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Best Stock Rally Still Has Gas on Copper Boom, Top Picker Says

- Chilean equities have best performance in world in 2021
- Quest fund manager Gutenberg Martinez speaks in interview

By Valentina Fuentes

(Bloomberg) -- Strong Chinese demand for copper should mean that Chilean stocks, the world's best-performing market in 2021, will have more room to run even amid political uncertainty, said one of the top stock pickers in the country.

"As long as copper remains over \$3 per pound, this will be a good year for Santiago's stock exchange," said Gutenberg Martinez, who manages the \$46 million Quest Acciones Chile Fondo de Inversion, the Chilean equity fund with the second best annualized performance of the last five years, according to data compiled by Bloomberg.

So far in 2021, the S&P IPSA has gained 10.4% in local currency, the best performance among major indices tracked by Bloomberg, followed by Sri Lanka's Colombo All-Share Index, with 9.9%. The gain is mostly attributed to demand for commodities from China, a global risk on sentiment, and bets that a Biden presidency in the U.S. will boost demand for stocks that should gain from initiatives to stem climate change. That explains the 22% increase in 2021 for the ADRs of Sociedad Quimica & Minera de Chile SA, one of the world's top lithium producers.



A good way to balance the risks in 2021 would be to overweight some companies indexed to the dollar, Martinez said. There is also opportunity in under-valued bank stocks, such as Banco de Credito e Inversiones or Grupo

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Security, and in some retailers. In the commodity sector there is still value in Empresas Copec and Empresas CMPC, he said.

The economic rebound in Chile is expected to be stronger than many regional peers, and the nation seems to be leading the procurement of vaccines in Latin America. Still, the biggest copper-producing nation has a hectic electoral schedule ahead. Chile will begin re-writing its constitution this year, after citizens go to the polls in April to elect members of the convention in charge of that task. Presidential elections will be held in November, amid growing social demands left by the 2019 street protests.

Even with the uncertainty related to the drafting of a new constitution, Chilean stock valuations are just too attractive to ignore, Martinez said. In the last 10 years, the S&P IPSA has lost 5.8% while in the same period the S&P 500 has gained 194%. The Chilean benchmark has space to gain a further 7%–10% per year for several years, Martinez said.

The price of copper, Chile's main export, has surged about 70% from a low in March and these gains haven't been fully priced into the equity market, Martinez said. Cheap oil will also help the local market in 2021, while low rates should also increase demand for stocks, he said.

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CFIQAC CI (Quest Acciones Chile Fondo de Inversion Serie A)

To contact the reporter on this story:

Valentina Fuentes in Santiago at vfuentes8@bloomberg.net

To contact the editors responsible for this story:

Daniel Cancel at dcancel@bloomberg.net

James Attwood, Eduardo Thomson