# US Averts Crisis for Now, But Will Investors Lose Faith?

October 17, 2013

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Investors around the world are breathing a sigh of relief that US Congressional lawmakers managed to come together for an 11th hour deal to avert a potentially crippling debt default. The debt ceiling was raised, even if temporarily, and the US government will reopen after being shuttered for more than two weeks. However, US politicians still haven't found a permanent solution to the nation's debt problems, possibly setting up another round of fiscal battles in the future. While Mutual Series® Executive Vice President Philippe Brugere-Trelat is relieved the US has avoided a sovereign default, he wonders whether global investors might be starting to lose a little faith in the US.

"*The US ordeal reminds me of the famous quote from German philosopher Karl Marx: 'history repeats itself, first as tragedy, second as farce.' Avoiding a sovereign default is paramount, and I think reasonable minds have prevailed. In my view, a US sovereign default would have made Lehman Bros. [collapse] look like a birthday party and could have possibly plunged the whole world into a deep recession, not unlike what we saw in the 1930s. The current resolution won't be long-term; it's basically kicking the can down the road."*

**Truths and Consequences**

Brugere-Trelat, who manages Mutual European Fund, Mutual Global Discovery Fund and Mutual International Fund, said the US political impasse likely could have future consequences for the US, even though the markets, by and large, didn't reflect a sense of panic while the US government was shuttered and a debt default still loomed large.

*"What happened on Capitol Hill likely has somewhat put a damper on an acceleration of economic growth in the US, which was real and is still real. But it also had the unexpected and I think positive consequence of getting investors to look outside the US for new investments, not only in Asia but also in Europe.*

*I am more than comfortable in Europe: actually, I'm pretty bullish. I think Europe's equity markets offer attractive investment opportunities for a number of reasons. First, equity valuations are generally much lower than in the US. Second, a lot of austerity measures that have been implemented over the past two years are starting to bear fruit. Spain has a current account surplus. Italy has a primary budget surplus, and by the way, it has also passed a balanced budget amendment. Slowly but surely, the southern part of Europe is coming out of crisis. Third, European companies are, by and large, in pretty good shape from a balance sheet point of view. They have spent the past decade deleveraging. They have a lot of liquidity and the larger companies do not need the banks to finance them, they have access to the capital markets. To me, that makes for a pretty attractive environment as an investor."*

Brugere-Trelat said the US' issues haven't impacted and aren't likely to impact his stock selection process, in so much that he and his team are always looking for values across the globe.

*"We are still value-oriented stock pickers. We like good companies unjustifiably valued by the markets. We still like the US very much, but there is no doubt we have increased our exposure in Europe[1] due to the opportunities we have seen there."*

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1. As of 9/30/13, European holdings represent 32.2% of total net assets of Mutual Global Discovery Fund, 85.6% of total net assets of Mutual European Fund and 53.8% of total net assets of Mutual International Fund. Holdings subject to change.