Summary – A. Leclercq Interview on Al Arabiya TV

1 November, 2011

Overview by presenter

In an interview with Al Arabiya, Mr Arnaud Leclercq, Limited Partner at Lombard Odier said that there will be several important topics that will need to be discussed at the G20 summit including Bank capitalization, in addition to the extent of damages caused by the Greek debt write-off on Greek's themselves.

In addition to this, Mr. Leclercq advised investing in manufacturers of luxury items.

Interview

<u>G20 Summit</u>

- The recent EU summit was crucial in laying the ground work for addressing the issues facing the banking sector. There are two matters that we hope are addressed at the G20 summit, these are: the restructuring of Greek debt and the recapitalization of European banks:

1. Greek debt

- Not everyone will be harmed by the 50% write-off , especially not the bonds held by the ECB and IMF
- A third of Greek-debt holders are held by banks in the private sector – these will be negatively impacted by the 50% haircut on Greek debt
- The next matter to consider is the damage to Greeks themselves – to what extent these haircuts have damaged pensions invested in sovereign debt there

2. Bank recapitalization

- No one really knows how this will be done and what implications this will have
- It is no longer about banks holding 9% in core reserves. The real issue is the balance sheet of banks, and the amount of risk exposure.
- For example: Europe's Dexia had one exceptionally well under the stress tests last summer, and two months later the bank was bankrupt

<u>Advice for investors</u>

- When there is fog, it is best not to drive to quickly – this is our attitude. That being said, there are some interesting investment opportunities out there today.
- This underscores the importance of having sound financial advisory and council at the moment, to ensure that investments are profitable
- We are strongly advising towards investing in companies specializing in luxury items, given expected demand growth, especially from China. Examples include Richmont Group and others.
- Fixed income: While they don't yield high returns, German bonds are a good investment for those seeking safety. From a long term perspective, we are interested in sovereign bonds from emerging markets as these countries have significantly less debt than Europe, and they have consistently improving local currencies, giving us two opportunities for profitability (bond yields and local currency).