

# Leaving U.S. Stocks for Foreign Opportunities

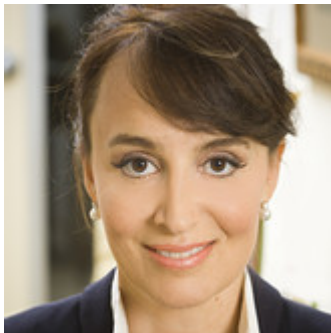
By NAUREEN S. MALIK

*Financial adviser Dawn Bennett has dumped domestic equities for emerging markets such as Peru and China.*

**MORE THAN TWO** decades ago, when a twenty-something Dawn Bennett went to Wall Street, she clipped out a quote in a magazine that has become the cornerstone of her success today.

John D. Rockefeller was quoted as saying: "I've never met a wealthy man who didn't take it out of the middle," says Bennett, the founder and chief executive officer of Bennett Group Financial Services, a Washington D.C.-based financial planner.

## Manager's Bio



**Name:** Dawn J. Bennett

**Title:** Founder and chief executive officer, Bennett Group Financial Services

**Education:** BA in political science, economics and Mandarin, University of Utah and Middlebury College (Chinese school); graduate of the three-year Wharton School Securities Industry Institute program; certified investment management analyst, Wharton School of Business.

**Hobbies:** Running, long-distance walking, cooking shows, world travel

Rockefeller's quote -- an admonition to not count on stocks running too high before taking profits - - became a building block of her temperate investment strategy.

It's an approach that has equipped her with the experience to thrive in this recession.

It's about not being greedy and consistently capturing returns as assets appreciate. "Wall Street brings you to your knees at a moment's notice," says Bennett. Her goal is to generate steady annual returns for her clients.

Barron's magazine placed her No. 5 on its list of the top women financial advisers. (See *Barron's*, "Sizing Up the Rally," June 8, 2009.)

Historically, 60%-70% of her client's assets were dedicated to the U.S. stocks, but she has taken all that money off the table. She's been moving heavily into foreign stocks.

We recently spoke with Bennett about her outlook.

**Barrons.com:** *Where are you putting your money and why have you cleared out your U.S. investments for riskier emerging-market plays?*

**Bennett:** It's all in emerging markets, gold and natural resources. It's what I call our new economic era portfolio. We think that the domestic economy here or any developed economy, which includes Europe, will have a difficult time over the next number of years due to policy, habits. Countries like Brazil and Peru are the ones that are doing capitalism the way we built ourselves.

**Q:** *But these emerging markets didn't "decouple" as many expected them to a few years ago. They fell along with the developed markets.*

**A:** In 2007 it didn't play out. I think that was very difficult for them to think that they could cut the apron strings to Mother USA, but I think they started to realize that the 3.5-4 billion consumers they have could generate all this new wealth. You have all these poor farmers starting to get the opportunity to go to school, build their own businesses and own their own property. That new wealth is going to make their countries a lot more self-sustaining. We [the U.S.] have no earnings, the future looks dismal but, boy, China's taking off, Brazil's taking off, Peru's taking off. They have an estimated GDP [gross domestic product] between 6% and 8%.

**Q:** *What are your top picks and what kind of exposure do you recommend?*

**A:** The best geographic regions we are looking at are: Peru; second, China; third, Brazil; and fourth India. We've got right now about 50%-60% [exposure] and we are going to slowly be building that up to 70%. The other portion of [the portfolio] is in natural resources.

The countries themselves are developing for all the right reasons, and you are getting this influx of international liquidity. These countries are trying to get themselves to a sustainable GDP somewhere from 6% to 8%, and their goal is to maintain that for years.

**Q:** *So you don't buy into green shoots leading to a U.S. economic recovery?*

**A:** I think the green shoots make everything out to be like botany 101, but let's go to economics 101. When you stimulate the economy through spending and not giving tax cuts, that type of stimulus is not effective for a long period of time. It brings in hyperinflation which kills any type of economy, and it's debasing our currency faster than we can even possibly think of it. So all this "green shoots" by [Federal Reserve Chairman Ben] Bernanke and "new beginnings" by [former Fed Chairman] Alan Greenspan is just to me a little nutty because how can we have all these green shoots when unemployment is in the double digits?

**Q:** *Are you expecting the U.S. economy to get worse?*

**A:** We are going to go sideways. Technically I suppose we could drop down to 7200 again. We're just going to be trading in this range from 7200 to 8500.

[The Dow Jones Industrial Average] from 7000 to 8500, was it real? There really weren't good earnings out there, unemployment is still high. Even Intel (ticker: INTC) [last week] reported revenues at five-years-ago levels, and that is what they are celebrating?

**Q:** *The bar is set really low and if they can trip over it, it seems to be enough to spark a rally.*

**A:** If you get caught up in that, you get caught with your pants down because essentially markets, if they are fueled correctly, will run and markets that aren't fueled correctly and don't have that sustainability are going to head fake you. That's exactly what's going on here, it's a head fake.

**Q:** *Where do you see crude-oil prices headed?*

**A:** I believe that we are going to have triple-digit numbers again just like we had a while back. We just had a taste of it, and it freaked everybody out. My guess is by summer's end or by mid-fall you are going to see 75 bucks per barrel.

Think about it in these terms: You have these emerging market countries with 3.5-4 billion new consumers that understand and have seen the American dream. We gave it to them. We showed it to them in movies. We showed it to them with the way we live our lives, and they bought into it hook, line and sinker.

Some of the communist countries are practicing smarter capitalism than we are -- they are giving tax cuts, they are encouraging prosperity, and that is going to continue to fuel [demand].

The dollar is debasing itself so quickly. I think it's off 10% or so in the last 10 weeks and if it continues at this rate, it's going to be down 40% at the end of the year. Gold is now trading as currency because the U.S. dollar is getting so weak. Gold is now looking like it did back in the time of the pirates -- it was an international currency, it has the backdrop of international liquidity.

**Q:** *Where could gold prices go?*

**A:** Through the roof, easily over \$1,000, easily over \$1,500. Just give it time. I like the SPDR Gold Shares ETF (GLD). I don't own any gold stocks or gold stock indexes; I like owning the gold bullion. Even countries like China back in 2003 had 663 tons of gold, now they are moving up to 1,083 tons of gold so they can hedge off their U.S. Treasury position they include to support their friendship with the U.S.

**Q:** *What is the best way to play these emerging markets and natural resources -- through stocks or funds?*

**A:** There are a lot of good funds out there, and I really recommend going the diversified route. I think that's a smarter way. The First Eagle Gold Fund (SGGDX) is my favorite one, the Van Eck Global Hard Assets (GHACX) Fund [and] the Brazil [country] fund. I really count on these mutual funds that

manage very actively from over there [in local markets], which means they understand the accounting rules, the balance sheet, the business culture.

Q: *Thank you.*

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## Investment Philosophy

Dawn Bennett recommends investors use what she calls the "international liquidity litmus test" to vet opportunities. She watches where the so-called smart money is flowing, such as pension funds, sovereign wealth funds and major hedge funds. In a normal economy, which we are not in, she recommends that investors rebalance their portfolio quarterly. While Bennett's portfolio is currently in a transition period, she is "putting on permanent positions" to reflect major shifts in the world's balance of power and economic development.

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