, he feels the economic figures coming out recently have been much better than people expected so the area is definitely one to watch.

