

Gibraltar Asset Management Stock Market Commentary

'US stock market regains all-time highs'

The final full trading week in April was an historical one for the US stock market, as the S&P 500 and Nasdaq Composite both reached all-time closing highs. The bull market could not have climbed so high in such a short span without a formidable wall of worry. The year began with the market beset with worries: about interest rates, the economy and the Mueller Report. One by one, those worries have melted away. The Fed has not quite reversed course, despite calls for rate cuts, but has definitively hung up the 'closed for the season' sign. Economic figures have been robust and the Mueller Report means the headline risk of a severe Washington upheaval is severely diminished.

by Mark Maloney, Managing Director, Gibraltar Asset Management Limited

Market Outlook

Our allocation to the stock market remains at equalweight. The US stock market has recently reestablished all-time highs. That has encouraged fence-sitters to jump into the market. It also underscores the rising danger that greed has fully crowded out fear, and that complacency is now in the driver's seat. Indeed, we believe the new risks to the market to be greed and complacency. The VIX is at its year-to-date low, 33% below the historical average, and was only lower on a sustained basis

in summer 2018 – right before the savage autumn sell-off. Our contrarian antenna is always on high alert when everyone thinks the market is great; such feelings often precede an abrupt end to the good times. Whilst the environment does not suggest panic, some profit taking would be healthy for several reasons. It would shake out the coattail riders who have come late to the rally and have the least conviction; it would separate quality investments from leaky vessels that have risen in this "rising tide lifts all boats" market; and, once the selling concluded, a repriced and again attractive market would be positioned for another healthy rally. Valuation models suggest

that stocks are at or near fair value. Because markets are anticipatory, stocks typically move 15% above fair value before real valuation concerns come to the fore. For now, though, we are guardedly optimistic yet also on guard.

Recommended Investment

Fair Oaks Income Ltd
Listed on the London Stock Exchange (FAIR.L) and trading in US Dollars, this investment trust aims to generate attractive, risk-adjusted returns, principally through income distributions. This makes it attractive to income-seekers, particularly given that its current yield is

13%. The fund is managed by Fair Oaks Capital Ltd, an independent asset management and advisory firm, with offices in London and New York, managing approximately US\$2.4bn. Their senior investment team has an average of over 20 years' corporate credit and securitisation experience dedicated to sourcing, analysing, negotiating, selecting and monitoring corporate credit investments. It obtains this jaw-dropping yield by investing in portfolios of CLOs (collateralised loan obligations) which consist primarily of US and European floating-rate senior secured bank loans. The floating rate nature of the loans make it an ideal investment to protect against future inflation. The company has an unlimited life but on or before 12 June 2024 an extraordinary general meeting will be proposed to consider a continuation resolution. The portfolio is highly diversified by underlying issuer with >1,000 companies and the top 10 representing just 5.8% of the portfolio. Underlying loans are also diversified by sector with the largest being Healthcare & Pharmaceuticals (12%), Business Services (9%), High Tech (9%), Telecommunications (7%) and Banking (7%). The underlying

loans are primarily non-investment grade (97% are rated between BBB- and B-). However, the default rate since inception of 0.22% is low in absolute terms as well as compared with to the annualised default rate in the US loan market of 1.5%. 91% of the portfolio is in the US, with 99% denominated in US Dollars. The fund has a strong performance record - rising 37% over the last 3 years, achieving its target return of 12-14% per annum. Having generally traded on a premium to NAV since launch, the fund's shares have of late de-rated and are now trading at a small discount. Combined with the 13% yield, we view this as an excellent entry point for investors. Buy. Please be aware that the value of your investments may fall as well as rise and your capital is at risk. Income from the investment may fluctuate in value in money terms. Gibraltar Asset Management is a trading name of Gibraltar Asset Management Limited, registered in Gibraltar, number 18064. Gibraltar Asset Management Limited is authorised and regulated by the Financial Services Commission and is a member of the London Stock Exchange. Registered office: World Trade Center, Suite 5.28, Gibraltar. Tel: +350 200 75181. Email: gam@gam.gi

ON TV tonight

Adele: In Her Own Words

Channel 5, 10pm

by Richard Jones

Coming seemingly out of nowhere in 2008 with her debut album 19, Adele Laurie Blue Adkins became a global superstar selling millions of records and receiving awards from just about everyone who gives awards out. But how did this girl from North London come to rule the world and what are the secrets of her success? This special documentary takes a heartfelt look at Adele's life and career to date, shows off her most memorable performances, and answers the question: 'What makes Adele... Adele?' Born on May 5, 1988, Adele developed a passion for music early on. She gravitated toward the songs of Lauryn Hill and Mary J Blige, but her true, eye-opening moment came when, aged 15, she happened upon a collection of Etta James and Ella Fitzgerald records at a local

shop. "There was no musical heritage in our family," Adele told The Daily Telegraph in a 2008 interview. "Chart music was all I ever knew. So when I listened to the Etta and the Ella, it sounds so cheesy, but it was like an awakening." Adele's mother Penny Adkins eventually enrolled her daughter in the BRIT School for Performing Arts & Technology, where she cut a three-track demo for a class project. When executives at XL Recordings heard the tracks, they contacted the singer and signed her to a record deal. Adele's debut album, 19, went on sale in early 2008 and led by singles Hometown Glory and Chasing Pavements, it rocketed her to fame. The artist's much anticipated follow-up LP, 21, again named due to her age at the time of recording, did not disappoint in early 2011. Tapping even deeper into Adele's appreciation for classic American R&B and jazz, the record was a monster hit.

(PA)

Harry heads to the Hague after introducing Archie to the world

The Duke of Sussex will visit The Hague to launch the one-year countdown to the Invictus Games 2020, after introducing Archie to the world alongside Meghan in an eagerly anticipated photocall on Wednesday. But Meghan is likely to still have the company of her mother Doria Ragland at their Frogmore Cottage home while Harry is away on the short trip. Harry and Meghan announced they had called their baby Archie Harrison Mountbatten-Windsor after the duchess movingly described her son and husband as "the two best guys in the world". The couple broke with royal convention by not using a title for their baby boy, and have given their firstborn a name familiar to fans of the American Archie comic - featuring a main character who has red hair just like the duke. Harry and Meghan's first born, is seventh in line to the throne. As the first-born son of a duke, Archie could have become Earl of Dumbarton - one of Harry's subsidiary titles - or have been Lord Archie Mountbatten-Windsor. But the couple chose not to use

a courtesy title and the decision fits with Harry and Meghan's desire to give their son as normal a life as possible despite his royal heritage. He shares a name with a character who is part of the Archie gang, along with a host of others. Archie Andrews is known as "America's typical teenager" and he and his friends have been updated for a modern audience with Riverdale, a Netflix American teenage drama series.

The name is German in origin and means "genuine", "bold" and "brave", and is short for Archibald, but is now a name in its own right. Harrison means "son of Harry" so is likely to be a tribute to the duke. It is English in origin and famous Harrys include the Star Wars actor Harrison Ford. Archie is not entitled to be an HRH or a prince due to rules set out more than 100 years ago by George V.

(PA)

Childline appeals for new helpline volunteers

Following Childline Gibraltar's recent Blue Week has been successful in raising the profile of this important local charity. This comes at a time when the range of Childline's services is continuing to expand. As a result of these two factors, additional volunteers are required to man the Helpline phones from 5pm to 9pm, the Helpline is available 365 days of the year.

Successful applicants will be provided with the necessary training and will then be mentored by experienced and specialist staff. Anyone interested in helping to support Gibraltar's young people in this way is encouraged to contact manager@childline.gi for further information or to discuss in more detail the work that Childline undertakes in the community.