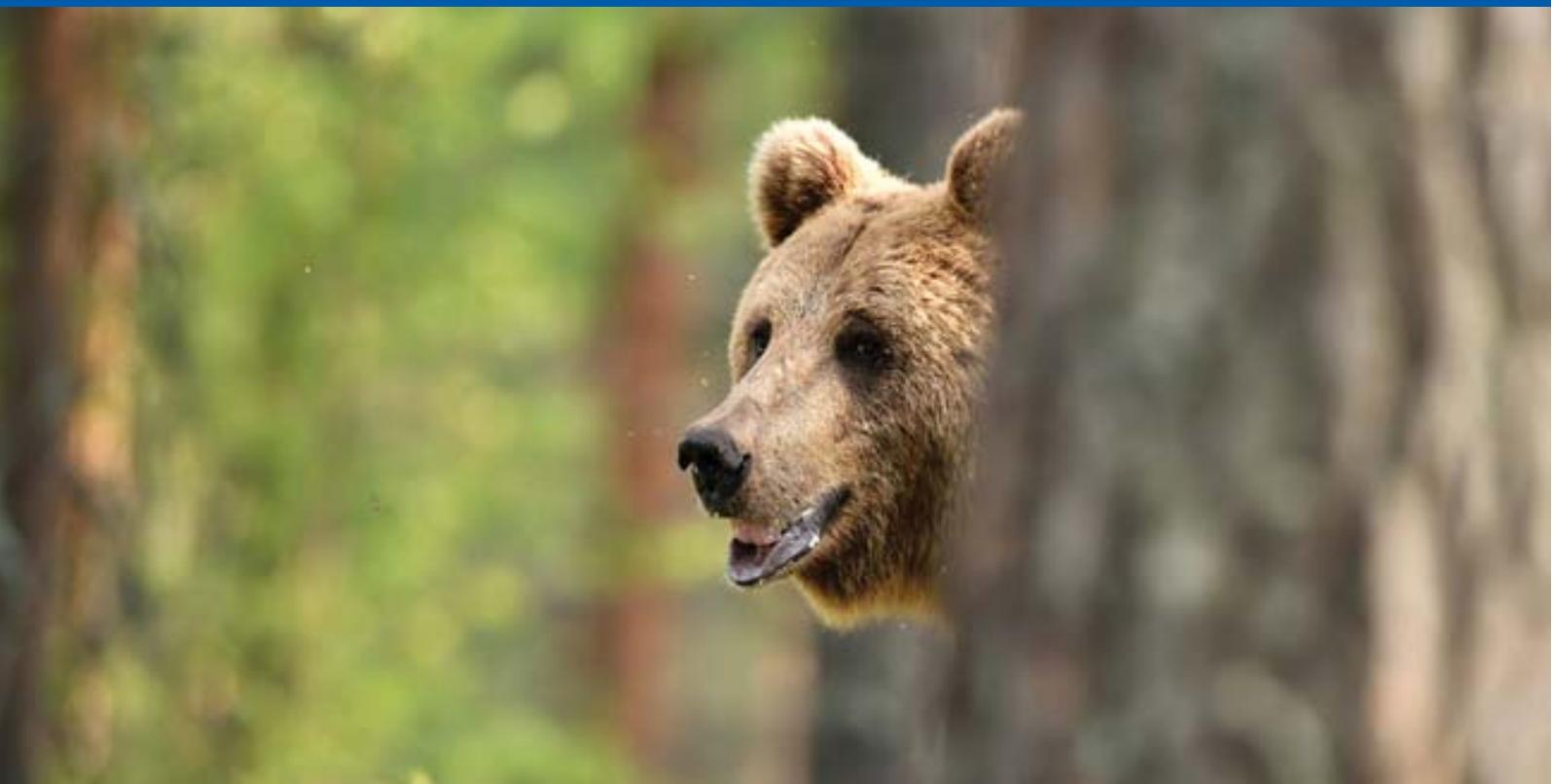


TAM INTERNATIONAL INVESTMENT NOTE



Has the bear returned or is this merely a tremor?

Markets have taken an unfamiliar tumble based on news that is not really any different than that pervading over the past 3-4 months. So why now, and how serious is it?

We cannot hide from the fact that we are 10 years into a bull market which began in April 2009, and for the most part the relatively steady annual gains and low volatility during the past 5 years have been embedded in our clients' psychology - there was talk of the new norm. But now with volatility spiking and some short-term selling driving an element of fear, we need to consider the present position and where to go next.

Markets, as we have been at pains to discuss with advisers over time, do not go up in straight lines. 10% or equivalent corrections happen and happen relatively regularly in history. At this point it is an unusual event, merely as we have not had many in the past 5 years but of course there has been one or two. Now this one does not yet register too high on the Richter Scale, but volatility is likely to create fear and angst. How this plays out is core to the next 6 months, and if and when a bear market could bite.

We have held investment committee meetings here that have been pointing in discussion to the latter end of the bull cycle and that the eking out of gains will undoubtedly get more difficult for all investors. We have pointed this out in our insights this year. The long-term returns for investors have been significant to date and looking forward, we are sure they will remain so. However, in the short-term, corrections are acceptable to investors - crashes are not.

So what has TAM been doing? Our investment team has increased its fixed interest exposure to a degree, and added gold to portfolios in the last couple of weeks to assist in any volatile corrections – a step in the direction of building some defence into portfolios.

These here are my personal views: I do not believe the bear market is upon us, but instead that this is more of a tremor from which an element of recovery will be evident. My experience of going through four bear markets is that this one is likely to unfold in the next year. Is it unfolding now? I don't think so, but the time for more robust defence of portfolios is getting closer.

In my opinion, we may get a few volatile and quite striking setbacks and rallies as markets top out - a tremor before an earthquake one might say. A tremor can often be violent, short and whilst not disastrous, a pre-warning of an earthquake. Those of you who have been with me as TAM has managed money over the last 15 years will know that I have never called the end to this bull market, and whilst I do not think it is today, we are heading in that direction.

We are mindful of the issues unfolding with regards to; narrowing volume in the market, trade wars, the rise in US interest rates and the potential to stifle global GDP growth. We have therefore started to build some longer-term defence into portfolios and will continue to do so as opportunities unfold from the tremors that we expect will occur over the next few months. We will continue to seek investments to support us in providing protection, and even investment return, in difficult environments.

Timing on all of this now is crucial. Passive funds will generally be hit hard at this point (unless they are 'managed') which suggests that the time of the active manager is upon us.

I am confident that TAM will thrive in this environment, though it is not going to be easy and experience will really count. Picking our way through 'when, what, how?' could add significant value, and whilst I do not believe this is a bear market just yet, we will be preparing to oil the locks and hatch hinges in preparation for hunkering down at some point in 2019. It is not a time for panic - we still foresee opportunity for investment return, but clients must be realistic about what is around the corner.

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