

# Bloomberg

---

## Euro Basket Case Sees Singapore Family Office Bet 80% on Dollar

By Netty Ismail - Jan 13, 2015

Woodside Holdings Investment Management, a Singapore-based family office, has almost all of its cash in U.S. dollars as it expects the euro, pound and yen to extend their slides to multi-year lows.

About 80 percent of Woodside's liquid assets are denominated in the greenback, compared with 50 percent at the beginning of last year, said David Fergusson, who is chief investment officer at the company.

The U.S. currency climbed versus all of its 31 major peers in 2014 amid speculation the [Federal Reserve](#) will raise interest rates this year for the first time since 2006, while policy makers in [Europe](#) and [Japan](#) extend stimulus measures to revive their economies. The euro slumped to a nine-year low yesterday, Japan's currency fell in December to the weakest since July 2007 and the pound dropped to the least in 18 months last week.

"We've been long dollar but also extraordinarily pessimistic on the rest," Fergusson, 41, said in an interview yesterday. "Sterling, what a basket case; the euro, again what a basket case; and the yen really has got to the point where I don't think you can honestly call it a currency anymore -- it is sort of a coupon that the central bank prints everyday."

Woodside expects the euro to drop to parity with the dollar, the pound to weaken toward \$1.30 and the yen to depreciate to 130 versus the greenback, said Joao Philippe de Orleans e Braganca, its investment analyst. The euro was at \$1.1775 as of 12:06 p.m. in [Singapore](#), while the pound was at \$1.5154, and the yen at 117.50.

### Europe's Outlook

The family office has kept about half of its total assets in cash because opportunities for profit are vanishing with negative [interest rates](#), Fergusson said. The rest are spread out in private equity investments, he added.

In a "normal" environment with real interest rates of between 2 percent and 3 percent, about half of Woodside's investments would be in equities, 30 percent in bonds, 10 percent in gold and the remainder in [bank deposits](#), he said.

Several of Europe's central banks have cut their key interest rates below zero. European Central Bank policy makers have fueled speculation that they will begin buying sovereign debt, known as quantitative easing, as early as next week to stave off deflation in the common-currency area. In Japan, yields on two-year [government bonds](#) are negative while those on five-year notes slumped to zero percent for the first time yesterday.

## 'Just Horrendous'

"This policy of negative real interest rates has been just horrendous for savers or people who own financial assets," Fergusson said. "First, it takes away your return, but it also takes away some degree of certainty in terms of the pricing mechanisms that go on within financial markets."

Woodside added to its dollar holdings last year after converting proceeds from any sale of securities into the greenback from local currencies. It also started selling the pound in July, Fergusson said, as slowing inflation, coupled with uncertainty about the outcome of U.K. parliamentary elections in May, weighed on the currency.

"Part of it was the fact that the U.K. is an economic and political basket case that essentially benefited from the lax monetary policy," Fergusson said. "It's like an emerging market, the [United Kingdom](#)."

U.S. stock and bond markets are expensive and there will be "significant market jitters" with the prospect of rate increases by the Fed, said Fergusson. For Europe's outlook, Woodside is bearish, he added.

## Seeking Investments

"We are looking for assets at the moment," he said. "We would like to raise our investments but we just don't see any value."

Fergusson was the former head of Indonesia research at Citigroup Inc. and also ran the telecommunications investment banking team at CLSA Ltd.

The family office was set up in 1959 by his late grandfather, Ewen Fergusson, once the chairman of The Straits Trading Co., a Singapore-based tin-smelting and investment holding company, according to the companies' websites.

David Fergusson and his brother, Alexander, reorganized the assets in 2006 into a "quasi-institutional structure" with plans to manage investments for outside investors. They separated the family office's investments in publicly traded securities from its private-equity holdings, according to Woodside's [website](#).

In addition to cash in the U.S. currency and [Hong Kong](#)'s dollar, which is pegged to the greenback, the family office also owns global bank bonds denominated in U.S. dollars, Fergusson said.

“In many respects the decision on the dollar is the decision if you would rather be shot in the head or leg,” he said. “You don’t really want to be shot at all but given that you ought to be shot somewhere, I’ll take the leg.”

To contact the reporter on this story: Netty Ismail in Singapore at [nismail3@bloomberg.net](mailto:nismail3@bloomberg.net)

To contact the editors responsible for this story: Garfield Reynolds at [greynolds1@bloomberg.net](mailto:greynolds1@bloomberg.net) Tomoko Yamazaki, Nicholas Reynolds

---

©2015 BLOOMBERG L.P. ALL RIGHTS RESERVED.