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France's Top Fund Manager Bets Growth Will Be Winner in 2010

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By Adria Cimino

Jan. 22 (Bloomberg) -- **Sebastien Lalevee**, manager of France's two best-performing domestic equity funds in 2009, says he will continue his success this year by investing in faster- growing companies and those that get sales in emerging markets.

The Financiere Arbevel **Pluvalca France** fund returned 66 percent last year, beating the benchmark SBF 120 Index's 24 percent advance and all comparable funds, according to data compiled by Bloomberg. The Pluvalca France Small Caps fund, also managed by Lalevee, jumped 63 percent.

Lalevee, 38, benefited in 2009 from companies most tied to economic growth, including Paris-based chemical company **Rhodia SA** and Bull SA, France's largest computer maker. For this year, the Pluvalca France fund, which can invest as much as 25 percent of assets outside France, has been buying shares of Copenhagen- based brewer **Carlsberg A/S** to profit from its expansion in emerging markets and Neubiberg, Germany-based Infineon Technologies AG, Europe's second-largest semiconductor maker.

"In periods of economic instability, such as today, we favor growth shares," Lalevee, who left his analyst position at Citigroup Inc. in 2008, said in an interview. "Last year, it was about industry picking. Today it's about choosing high- quality growth stocks in each industry."

Lalevee bought fund-management company Arbevel in February 2009 with **Jean-Baptiste Delabare**, the former head of European research at Citigroup, and started running the 22 million-euro ($31 million) Pluvalca France fund in March.

Missed the Worst

The timing meant they missed the worst two months of the year for European shares. The **Dow Jones Stoxx 600 Index** slid 13 percent over the first two months of 2009, before rallying 61 percent from a 12-year low on March 9 through year end.

"I arrived at the right time, with the right idea," said Lalevee, whose company oversees a total of 60 million euros. "If I had arrived two months earlier, I would have invested the same way and would have had two months of underperformance behind me."

Shares of Rhodia, Bull, Paris-based property developer Nexity SA and computer-services company Groupe Steria SCA all more than doubled in 2009 as the **Stoxx 600** rebounded from the previous year's record decline. The gauge surged 28 percent last year, the biggest jump in a decade, boosted by record-low interest rates in the U.S. and Europe and about $12 trillion of commitments from governments worldwide to revive credit markets.

This year, the Pluvalca France fund added to holdings of Paris-based **Audika SA**, Europe's second-largest hearing-aid distributor, and at the end of last year bought shares in Ecully, France-based Groupe SEB SA, the world's biggest maker of countertop kitchen appliances.

'Surprise Positively'

"I'm looking for companies that have the potential to surprise positively with their earnings per share growth," Lalevee said.

Lalevee's returns came without the aid of a single bank, the second-best performing **industry** in Europe in 2009 after basic-resources shares, and he is still avoiding the stocks. **European banks** plunged 49 percent after the collapse of Lehman Brothers Holdings Inc. in September 2008 through year end, before rallying 47 percent in 2009.

"Off balance sheet, it's a black box," Lalevee said. "If there was a rug, there would be a lot still under there." He said valuations for banks won't return to the levels prior to the credit crisis as it's now "a different world."

While Lalevee says he's confident for 2010, he has a "Plan B" portfolio of stocks that he will buy if the current earnings reporting season disappoints. The backup list includes companies that pay higher dividends, pharmaceutical shares and telecommunication stocks.

"We can't have 50 **Alcoas**," he said, referring to the U.S. aluminum producer that kicked off the fourth-quarter earnings season on Jan. 11 with profit that trailed analyst estimates. "There's a real risk to earnings, that expectations are too high. If the trend isn't satisfactory, we'll be more cautious."

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