

Message from the Chairman

Dear TAM Colleagues, not wanting to compare my age frame to that of a walrus, I nonetheless do think the time has come "to talk of many things", so here are some core facts and issues I think worthy of note:

Markets continue to make headway and have had an almost unprecedented bull run since April 2009 when TAM wrote its note, "The Green Shoots of Recovery".

The headlines continue to suggest fear and problems in the political arena (i.e. Mr Trump and Mrs May).

Somewhat extended (but not disastrously so) equity valuations, particularly in the US.

Low, and as yet to be normalised, interest rates in Europe and the UK, although the US is trying.

Low global inflation, but which is picking up.

Brexit - for the UK it's what, how, when and even who?

The possibility of an early Italian election with anti EU, populist parties competing, neck and neck in the polls with centralist parties.

China – good, bad or just plain ugly?

In short, markets are continuing to ignore some fairly key issues as they have done for some time now and in which, so far, we have
happy to participate. But with it presently being the cheapest ever time to hedge against a market catastrophe by buying options, short of 2007 (pre-financial crisis) levels, are things not overly optimistic within the financial system?

So what is going on?

It would appear that the markets are "talking bearish but acting bullish". Even today I could not find a positive article amongst a swathe of negative comments - not that good news sells papers of course. Now I haven't seen this mix of bearish rhetoric but bullish financial positioning for a very long time. We have had almost 18 months of uninterrupted gains, without any serious, or even temporary setback. Unusual to say the least.

It may be the prudent thing here for TAM to pare back equities a little and sit out the summer with just a little more defensive positioning than normal. I personally fail to see the momentum drivers in the short-term (over the summer) and with everyone
seemingly talking bearish but indisputably acting bullish, and with the summer holiday period ahead, discretion just for a while may be the better part of valour?

We should be aware that it's not all over, the bull market does not necessarily end here. The markets have now discarded Trump's ability to get anything done, so he only needs to get through an element of his tax cuts, stimuli or have a win or two in Congress, and markets will be positive - they will take anything at this point! The European theatre is a positive place to be at present, with much more stable politics and the emergence from the doldrums of the post-financial crisis era.

However, a normalised setback (if there is such a thing) is now well overdue. The tech rout of the past few days (most will have side-stepped that one) may just be a portend of the sea bubbling up and for now, maybe pigs do have wings?

Now what does this all mean for our clients' portfolios?

This is simple. TAM is looking to reduce its overweight equity position and even considering underweighting equities during the summer, to keep some powder dry.

Regards,

Lester Petch
Chairman, TAM Asset Management

This document is not intended in isolation as an offer or solicitation or recommendation to use or invest in any of the services or products mentioned herein. Investors should be aware that the value of the portfolio and the income from it can go down as well as up so you may get back less than you invested. Past performance is not necessarily a guide to future returns. The value of investments denominated in foreign currency may fall as a result of exchange rate movements. The investments and services referred to in this document may not be suitable for all investors and, if in doubt, you should seek qualified independent financial advice. Any opinions, expectations and projections within this note are those of TAM Asset Management International Limited, represent only one possible outcome and do not constitute investment advice.

TAM Asset Management International Limited is regulated by the Financial Services Commission of Mauritius and is an authorised Financial Services Provider regulated by the South African Financial Service Conduct Authority.