

# 'Hot money' set to stay in SA's emerging market

Artwell Dlamini

YIELD-SEEKING global investors look set to keep their "hot money" stashed away in emerging markets including South Africa in the longer term, economists and fund managers say.

But they warn some profit-taking could be under way in the short term given the strong run in equities and bonds, and massive capital inflows into emerging markets in recent months.

To date, emerging market equity funds alone have attracted \$47.5-billion (R330-billion) of fresh funds and currently manage \$660-billion (R4.6-trillion), according to Michael Gavin and Jose Wynne at Barclays Capital.

Even though there is no immediate threat of massive capital flight just yet, the temptation for investors to

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lock in some profits and reduce exposure to emerging markets is compelling.

Vivienne Taberer, portfolio manager at Investec Asset Management, said some fund managers fully or overweight in emerging markets might be tempted to take profits off the table. "But they are unlikely to cut exposure to zero," she said.

Wikus Furstenberg, portfolio manager at Futuregrowth Asset Management, a division of Old Mutual Investment Group SA, agrees, saying after a good run in emerging markets, investors need to take stock and tread carefully.

Emerging market equities have outperformed mature market counterparts since mid-2003, partly reflecting their diverging macro-economic fundamentals, according to the International Monetary Fund. – BusinessLive