

Templeton Favors China Internet, India Bank Stocks
Sep 04, 2014 12:01:30 [BFW]

By Jennifer Tan

(Bloomberg) -- Top picks include China's Internet and e-commerce cos., which will continue to expand and gain shr in the economy, Sukumar Rajah, Chief Investment Officer for Asian Equity, Local Asset Management, Franklin Templeton Investments, says in interview.

- For parts of China not served by traditional or organized retail, it's easier for consumers to shop from online sites such as Taobao or Tmall
- Also sees selective opportunities in state-owned energy cos. that are undervalued
- Few growth opportunities in real estate sector, which will consolidate further
 - Undervalued, high-quality developers that will gain from industry consolidation may have potential
- Still "circumspect" on banks, which will be impacted by economic rebalancing
 - Sees some opportunities in insurance stks
- China not anywhere near final stages of economic rebalancing or restructuring needed to put it in the next leg of quality growth
- Don't expect significant growth acceleration for economy, despite possibility of surprises on export side
- China to remain "stock-picker's mkt"
- Franklin Templeton more bullish on India, which is "a different cup of tea"
 - India's economy clearly bottoming out, will see sharp growth acceleration in next 2-3 yrs
- Corporates to see significant improvement in margins and overall profitability, with earnings growth in excess of 15%, and possibly higher
- Banks' balance sheets "by and large pretty strong"

- Franklin Templeton has significant exposure to private sector banks, selective exposure to high-quality, state-owned banks
- While state-owned banks are facing some challenges, worst is over
- In India, overweight industrials, consumer discretionary, telecoms for growth and margins
- Underweight consumer staples, which don't offer a lot of value
- Underweight IT
 - Tailwind from significant rupee depreciation over last few yrs likely to diminish, while growth will slow
- India is key beneficiary of lower oil prices; will see improving current-account balance, higher corporate margins and consumer spending
 - With lower inflation, scope for interest rate cuts is "very strong"
- NOTE: Rajah manages ~\$6b-\$7b in Asian equity assets for Franklin Templeton Investments
- NOTE: Franklin Templeton group AUM totaled ~\$900b at end-Nov.

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