



Chris Reilly, manager of the Henderson Asia-Pacific Property Equities Fund (Singapore feeder fund) and Henderson Horizon Asia-Pacific Property Equities Fund (Luxembourg fund), considers the impact of recent corrections on Asian-Pacific markets.

What caused the market weakness?

News of a weaker durable goods order in the US, troubles in mortgage sub-prime lending, Greenspan's comments on a likely recession and policy concerns in China of late have given several investors an excuse to embark on a rapid profit taking. However, it would be inconclusive to suggest a US-led global slowdown based solely on recent negative news flows since fundamentals are still strong.

Will this have a negative impact on the fund?

Our view of the fundamental strength of each major market remains intact although investors may expect some reduction in overall portfolio value. In fact our prior strategy as displayed in the country/sector allocation for the Henderson Horizon Asia Pacific Property Equities Fund has proven prudent during the current sell-off.

Portfolio positioning*

As the rally accelerated over the past two quarters, we continued to rotate out of mid-tier over-valued stocks into selective blue-chips with good growth, strong management and earnings visibility. Some time before the recent correction, we had reduced our holdings in China and selected Singapore stocks; both of which experienced the largest decline in the past few sessions. We also reduced our holdings of JReits over the past month before the profit-taking occurred.

Conclusion

Taking into account the evidence of heightened risk aversion together with the lofty valuations of certain property stocks and REITs, we will continue to be discerning. We will reassess our positions if underlying growth and value becomes questionable in the light of any further macro deterioration.

Note: The Henderson Asia-Pacific Property Equities Fund and Henderson Horizon Asia-Pacific Property Equities Fund are available for sale in Singapore.

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