
More US private investors turn to Russia

RIA Novosti - 11/2/2008

The 30th annual World Money Show has closed in Orlando. This year it attracted more than 300 exhibitors and over 15 thousand private investors from 80 countries. RIA Novosti has participated in the forum. Charles Githler, the President of the World Money Show, comments on the results and the prospects of global investing including Russia in an interview to Dmitry Gornostaev, the New York Bureau Chief of RIA Novosti.

- What is the main objective of the World Money Show? To what extent its participants are interested in Russia?

- The main objective of the World Money Show is for investors from North and South America, primarily, and from 75 other countries to come to a single place. A little over 10 thousand is what we expect in terms of total attendees to come and exchange ideas between themselves, to listen to panels and speakers about how to focus investments outside their home countries.

And if you listened to the Fidelity speaker, he spoke in terms of his own investments being probably 60-70% outside his country, and within that percent Russia, Brazil, China and India played a very large percentage. And what he spoke about in his keynote presentation is that the economic growth rates, and this came right after Mr. Andrei Dolgorukov, the speaker from the Russian Trade Representation, that the economic growth rates in these countries, and Russia is just a good example of any one of them, are going to continue to be much greater than the economic growth rates of the more developed countries. And he put up a chart that showed, that graphically depicted how much more the economic growth rates are in those countries. And he told us that in the next 5, in the next 10 and the next 15 years, that this chart is going to look very similar; China and Russia, maybe, may switch places, India may switch places with China, but it doesn't matter.

If you just put your investments, if you emphasize where the greatest growth rates are and you maintain some diversification, so that in one or two years if something happens in one of those countries. I mean if growth slows or if it diversified, then you'll have some safety, then that is the optimal strategy for investors that are looking to grow their prospects over that time frame, over those 5, 10 and 15 years.

- So many companies focus more on Russia, India, China and Brazil. Does this create any type of opportunity for international private investors to be more focused on Russia?

- Indeed, it does. I remember just 10 years ago it was a very tiny percentage of American investors, even the more sophisticated investors that came out to attend a three- to four-day conference like this, to invest outside and make direct stock investments outside.

And today, we're not only seeing investors at these conferences. You see, first they start with funds and make direct investments in companies that are listed, usually it's the larger companies that have dual listings on the NYSE. Then they invest in more exotic funds that make direct investments in home-listed companies, like Russian exchanges. Some of them are investing in private equity, investing in private companies when they go public in some countries, including Russia. I must admit, and it surprises even me, how quickly investors are adapting and they are comfortable in making investments globally in very large amounts.

- In terms of global thinking, the Internet creates more opportunities. In this regards, to what extent do you pay attention to web investment?

- Our company has embarked on a very large undertaking where probably 30% of our employees, so we have about 100 people who work for us, are focused entirely on developing a world-wide web presence and it's an area that, again, is relatively new. As you know, we've been in this business for 30 years.

Back in 1996, we decided to convene a special panel at the Las Vegas Money Show, called "The Future of Investing on the Web," on the panel was Jerry Young, who was much younger looking than he looks today, the co-founder of Yahoo!, and Michael Bloomberg who was not as well-known as he is now (the mayor of New York), Lewis Kaiser who is no longer with us, chairman of the NASDAQ and one of the first employees, or executives at MicroSoft. It was a very interesting panel because they actually made a lot of predictions that have already come true or are coming true today.

So we asked for a show of hands back then, and it was remarkable that almost everyone in the audience raised their hand and said that they were already doing research on the Web. They were already doing quite a bit of their investments and research on the Web. Personally, I wasn't doing that much of it on the Web at that time. You know, it has to do with our demographics, as you see most of our attendees are fairly wealthy, they're a little bit older, they're in semi-retirement, some are already in retirement, so they are ideal users of the Web.

- What about your future plans. Do you consider extending your World Money Show geographically, beyond Orlando and London?

- Well, our next plan is a conference in Hong Kong, China, that is in 2009. It will start with a more institutionally focused conference at the Hyatt and then move into the convention center. Part of that conference will take place in Mandarin Chinese language and much of it amongst the mostly Western money managers and investors are from Western Europe, the United States and Canada, but many are based down there (in Hong Kong), they're ex-patriots. That's our next conference. And in the longer term, we are looking at Eastern Europe, because clearly we are seeing a rapidly emerging middle class which is showing interest in investing.

We see this in China right now, we see a larger middle class in China, in comparison to the overall population, than we see in the US, and this is eclipsed by the middle class only. In China, these are people going out to casual restaurants twice a week and they are from the middle class. And we see this in large countries, and in Russia as well. I think we should all be very grateful that we're all alive at this time.

- So, this fact that the middle class is emerging in countries like Russia and China, do you perceive it as a signal for starting focusing deeply on these regions?

- Yes. However, this depends on if the people in the country are starting to develop savings. But it's one thing, almost the scientific evolution of man - at first they start to just taking care of their daily living things and then they start to develop some financial assets from savings. And this is usually not much more than just a simple savings account.

And in some countries, like Japan, they tend not to buy a lot of individual equities until they get very, very wealthy. So, the middle class in some countries doesn't really become self-directed investors and the idea of being a fully developed self-directed investor where you take very little advice

from a financial advisor is, or was until recently, was unique to the US and some in Canada. But that, too, is spreading. People are learning that they can probably best take care of, at least a large proportion of their financial future by understanding and learning themselves, taking more charge of it themselves: they are the masters of their destiny.

- So your ideal customer is a customer who can take care of himself, right?

- Yes, our ideal customer is someone who understands over time the stock market, and is investing directly and indirectly in businesses, that it's going to give you a better return than putting your money in a savings account. And then they have to become sophisticated enough to understand that you're going to have uneven returns from year to year, so there are years that you have to make a commitment like marriage, so a five-year, a 10-year or 20-year commitment. The longer the commitment is, the more certain that you'll get a positive return.

But even in wars and economic diversity if you just hold on to stocks you'll get ok finally. John Desauer makes a very big point about this in one of his books, that if you had invested in stocks in Germany during the Second World War, before your country (Russia) and our country (the USA) went in there and finally defeated them, that if you owned bonds, you were wiped out, if you owned government bonds, you were wiped out, if you owned savings accounts, you were wiped out, if you owned currency, you were pretty much wiped out. If you invested in companies, then you came out ok.

So, there you go. It's ironic that doing the safest thing, you got wiped out, and that the investors investing in the long-term were ok, because obviously the companies got back on their feet, they were in a good position to recover at least as fast as companies around Europe after the War.

- Something similar to some extent happened just now when people invested in a very certain sector like real estate and lost a lot of money these days. Has the recent financial turmoil affected in any way your World Money Show? Did it change the imbalance between the people who are coming and their demands?

- Not yet and I'm surprised. It is a very good question. I expected that there would be a lower attendance in the World Money Show as compared to last year, but it looks like this year attendance is going to be up by 10-15%. The reports that we hear from exhibitors are that the attendees are very interested, very inquisitive and very active. I think that the downturn in regard to real estate is being felt around the world, although I hope that not so much in Moscow.

Moscow apartments are still more valuable than diamonds.

On the same token, I think that over the next year or two the dampening effect...you'll see plenty of evidence on the dampening economic impact on consumers in general. It really remains to be seen because of how central banks are reacting to all of this by dropping interest rates so much, how much it's going to effect the markets. It's devastated that sector and it's very damaging to investors, and that gets back to your question. Investors who invested in, for example, residential houses or rentals and if they got into it just in the last two years, then there's no way of possible return and typically people borrow from 50 to 75 to 80% of the value of the home, for example, so if the home value goes down by 20 to 30 to 40%, you'd be in a negative position, and there you are. So, you're right, it's been an unusual and, according to many, a very unexpected turnaround in what was considered a safe sector.

- My last question is about your relations with Russia. You have a tradition of Russian companies or Russian trade representations coming to your show. What is your evaluation of this?

- We've been very honored to have so much interest and time spent on the part of the highly qualified officials, for example, the gentlemen who keynoted yesterday, Andrei Dolgorukov. He's got a PhD in Economics, he's been an observer of the economy for years. I think he gave the perfect presentation for our audience, just explaining how much diversity there is within the overall Russian economy, that it is evolving very rapidly: the service sector, development software, so his personal service is far beyond, it gave a first-hand glimpse of what is going on in the Russian economy and I think folks are very, very interested in that.

We're delighted and we're going to continue to invite the participation of the Russian Trade Ministry, and we'd be very interested in others as well. I think it would be appropriate for companies, both those that have dual listings and others that are home exchanges. It's good that they participate. I don't think even I have a handle on how quickly people, investors, at least from the United States, and then even from other places, for example, people from China are going to have thousands of attendees over there...people are becoming more and more comfortable making direct investments in these rapidly growing economies.

Russia's a great example.
