

Jabre says party over for Euro banking shares

- * Jabre likes U.S. equities, taking his time to buy
- * Slow lending at Euro banks could stifle growth
- * Convertible bonds give protection in up/down markets

By Martin de Sa'Pinto

GENEVA, Sept 16 (Reuters) - Famed hedge fund manager Philippe Jabre said on Thursday U.S. equities are beginning to look attractive and is no longer bullish on European banks after buying them up earlier in the year.

Low valuations and an upturn in mergers and acquisitions are both positive signs for the shares of U.S. companies, and \$100 billion in share buybacks shows executives are recognising their companies' shares are cheap, he said.

But he is taking a relaxed approach about buying.

"There's enough time to allocate, the markets are not going to disappear," he told Reuters in an interview on the sidelines of the Invest10 investor forum in Geneva.

"We're waiting for asset valuations to return to reflecting fundamentals, and to stop being so correlated," he said.

But the Lebanese-born hedge fund veteran told Reuters he was not as bullish on European banks as he was back in April, when he said fears over euro zone debt were scaring investors into giving up their shares cheaply. [ID:nLDE63Q0YS]

"A lot of European banks have now recovered to book or normalised valuations as uncertainties over the effects of the stress tests and now Basel, have softened," he said.

"But loan growth is falling, which will limit earnings growth, and if bank shares are going to trade at above book value, there has to be growth," he said.

Jabre, who became a star hedge fund manager when managing a convertible bond arbitrage fund for GLG Partners <GLG.N>, said he still sees value in convertibles even though the strategy had a bumper year in 2009 after being one of the worst performing hedge fund strategies in 2008.

"With interest rates low and credit spreads stable, convertibles have shown good resilience," he said.

"If the market falls, they are defensive, the bond yield will protect them, and if we have a strong recovery there is optionality, you can convert them."

Jabre Capital Partners managed \$5.2 billion at the end of June in long/short equity, convertible bond and multi-strategy hedge funds as well as a balanced equity and bond fund, data from the Hedge Fund Journal showed.

That makes the company one of the biggest independent single hedge fund managers in Switzerland. Its Global Balanced fund, which buys stocks and bonds, has raised \$1.5 billion since its launch earlier this year, with a EU-regulated UCITS version of the fund pulling in 100 million euros (\$131 million).

The manager set up Jabre Capital in Geneva in 2007.

He left the UK after being fined 750,000 pounds (\$1.17 million) by the regulator for market abuse dating to 2003, when Jabre managed funds for GLG, recently acquired by hedge funds giant Man Group <EMG.L>. (