



Apostle Asset Management
Level 11, 23-25 O'Connell St
Sydney, 2000
(02) 8224 2901
www.apostleam.com.au

Tight Credit Environment Supports Increased Demand for Growth Stocks

Ongoing issues in the credit markets are likely to be supportive of growth type stocks according to U.S. based Lipper Award winning investment manager, Mark Baribeau of Loomis Sayles and Company, L.P.

Low interest rates and easy credit allowed many companies to mask their true fundamental prospects according to Mr Baribeau. He said that while private equity buyers were able to borrow easily to fund their buying sprees, there was a floor under the valuations of many companies and this floor has now been removed.

"With the end of easy credit I expect this shift to growth and away from value styles to continue over the medium term," said Mr Baribeau, vice president and portfolio manager at Loomis Sayles.

"It's time to focus on companies with strong competitive positions, great products that are selling across many markets and gaining share, strong revenue and earnings growth, superior returns on capital, and relatively low levels of debt financing."

Playing right into this shift to growth stocks is the fact that growth companies tend to be able to satisfy a good part of their financing needs with their strong, internally generated cash flows, according to Mr Baribeau.

And growth stocks are relatively attractive. "Investors can buy growth in today's market at very attractive valuations given the correction over the past few months."

A simple PEG ratio calculation on the MSCI World Growth Index (measured as of March 31, 2008) shows an approximate parity with the underlying estimated growth rate. Historically, such a portfolio has traded at a premium of 30-40% over the underlying growth rate.

"In my view we are reentering a period of time when growth style investing should return to favour over value," said Mr Baribeau.

Loomis Sayles believe that investing in leading companies with high earnings growth potential produces excellent long term results. A well resourced team based in Boston focuses on idea generation and in depth company research to provide Alpha generation through a concentrated portfolio of 40-50 stocks.

Mark Baribeau has 21 years of investment management experience and oversees institutional and retail portfolios including the Loomis Sayles Growth, USA Growth and the NATIXIS Loomis US Large Cap Growth Funds.

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As at 30 April 2008, Loomis Sayles managed approximately \$184 million using their Global Growth Strategy for Australian investors.

Apostle Asset Management Limited offers the Australian and New Zealand marketplace access to the Loomis Sayles Global Growth equity portfolios.

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EDITOR'S NOTES:

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