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Money managers see Ukraine turmoil as buying opportunity

By Tom Henderson

Area money managers say the ongoing turmoil in Crimea and Ukraine presents buying opportunities — both in Russia, where public stocks have taken a sharp hit, and here, where oil and gas companies may be able to capitalize on European fears of relying too heavily on energy supplies from Moscow.

For the most part, they think events will play out without long-term impact to markets or major financial dislocations.

Short-term, though, there are some strategy shifts to hedge investments for some advisers.

Russia's annexation of Crimea "was the major event of the first quarter, but ultimately it won't have much impact," said David Sowerby, portfolio manager in the Bloomfield Hills office of **Loomis, Sayles & Co.**

"From a global perspective — I'm not being dismissive of Crimea, where life-changing events have taken place — but these types of events have little long-term impact," he said.

"The problems in the Ukraine and in Russia and all the dislocation that is taking place are not coming as a surprise to us and haven't made any changes in our allocations," said Dennis Johnson, a senior vice president at **Comerica Bank** and chief investment officer at the **Comerica Asset Management Group**. "There will be some volatility, but I don't see any disruptions in markets."

Others who agree that this too shall pass are, nonetheless, making investment decisions in reaction to Russia's moves in the region.

John Schindler, a senior vice president of investments at **UBS Financial Services**, says he has added gold to his clients' portfolios since Russia entered Crimea, in part to serve as a hedge in case events there disrupt world markets.

He said he is bullish on U.S. energy stocks, both because consumers of Russian energy will be looking for more stable sources in the event of possible European embargoes, and because proposed legislation in Washington would allow the export of natural gas to Europe.

"If we can get the politics straightened out, U.S. energy stocks will be a great place to be," he said.

Schindler also said UBS continues to like U.S. equities, despite the big run-up in stock prices in 2013.

"Crimea is just another step in a theme that has been playing itself out for a while. The U.S. continues to benefit from events globally. Money will continue to flow here," he said.

A big trade-off in Russian stocks in early March, after the takeover of Crimea, was a buying opportunity for Jim Robinson, the former CEO of Birmingham-based **Munder Capital Management** and Southfield-based **Telemus Capital Partners LLC** who now has his own firm, Grosse Pointe-based **Robinson Capital LLC**.

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He didn't invest directly in Russian stocks but in indices that trade in public companies in the so-called BRIC countries of Brazil, Russia, India and China.

Bill Stone is chief investment strategist and executive vice president for **PNC Wealth Management**. He said the arrival of spring limits concern about oil and gas supplies to Europe, and that "with Russia integrated into the world economy, now, there's an incentive for (Russian President Vladimir) Putin to act rationally."

Stone said one of his investment strategies is to look for good companies in countries that are in turmoil, which applies to Russia, which he thinks will fall into recession in the aftermath of what has happened in Crimea.

Jonathan Citrin, founder and executive chairman of the Birmingham-based **Citrin Group LLC**, is more concerned than other investment managers interviewed by Crain's that trouble in Ukraine may eventually lead to a major economic collapse.

He said with U.S. markets at all-time highs, he is worried that investors are looking for a reason to take their profits will fuel a sell-off that could feed on itself.

"Could Crimea be the tip of the iceberg that leads to another recession? I hope not, but it has the potential," he said. "It could start a huge sell-off. I can see a lot of hurt coming if there isn't a resolution soon."

Citrin said his firm has beefed up its allocation to hedging activities as a protection against such a sell-off. About one-third of his portfolio is now in what he considers various hedges — buying gold, shorting oil stocks and taking long positions on the yen, the dollar and the pound sterling.


Anne MacIntyre, president and CEO of Annie Mac Financial LLC

Anne MacIntyre, president and CEO of **Annie Mac Financial LLC** of Sterling Heights, doesn't see events in Ukraine leading to a major sell-off. But energy stocks could make sense as a result of legislative changes.

"One of the things that might come out of this is the natural-gas situation domestically. Congress is ramping up legislation to allow the export of natural gas, and that will take several years to put in place, but it makes energy stocks a good long-term play," she said.

Michael Dzialo, president and chief investment officer of Rochester-based **Managed Assets Portfolio LLC**, is bullish on oil and gas, too. He has a big position in **Statoil ASA** of Norway and owns two other European stocks, **Total SA** of France and **Eni SpA** of Italy.

"The economic map of the world involves getting oil from point A to point B, and buying oil stocks is an insurance policy if things heat up in Russia. Statoil has a nice valuation and a nice dividend yield, and it has reserves in a face part of the world. I'm buying it for new accounts," he said.

He also thinks a modest stake in gold as a hedge makes sense. "Gold has some merit," said Dzialo, who has been buying stock in the **Central Fund of Canada**, a gold and silver depository.

Peter Schwartz, a principal in the Bloomfield Hills firm of **Gregory J. Schwartz & Co.**, think Crimea is just the latest of regional worries such as Syria and North Korea that briefly effect the market without much lasting result.

He said that if things heat up elsewhere in Ukraine, it will likely cause investors to take profits and sell off some holdings, but any decline in the market "will present a buying opportunity. For the long-term investor, bad news can be your best friend as you buy off the lows," he said.

Schwartz said he remains bullish on emerging markets, despite trouble in the "R" part of the BRIC countries. "There's strong data that the growing middle class in emerging markets are becoming consumers of goods and services," he said. "If there's a bargain out there, it's foreign markets."

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