

Tunnel vision: AAA-rated manager's top post-Brexit buy

By Dalvinder Kular / 10 Aug, 2016 at 08:01



Britain may have voted to leave the European Union in June but the country will continue to be tied to Europe thanks to the Channel Tunnel.

Citywire AAA-rated [Vittorio Villa](#) said train operator Eurotunnel could hold opportunities for investors despite the Brexit decision, which he continues to hold it in the [Kairos International Sicav Key X](#) fund.

'We have kept our holding in Eurotunnel and actually increased it the day after Brexit because we thought there would be a negative impact driven by currency devaluation,' he told *Citywire Selector*.

'Around half of the revenues are in British pounds. But the drop was much bigger, so we thought that it was a buying opportunity and increased our holding. It is among the top 10 holdings in our fund.'

Eurotunnel cut its annual earnings target by €25 million in July 2016 due to the fall in the value of pound sterling after the vote to leave. The Paris-based company's stock has fallen by around one-third and the slowdown in the UK economy has affected its shuttle business.

The company is typical of the infrastructure stocks Villa likes to hold, as he said they deliver high dividends over the long term. Villa also likes to buy his stocks cheap and thinks the political uncertainty in Europe could affect economic growth, creating bargains for investors.

'If you look at infrastructure and utility stocks outside Europe, the valuation is very high. In the US and Canada there are very high multiples. If you look at Europe, people don't want to be in it, they look at political risk, the valuations have come down significantly so we think there is an opportunity in Europe.'

European focus

Unlike managers of dedicated infrastructure funds, Villa holds just 11.69% of his fund in the US. This contrasts with a 33.62% holding in Italy and a 13.28% allocation to Spain. Villa said it is interesting to play the arbitrage between the different European countries.

'If you look at infrastructure funds they are much more focused on the US, whereas we only have direct exposure when there is a link between a European company which is listed in the US or a European company which owns an asset listed in the US,' he says.

'We don't take significant positions in a company which doesn't have a direct link with Europe. Normally the infrastructure fund they have 50-60% of the fund in the US/ North America. Our focus is Europe.'

An in-depth interview with Vittorio Villa will appear in the September issue of Citywire Selector.

RELATED NEWS

The \$6trn trend: the defensive way to play the green energy boom

Julius Baer acquires majority stake in Italian AM firm

AA-rated Chadha buys into India's infrastructure boom

RELATED FUND MANAGERS



Vittorio Villa

5/125 In Alternative UCITS - Long/Short Equity
(Performance over 3 years)
Average Total Return: **53.06%**

RELATED FUNDS

Kairos International Sicav - Key X