

<http://www.telegraph.co.uk/finance/personalfinance/investing/7930993/Exotic-plays-for-brave-investors.html>

## Exotic plays for brave investors

**Tired of considering the same old investments? We look at some of the more unconventional choices.**

By Paul Farrow and Emma Wall  
Published: 12:16PM BST 11 Aug 2010



Vietnam is 'one of the most promising countries in the world', according to one analyst

Investors who are fed up with dismal returns from traditional markets are making steps to invest in more adventurous areas. Popular funds include those that invest in Latin America, Russia, India, gold and commodities.

Rebecca O'Keeffe, at Interactive Investor, said: "Our investors continue to look for more aggressive growth opportunities."

Selftrade, the broker, said its clients were now investing more "adventurously" in gold and silver exchange-traded funds (ETFs).

So if you are in an adventurous mood and are prepared to lose the shirt off your back if it all goes pear-shaped, then check out these four areas attracting interest from seasoned investors. Wealth warning: the usual caveats of getting advice apply.

### **Vietnam**

Three years ago, Vietnam was one of the best-performing stock markets in the world and numerous funds were launched to provide access for foreign investors.

However, the euphoria proved short-lived and in 2008 Vietnam was hit by a double crisis. Firstly, it was forced to raise interest rates sharply to choke off a surge in inflation and this was followed by the global credit crunch, which hit exports and foreign investment. Unsurprisingly, the country's stock market fell sharply and investors suffered.

Charles Cade, an analyst at Numis, said: "There was a bounce-back during 2009, helped by a domestic economic stimulus package. However, foreign investors have been reluctant to venture back into the market and have focused their attention on China instead. In our view, though, it is time to take another look. Vietnam remains one of the most promising countries in the world."

Mr Cade sites low labour costs and a young, growing workforce, a growing entrepreneurial culture, and significant natural resources – including agriculture, timber and oil – as reasons to be bullish.

While Vietnam is not on the radar of many financial advisers, Mick Gilligan, from stockbroker Killik, is a fan. He reckons that Vietnam is like a smaller version of China in that it has a centralist government keen to embrace a capital market approach.

"The equity market is still in its early stages of maturity, but it has exciting prospects. Our favoured routes would be FTSE Vietnam ETF [db-X Tracker] for those looking for market exposure and liquidity. VinaCapital Vietnam Opportunity fund also looks interesting and it currently trades on a 40pc discount to net asset value," he said.

## **Middle East**

These so-called frontier markets are the BRICs of the future, with burgeoning industry and a population with a thirst to better themselves through education and Western-style material acquisitions.

Sam Vecht, co-manager of BlackRock's Global Emerging Markets fund, considers Panama, Saudi Arabia and Qatar to have just as much investment potential as their better-known peers. "These countries are often ignored, but this is because of a lack of analyst and media coverage, rather than a lack of opportunities," he said.

However, before you rush to sign on the dotted line for a frontier fund, be warned. With great returns come great risks. Three years ago, New Star launched its Heart of Africa fund with the hope of making the most of the untapped potential of the likes of Zimbabwe and the Democratic Republic of Congo. Liquidity issues forced the fund to close in 2008 with investors losing 66pc of their money.

Many frontier markets are fraught with political unrest, while corporate governance, although it is improving, is another concern.

In March, Barings launched its Middle East and North Africa (MENA) fund to tap into its resource-rich economy.

But Hugo Shaw at Bestinvest, the financial adviser, issued a word of warning. "Returns may be high, but you should only invest in frontier markets if you are able to stomach a roller-coaster ride in price movements," he said.

Mr Shaw advised investors to consider investment trusts as a safer way to get exposure to frontier markets. They are better suited to less-liquid markets because the manager is not a forced seller or buyer. "Closed-ended investments, such as investment trusts, are better placed to deal with such issues, and Advance Developing Markets and Genesis Emerging Markets are two good examples," he said.

## **Platinum and Palladium**

All talk of metal investing in recent months has focused on the haven and inflation hedge of gold. Yet other metals, notably platinum and palladium, are gaining interest from investors.

Two main factors drive these metals to premium prices: demand from the Asian market and their use in catalytic converters. Half of all cars need these converters, ensuring that demand remains strong.

Prices of these white metals has been falling of late, leaving analysts wondering whether a buying opportunity is around the corner. The reason for falling prices is the slowdown in the auto industry. Car sales in the US are down 11pc and plunged 25pc in Japan, while car production in China is down 6.9pc.

However, many analysts anticipate a strong resurgence in platinum and palladium prices towards the end of the year – buoyed by an anticipated recovery in sales in China.

"Prices have recovered from the 2008 trough, but by no means as far as they could rise as the wheels of the global economy begin to turn again and I think platinum has a greater upside potential than gold," said James Cook, product manager at Fidelity International.

"Long-term demand is assured by developing nations who will become the biggest new car buyers in the world, 2009 marked the sales of new cars in China outstripping those in the US. The now unstoppable drive to cleaner technology in cars means whatever size the Chinese car fleet grows to, it will need to be powered by cleaner cars with platinum a key raw material."

Adventurous investors can get exposure to platinum via an exchange-traded fund.

## **Agriculture**

Several fund groups are beginning to promote agriculture as an alternative to traditional equity funds.

One of the most notable recent launches is BlackRock's BGF World Agriculture fund, managed by Desmond Cheung and Richard Davis. The company outlines investment opportunities in the move in emerging markets farming away from pastoral to arable and a growing global population.

The sector has delivered positive returns over the past year. The average return for agriculture funds, based on £1,000 invested 12 months ago, is £1,150. The best performer is Allianz RCM Global Agricultural Trends, which has risen 20pc in the past year. The fund is almost entirely invested, having less than 1pc in cash, with the majority of the fund in North America. The fund is also invested in Singapore, Malaysia and Chile.

Meera Patel, of Hargreaves Lansdown, recommended investors do their homework when investing in agriculture, as one fund can differ very much from the next. Sarasin's AgriSar fund invests in the entire agricultural supply chain, from grain to supermarkets. This means that although you may miss out on large surges, there will be a much smoother growth.

"We would recommend Sarasin's fund to someone just looking to invest in agriculture for the first time," she said.