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Media Release

Business Groups & Industry to Connect with Leading Global Portfolio Manager during Melbourne Visit

Tuesday October 15, 2013. The upcoming visit to Melbourne later this month of Robert Levitt, Founder, Managing Member, Chief Investment Officer, Global Strategist and Portfolio Manager of US based Levitt Capital Management (LCM) has generated much interest with a number of business groups and financial service organisations keen to obtain a personal insight into his investment philosophy, process and service offering for high net worth (HNW) families.

Levitt's approach involves firstly identifying global trends, then the continents and countries that will be positively impacted. This is then followed by an analysis of the industries and finally companies that will benefit. The process is rounded off by Levitt moving to the country and immersing himself for up to four months into the culture, literature and language of the countries identified as potential investment prospects.

In the ASEAN region, **Malaysia** and **Indonesia** are of particular interest to Levitt as they represent the more advanced emerging markets seeking to break into the high income sector. By living for extended periods in both countries, Levitt has obtained a more intimate understanding of their respective issues, challenges and opportunities they provide to the HNW investor.

Commenting on the value of first hand / on the ground observations, Levitt pointed to the impact of inflation on Indonesian consumers over the past six months as an example. "The changes are huge with the purchasing power impacted by the cost of fuel increasing from IDR 4,500 to IDR 6,500. In the local supermarkets, the size of product containers and packaging has become substantially smaller – but in contrast, shoppers were out in droves and the hypermarkets are full".

"This contradicted research findings published in Jakarta the week before that said the hypermarkets were empty. A clear example of reality conflicting with the studies".

When looking at the global situation, Levitt says the biggest challenge of the past two years has been the world economies not recovering from the GFC. Markets, especially the USA were rising due to artificial stimulation and if anything went wrong, the markets could go south in a hurry. With the world's economies recovering, the risk of market decline is minimized.

"A confirmation and very positive sign of this recovery is the ongoing outperformance of bank stocks at a time of rising markets. This does not mean a runaway bull market is in effect, but takes off the table the idea of a sudden financial crisis or significant downturn in a reasonable investment time horizon", said Levitt.

There are three fundamental **USA banking** system ratios that support the LCM view:

1. **The bank loan loss reserve ratio:** This ratio is derived from banks capital and had skyrocketed and continued to rise sharply well before the crash in 2008. Currently it is at 1.95% and to put that in perspective, it is where it was in 1995.

At present the, the yield curve is shaped like a ski jump and confirms the banks' ability to move in and perform their function of keeping the economy moving.

2. **Two-year Bond Yield/Oil prices ratio:** This is a very reliable inflation/deflation indicator and it has spiked to its highest level since 2009 after being in negative territory a few months ago. The ratio provides substantial confirmation that inflation pressure is building in the US economy and offers financial institutions potential to profit from this.

3. **Commercial banks loans & leases relative to government securities holdings:** Although banks have been shrinking their balance sheets, there has been a very sharp rise in loans and leases relative to government securities. This means that they are selling Treasury Bonds and Bills and adding on to their loans and leases, which is what is needed in the US economy for the banks not just to survive, but to behave as bankers.

So in the US, this means the banks are back in business, therefore the fundamentals are improving.

Turning to the **Chinese economy** and recent economic data that revealed that the sudden rise in the country's stock market has been led by their banks. This confirms that there is a global trend in place towards banks behaving as real banks and economic activity is not going to roll over and head down.

Levitt continued, "The Europe story is very crucial in providing an explanation to the sudden rise in Chinese demand for iron ore. Europe is the biggest trade zone that China sells to, much more than what they sell to the US".

"The single biggest factor for the slowdown in the Chinese economy was the financial crisis in the Eurozone. So as the economy of China's biggest customer strengthens, it will be reflected in positive outcomes for China".

Europe is improving its position, as it is being forced to adopt a more capitalistic model by cutting deficits and not increasing regulations. Europeans have basically improved the health of their economy through the private sector. Most of this push came from Angela Merkel, who knew she would not get anything approved in Germany if they were pumping money into countries that were increasing their deficits.

Portugal might have a 12.4% deficit and France 4.1% rather than 3.9%, but compared to the US, they are in far better shape than many expected. They did not just run deficits to stimulate their economies, but rather they developed their own momentum and when the Europe recovery develops, it will come from the private sector.

Levitt concluded, "Growth that comes only from government deficits is not a sustainable policy. Nor is stimulation from government a good investment thesis."

Robert Levitt will be in Melbourne from October 30 to November 1. To arrange an interview or meeting with Mr. Levitt, please contact:

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