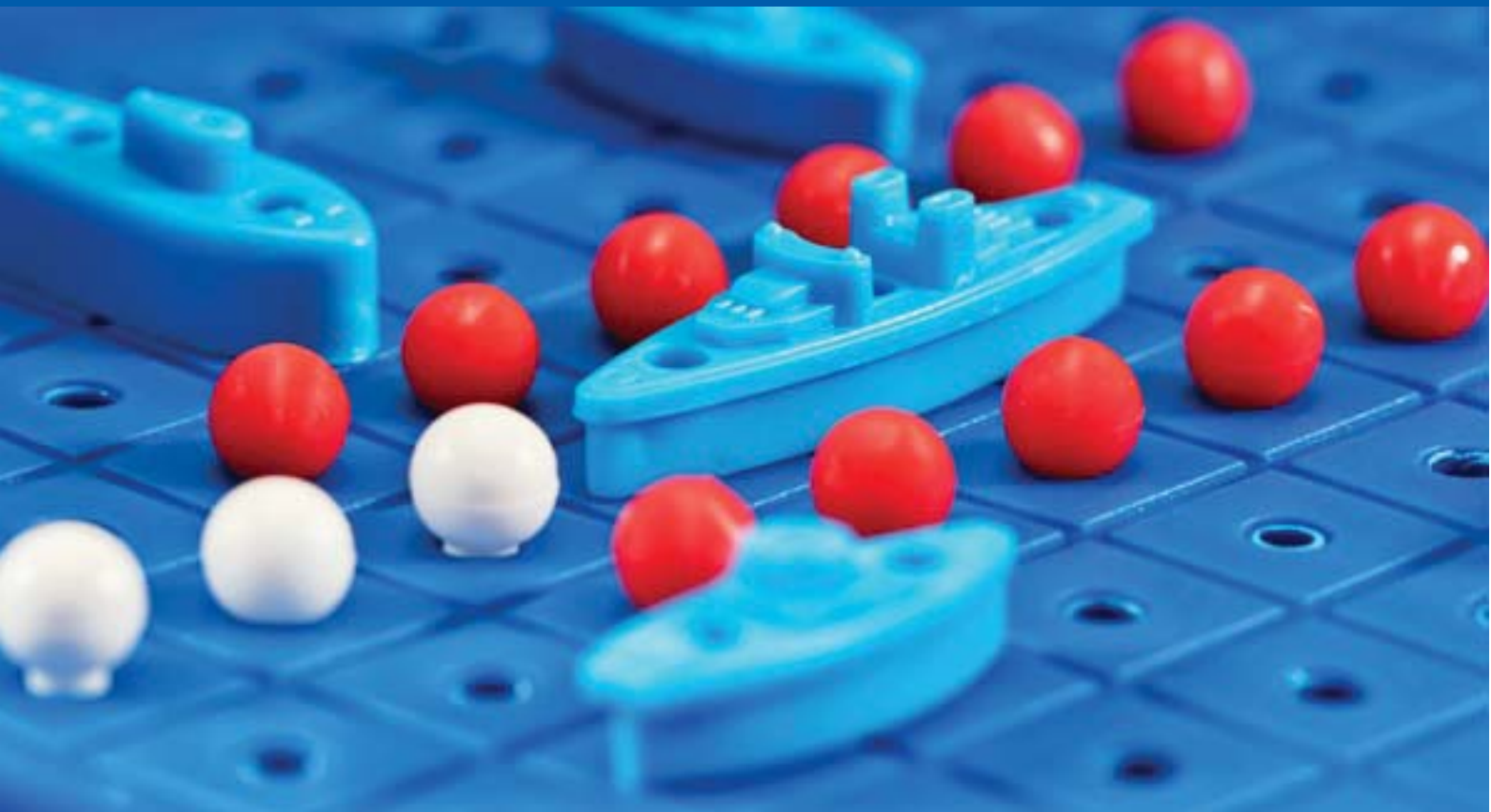


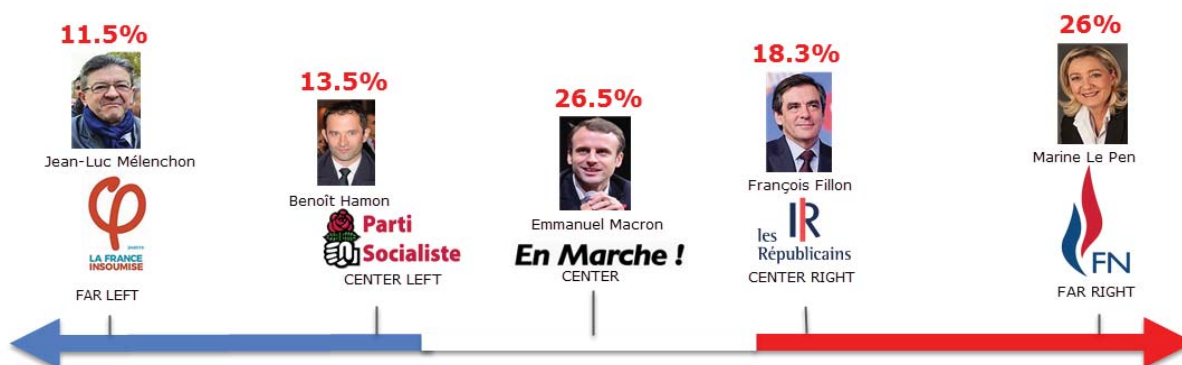
TAM INTERNATIONAL INVESTMENT NOTE



A journey through Europe’s political minefield...

I don’t think we’re alone in saying 2016 will go down in history as a watershed moment for global politics - a year when the people stood up and voted for wholesale change. Arguably the only thing upstaging 2016’s propensity for shocks, is 2017’s potential to deliver more of the same, and possibly on an even bigger scale.

So, has the recent defeat of Geert Wilders, a staunch anti EU campaigner in the Dutch election, and Emmanuel Macron’s victory in the first French Presidential debate, given us reason to be optimistic? On the 23rd of April, France will head to the polling stations to decide who will succeed the current French President François Hollande. Here, we have illustrated the main French parties, their place on the political spectrum and their place in the most recent polls.



Looking at this spread of popularity, there will almost certainly be a second round vote between the top two, which at this point in time looks like a Le Pen vs. Macron run off. Historically, the second round has always been between the two centre parties, but as we can see, the two centre parties do not hold anything close to a majority, and this is the source of all the speculation.

What is our take?

The French elections are far from concluded, however Macron's win in the first round debate proved to the French people he has what it takes to govern France, despite his age, and more importantly keep France in the EU. What has our attention on the flip side of the coin is the risk of France being governed by a radical (Le Pen) who wishes to take the country out of the single currency. Should this occur, economists believe the single currency could well collapse and thus herald the unwinding of the Eurozone project which will, in all likelihood, force a run on European markets. Having said that, we do see this as a secondary outcome in favour of a pro EU leader coming out on top in the second round.

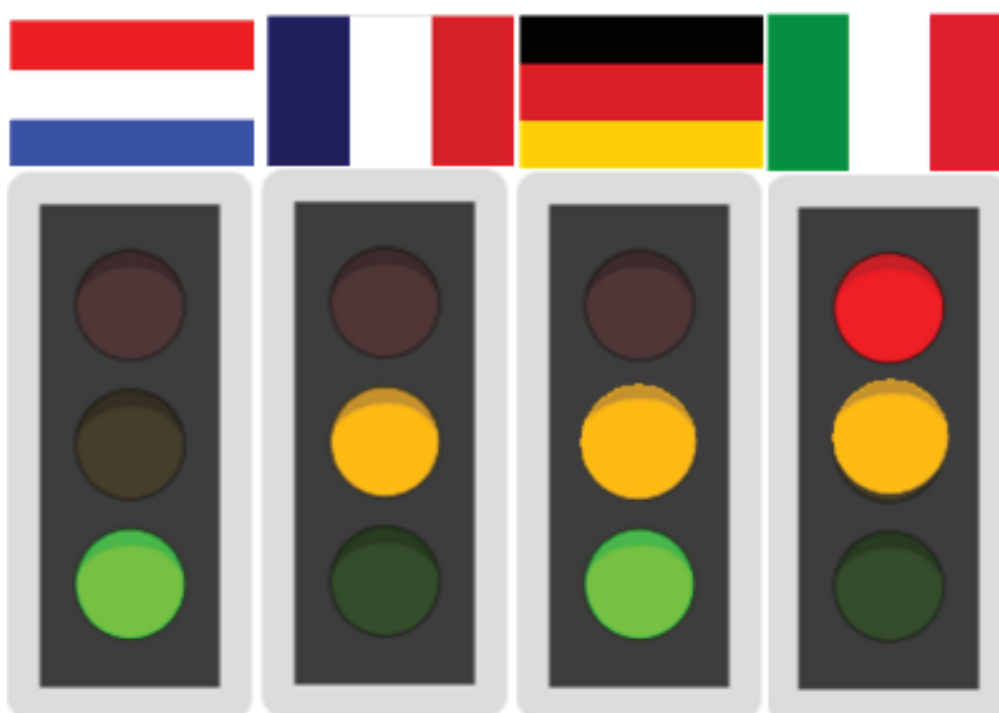
Over to Germany for the next round!

Relatively speaking we can catch our breath here. This one is widely expected to be the least volatile of the 2017 Europe elections. With the rise of populism still being felt in Germany, it is noticeably quieter than its French and Italian cousins. Polls are indicating that for the first time in 60 years the Bundestag will comprise of six parties with Mrs Merkel's 'Christian Democratic Union' having the majority. This is the volatility dampener - with six parties in the Bundestag, the risk of populist, anti EU, anti-immigration sentiment making its way into German policy is negligible. A Merkel victory would be taken as business as usual for markets.

Italy, will they or won't they?

Last but not least in our review of 2017 European power struggles, we have Italy. With Matteo Renzi stepping down as the Prime Minister, the Italian government is listing and leaderless in the middle of a nationwide bail out of their banking system. As a result, the political spectrum in Italy remains of great concern with the prospect of snap elections being viewed as a very disruptive force on markets. The populist vote that unseated Prime Minister Renzi appears to be collecting around the anti EU rhetoric of 'Beppe Grillo', leader of the 'Five Star Movement'. The party's anti-establishment label has risen in popularity as they push for a return to the Italian Lira through an immediate referendum on remaining in the EU, should they be elected.

This is most certainly the silent assassin of all European power shifts, primarily because a formal election has yet to be announced and if it is, it should attract a significant amount of trepidation from markets on the prospect of another major European power breaking away from the single currency. So, is it Green or Red on the election dashboard?



How will all of this impact TAM's investment strategy?

With dropping unemployment, an increase in both private and corporate lending, a return to both price and wage inflation and the end of QE in sight, the Eurozone project is showing serious signs of life. Should we come through this political minefield unscathed, Eurozone markets will be one of the growth leaders in 2017 and 2018. TAM will be ensuring its clients' portfolios have a position in Europe that reflects this optimism.

Playing devil's advocate as we so often have to do, if these elections do spell the beginning of the end for the single currency, we cannot, with such an upheaval of basic capital structures in Europe, commit our clients' capital to the region and will therefore be trading extremely carefully. Investors and political spectators alike, watch this space - it could be history in the making.

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