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Investment

Many fund managers believe that the bottom of the market in Europe is a way off yet, says **Joanne Ellul**, and investors should bide their time before piling in

It pays to wait

European fund managers say cheap investment opportunities in Europe mean it is a good time for investors to increase their exposure – but should they wait a little longer before ploughing money into Europe?

European stockmarkets have dived on the back of the uncertainty caused by the eurozone crisis. It is unclear whether the markets have bottomed out or when they will rise.

Argonaut Partnership chief investment officer Barry Norris says because European equities have never been as cheap they represent a good buy opportunity.

Norris says: "We are confident European markets will be a lot higher over the longer term. We are not calling the bottom of the market now, which is why we have liquidity to take advantage of markets."

Norris says he is holding 4 to 5 per cent in cash in the £229m IM Argonaut European alpha fund.

Bestinvest senior investment adviser Adrian Lowcock agrees we have not yet seen the bottom of the market. He says: "As there is much uncertainty about Europe, it is hard to know when the bottom of the market will be.

"There is no clarity on whether the euro will survive, whether Greece will default and whether Spain and Italy will go with it, how the banking system will be supported and financed or whether Germany will leave the euro or come up with a eurobond."

As a result, Lowcock is not recommending retail investors increase their exposure to Europe.

> 'European stockmarkets have drifted down but we have not got to the point where politicians have been driven by market capitulation to a final resolution'

He says: "We have not seen market capitulation, which is the time to buy. The stockmarket has drifted down but we have not got to the point where politicians have been driven by market capitulation to a final resolution."

Jonathan Davis Wealth Management managing director Jonathan Davis says he does not currently have any exposure to Europe as he expects a number of countries to quit the euro, causing their currencies to devalue.

He says: "As countries in Europe start to leave the euro, their currencies will plunge against the euro.

"When the currencies go down in value, that will be a brilliant time to invest. We do not have exposure to Europe at the moment and we are being patient."

Rowan Dartington head of collectives research Tim Cockerill says European stocks are cheap but investors have to be prepared to invest over the long term.

He says: "Europe is having a torrid time, which looks like dragging on for a long time yet, but Europe will get through this period and regain prosperity. If you invest it has to be long term for the recovery."

Chelsea Financial Services managing director Darius McDermott says European funds that invest in 'safer' countries, such as Germany, Holland, Switzerland and Norway, look attractive.

He says: "That seems like a sensible place to invest in the short term. There will come a time when the periphery countries become really cheap and attractive but that will not happen until there is a solution to the eurozone crisis."

Hargreaves Lansdown senior analyst Meera Patel believes Europe is still attractive for investors. She says: "Fund managers, and not just European but income managers like Neil Woodford, are saying there are good companies out there in the market."

Patel says investors need to remember that many European companies are international with exposure to emerging markets, including Asia, and so are not tied to Europe.

She says: "Those investors that are cautious about the macroeconomic environment should look at managers that are large-cap orientated and invest in defensive sectors."