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HANDOUT / DALPÉMILETTE GROUP

Marc Dalpé, portfolio manager of the DalpéMilette Group at Desjardins Securities, says emerging markets now make up to 40% of his total stock exposure, with 60% in Canada.

Manager has 13% annual return over 7 years

Get out and stay out of U.S.

By David Pett

Marc Dalpé has some simple advice for U.S. equity investors. Get out and stay out.

It's a recommendation that has served the portfolio manager of DalpéMilette Group at Desjardins Securities well over the past several years and given the dire state of the U.S. economy, it's one he plans to keep for some time to come.

"I didn't see it then and I don't see it now how putting even $10 of a $100 investment in the U.S. increases return or reduces risk," he said during a phone interview yesterday.

It's been almost seven years since Mr. Dalpé stopped putting his client's money to work south of border and since that time his portfolios have generated an annual compound return of close to 13% after fees compared to less that 2% for the Morgan Stanley World Index.

He said he exited the United States in April of 2004 after identifying that most developed economies, which had been growth leaders for 30 years and longer, were starting to slow and growth over time would become more difficult to sustain. Emerging markets, meanwhile, were becoming more of an economic factor and promised a much more attractive environment for economic growth.

"When you buy equities, you buy growth," he said. "I was having a hard time figuring that investing in the U.S. or Europe or Japan for that matter, would over the medium to long-term represent better risk-reward opportunities than emerging markets."

Mr. Dalpé's thesis is hardly unique, but, unlike many institutional investors with similar views, emerging markets now make up 40% of his total stock exposure with the remaining 60% invested in Canada.

> Canada is still doing better than many other countries

He expects 6% GDP growth on average and overall strong currency appreciation in the developing world, favouring China, India, southeast Asia and also Brazil. Interestingly, he favours mutual funds over exchange-traded funds as the way to play these regions.

In mature countries, he said active managers have a tough time creating value that do better than benchmark averages, but in countries like China, things are moving so fast, and many sectors and stocks with superior growth prospects are not reflected in the major indexes.

His stand on Canada, which makes up the remaining 60% of his stock portfolio, is anchored by a bullish forecast for the Canadian dollar and the economy's link to China and other developing markets.

He expects the loonie could rise another 15% against the U.S. dollar and prefers resource-based exporters in the oil and gas and materials sectors as well as companies like **Canadian National Railway Co.** and **SNC Lavalin Group Inc.**, who benefit from huge infrastructure spending in countries that are growing the fastest.

"A significant portion of the economy is doing well and will continue to do well," he said. "Meanwhile, the portion that is not doing as well, is still doing better than many other countries."

Mr. Dalpé said his strategy on U.S. stocks will likely change only when the greenback stabilizes and the country's banking and economic crisis fully runs its course.

"At that point, there will be some light at the end of tunnel," he said.

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