

Gibraltar Asset Management Stock Market Commentary

'Corporate insiders continue to snap up shares in strong equity market'



GIBRALTAR ASSET MANAGEMENT LIMITED
STOCKBROKERS & INVESTMENT MANAGERS

Who's afraid of the big, bad bear? Not insiders so it seems. For all the headline noise from trade, tweets, oil prices, geopolitical fears, Brexit, interest rates and the ageing bull, insiders continue to show no fear. When equity markets move higher, as they have been doing of late, we typically see purchases from corporate executives and directors start to slow. That is very different from seeing this group start to sell, which is a big warning that stocks may have come too far too fast. Yet in this current uptrend, insiders have continued to acquire shares in a manner that tells us they are perfectly comfortable with the enthusiasm that is being displayed by 'normal' investors. This shows there seems to be few worries from those who arguably are in the best position to judge the future prospects for publicly traded companies.

by Mark Maloney, Managing Director, Gibraltar Asset Management Limited

Market Outlook

Our allocation to the stock market remains at equalweight. The market enjoyed a terrific rally in June, recovering from the heavy losses witnessed in May. Risk-on sector leadership evident at the mid-year stage is a positive for stocks heading into the sluggish summer months. And history has shown that strong mid-year markets pile up more gains into the end of the year. Despite that impressive calendar history, the crash into year-end 2018 demonstrated the fragility of stockmarket gains built on policy hopes - in this case for amicable trade resolution. And with the summer months ahead, stocks could enter their seasonal

doldrums phase as they have in the past. Directionless doldrums would be preferable to the kind of scary drop suffered by stocks during May. Indeed, the summer slowdown, should it materialise as we expect, could be investor's best friend this year - a rewind of the valuation spring to set up a strong final quarter. Indeed, the key for further appreciation, in our view, will be the fourth quarter. As the weather cools and the leaves change colour, bearish investment managers will need to capitulate to bullishness, in order to limit the wrath of their investment clients. Assuming that Washington can sustain an uneasy truce on trade into the New Year, we see room for further advances in the half-year ahead. However, while our long-term stance on equities remains

bullish, we are neutral for the intermediate-term. Summer is not a great time to be invested in stocks and following recent strong gains, it could be argued that the stock market has reached fair value. The market appears overbought from a technical level and we urge investors to exercise caution in the third quarter.

Recommended Investment

Princess Private Equity Holding Ltd
High-yielding investments have been historically difficult to find for Euro investors, particularly in this low interest rate environment. Princess Private Equity Holding Limited ("Princess") is an investment trust trading on the London Stock Exchange (PEYL) in

Euros that yields 5.7% per annum. Princess aims to provide shareholders with long-term capital growth and an attractive dividend yield primarily through investment in a global portfolio of leading private companies. These typically include situations such as buyouts, venture capital and special situations (distressed, real estate, infrastructure & PIPES). The target portfolio of 50-80 companies offers diversification and reduced volatility of cash flows. In addition, the trust holds a small diversified portfolio of private debt instruments (predominantly mezzanine debt due to its structural similarities and connection to private equity). The trust is managed by SIX-listed Partners Group AG, a leading Swiss private markets investment manager that has >€70bn under management. It employs more than 1,200 employees across 20 offices globally. Princess benefits from the flexibility of its global mandate to deploy capital in Europe (51%), North America (34%), Asia (7%) but the portfolio is largely hedged back to Euros to avoid currency risk. The portfolio is well diversified by sector with low exposure to cyclical industries (Consumer Discretionary 32%, IT 15%, Healthcare 13%, Consumer

staples 9%, Financials 8%) and investment (the top 10 holdings account for 44.5% of the portfolio). Partners Group AG looks for assets that are resilient with high growth prospects and strong corporate governance. Special attention is given to those companies that profit from transformative trends such as outsourcing and digitalisation. The investment trust is very liquid given its market value of €660m and is currently trading at a 14% discount to NAV. The trust has an excellent track record rising 98% over the last 5 years and 658% over the last 10 years. With a beta of just 0.24, there is negligible correlation between the trust and the wider equity market. Combined with a yield of 5.7%, we rate the shares a strong 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

GO Gib Oil

Get up and GO

- Fuels & Lubricants
- Car Products & Accessories
- Express Café & Convenience Store
- Loyalty Rewards

T: +350 2000 3400
E: info@giboil.com
www.giboil.com

Authorised Distributor for Shell Lubricants in Gibraltar

GIB_OIL

EXPRESS

ON TV tonight

8 Days: To the Moon & Back

BBC2, 10pm
by Rachael Popow

On July 20, it will be 50 years since Neil Armstrong became the first man to set foot on the moon - and that one small step has inspired one giant season of anniversary programmes from the BBC. Over the coming weeks, BBC2 will be treating us to a Stargazing: Moonlanding Special, which finds Professor Brian Cox and Dara O Briain travelling to where the historic Apollo 11 mission began. BBC4 will bring us A Sky at Night special looking at how the Beeb reported on the moon landing in 1969, and there will also be a definitive history of the international space race in Chasing the Moon. There's going to be a space them to this year's proms too, including the first ever Sci-Fi Prom with scores from cult space and sci-fi films, including Steve Price's Gravity and Hans

Zimmer's Interstellar. There will be more documentaries on Radio 4 and even CBeebies and CBBC are getting in on the act, with shows ranging from Michael Palin reading By the Light of the Moon as a Bedtime Story to special editions of Blue Peter and Horrible Histories. Older viewers may be pleased to learn that the Clangers, who also walked on the moon for the first time in 1969, will be encountering a human astronaut in honour of the occasion. But tonight, BBC2 launches its anniversary celebrations with the feature-length drama-documentary 8 Days: To the Moon & Back. The title is a nod to the fact that the most celebrated space mission ever flown lasted for eight days, three hours, 18 minutes and 35 seconds. In just over a week, Apollo 11 created some of the most iconic images in human history and changed the way we think about our place in the universe. But what were those eight days really like for the three men who had to spend over a week in what was essentially a high-tech tin can?