

## AMC EXPERT FUND – AMC Latinac

### Review

The MSCI EM Latin America index (with dividends reinvested) advanced by 14.1% in Q1 2012. In spite of the breather in March (-3.5%), this marked the region's best start to a year since 2006, with all markets in Latin America scoring double-digit gains (in US dollars). Colombia was the pacesetter (+17.8%), followed by Chile (+17.1%), Mexico (+15.4%), Brazil (+13.5%) and Peru (+12.3%). Apart from the Brazilian real, the region's currencies all rose quite steeply in value against the US dollar.

Industrials (+23.2%) were the top-performing sector whereas cyclicals, such as financials (+10.25%), consumer discretionary stocks (+11.8%) and energy (+13.65%), underperformed the region's benchmark over the quarter.

### Outlook

The excellent showing in the opening three months of the year by equities worldwide overshadowed some ever-present imbalances. Accommodating monetary policy throughout the developed world has been fuelling massive inflows of foreign capital being channelled into Brazil, pushing up the value of a Brazilian real that is already looking overstretched. President Dilma Rousseff was thus obliged to raise the IOF tax once again on investments in bonds made by foreign investors in Brazil. The US dollar/real exchange rate will play an influential role in how the Brazilian stock market behaves in the weeks ahead.

Mexico has been benefiting from its close proximity to its northern US neighbour at a time when the medium-term outlook for the American economy has been improving. Nevertheless, we remain rather cautious with regard to the Mexican market with a Presidential election looming large. The campaign began on 30 March and is set to run until 27 June, with polling scheduled for 1 July. Given this prospect, we remain neutral on Mexico, but stick with overweighting Brazil, the proceeds being sourced from underweighting Chile. The Chilean market is likely to be penalised if the slowdown in growth being witnessed at present in China were to turn further for the worse.

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