



The Next Stage of the Economic Recovery will Involve Difficult Choices, says Aberdeen

Kuala Lumpur, 30 June 2010 – Financial markets could face renewed turbulence in the face of weaker than expected economic growth, according to Aberdeen Asset Management, the global asset management group.

It cites high structural deficits and public debt in the West and persistent global imbalances as the key problems. European sovereign risk has heightened considerably this year, with peripheral countries, led by Greece, forced to take drastic austerity measures in order to retain the confidence of bond and equity markets.

In the US, patchy economic data, led by housing and jobs, suggest monetary policy there will remain accommodative for longer than previously envisaged. But loose money has been exported, throwing up a different set of challenges for the developing world.

While these creditor nations have largely returned to growth levels of before the crisis, global liquidity has driven up asset prices, creating potential instability. The challenge for policy makers in the emerging markets will be to "normalise" monetary policy. That may require higher interest rates should inflation increase later this year and into 2011.

As well as policy settings, emerging markets may have to consider their response to weaker export markets and, along with developed markets, the continued efficacy of fiscal stimulus. While spending has been channeled into a mixture of infrastructure, tax breaks and one-off measures this stands in contrast to the West where money is being used to recapitalise the banking system.

Western governments now face hard choices in the shape of cuts to spending and tax rises to restore order to their finances; but their gamble is both political and economic: that they can carry their electorates and, at the same time, avert a slowdown in private sector demand that would take economies back into recession.

Given this vexed economic climate, Aberdeen believes that investors would be wise to pay close attention to valuations. Increased volatility suggests markets are much less certain today of what is being priced in. It recommends a global approach, as one way to reduce risk and increase returns. Fundamental analysis, it adds, is crucial.

Donald Amstad, Director at Aberdeen Asset Management Asia, comments:

"The global economy faces significant challenges, not least the risk of growth fading in the developed world and European sovereign credit issues spreading into the European banking system. However, the emerging markets and, in particular, Asia remain bright spots. We see the larger Asian economies with their expanding internal markets continuing to decouple and this will support currency appreciation, in particular, over the medium to long term."

Stephen Docherty, Aberdeen Asset Management's Head of Global Equities, adds:

"In the current economic environment, equity investors can potentially be rewarded for taking a global, unconstrained approach to investing. Given the strength of market returns last year, we expect equity returns to be in the single digits this year. We strongly believe that the best way to achieve this is to focus on individual companies and their prospects and ignore benchmark indices as they are backward looking."

Aberdeen's portfolio managers will be visiting several major cities in Asia to discuss their views on the global economy with the media and investors during the weeks of June 28 and July 12. For Malaysia, please call or email using the details below.

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About Aberdeen Asset Management Sdn Bhd

Our business is the management of investments for Malaysian-based institutions, principally equities and bonds, via segregated funds.

A wholly-owned subsidiary of the Aberdeen Group, the UK listed asset management company, we are the first of only five foreign fund managers to have been awarded a domestic asset management licence.

The Aberdeen office in Malaysia currently has approximately MYR 1 billion* invested in stocks listed on Bursa Malaysia. Our full-service office is in Kuala Lumpur. Malaysian institutional clients can also benefit from our extensive overseas network covering equities, fixed income instruments and property globally.

The Group has been actively managing investments in the Asian region since 1985 with a physical presence in the region since 1992. Offices are located in Singapore, Sydney, Bangkok, Kuala Lumpur, Hong Kong, Taipei, Shanghai and Tokyo.

* As at end June 2010

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