KMI EXCLUSIVE NEWSLETTER

23 years of uninterrupted financial advice for the Expatriate Market

May/June 2015

Dear Clients and Investors

The UK election is over, summer is upon us and sad disasters around the world dominate our news. What then for the investment markets during the summer? We look to some key investment experts for their views.

1) **Will the Stock Markets Crash?**
2) **Bank of England interest rate policy**
3) **What would happen if Britain left the EU?**
4) **Two equity funds we like the look of.**
5) **KMI Investment choice report, Blackrock**

Will Stock Markets Crash in 2015?

Mark Spitznägel, a hedge fund manager, notorious for his hugely profitable billion-dollar bet on the 2008 crisis. Referring to a market crash said, "in fact, we must absolutely expect it. " Unfortunately Spitznägel isn't alone. We are in a gigantic financial asset bubble, warns Swiss adviser and fund manager Marc Faber. "It could burst any day."

The blame is placed squarely on President Obama's big-government policies and the Federal Reserve's risky low-rate policies, which, they say, "penalize the income earners, the savers who save, your parents, (why should your parents be forced to speculate in stocks and in real estate and everything under the sun?)"

Billion-dollar investor Warren Buffett is rumoured to be preparing for a crash as well. The "Warren Buffett Indicator," also known as the "Total Market Cap to GDP Ratio," is breaching sell-alert status and a collapse may happen at any moment.

So with a possible crash looming, what are your options?

Option 1: Is to sell all your stocks and keep your money under the mattress
Option 2: Is to risk everything and ride out the storm.

Option 3: There are specific sectors of the market that are expected to perform well during the next few months, these include Corporate bonds. Getting out of stocks now could be costly so careful selection of markets and constant monitoring is sensible. KMI recommends this course of action.

Bank of England votes 9-0 to keep rates on hold - Wednesday, 20 May 2015

The views of Bank of England policymakers appeared little changed in May when they voted unanimously to keep interest rates on hold.

The above will be of no surprise to readers of this newsletter. We have constantly maintained it would be completely unaffordable for the UK to raise interest rates significantly (by more than 0.5% pa) since £1 in every six collected in tax currently pays for interest on the UK's £1.6 trillion debt. We maintain this situation will remain the same for the next two years, Europe and the USA (less so), also have a bind on interest rate rises.

What would happen if Britain left the EU?

An interesting question but not a feasible or practical option.

In the first place, the new Tory government ministers, (not back benchers), believe there is no legal or national interest in leaving: Then there is the little matter that Scotland, Wales and Northern Ireland are within their legal rights under the devolved settlements to remain in the European Convention on Human Rights (ECHR), a right they will undoubtedly exercise.

Mr Cameron's private view, echoed by George Osborne, has always been that it is of essential importance that Britain remain in the EU. This explains why both Douglas Carswell and Mark Reckless last autumn correctly doubted their leader's Eurosceptic credentials and left the Conservative party to join UKIP.

The task of Cameron and Osborne was to hold the party together up to the election, throw some red meat to the Euro-sceptics by offering to repeal the Human Rights Act, even to the point of withdrawing from the European Convention on Human Rights and have a meaningful, if limited, negotiation that did not involve treaty change that other EU member states would resist. They could then throw the Tory machine – backed by the opposition parties, business and the City, inward investors, unions, agriculture, the arts, universities, Scotland, Wales and Northern Ireland – into winning the referendum. As they know from the government's own "balance of competence" study, which identified no losers and only winners from membership, the yes case is overwhelming. They could even recruit one or two Tory newspapers to the cause.

Despite the trickery of Cameron and all, the above is good news for investors; Euro Markets have already welcomed the result!

Two Equity funds we like by VAM

See attached our two fund choices this month.

1) Driehaus Vam - World equity fund managed by the famous Driehaus investment group in Chicago. Performance should be well above average, see flyer for full details.
2) VAM – US Large Cap Growth fund, we believe this is where the best growth over the next 12 months lies. See attached full details on flyer

KMI choice investment report (new addition)

Each month KMI will choose an investment manager to give a market report. This replaces our own overview which of course has always been a cross section of fund manager reports. We feel that hearing from the horses mouth so to speak, will give clients a clear and more detailed report. However, as we will choose different reports at different times, this will also give a balanced view of the markets generally.
Our first report comes from the **"biggest"**, Blackrock. (See attached)

Why BlackRock

BlackRock is trusted to manage more money than any other investment firm in the world, and their business is investing on behalf of clients, from large institutions, small companies such as KMI, to the parents and grandparents, the doctors and teachers who entrust their savings to them.

As an independent, global investment manager, BlackRock acts for many of the world's largest pension funds and insurance companies, BlackRock understand their unique objectives and why financial advisors and individual investors partner with BlackRock to help them build the more dynamic, diverse portfolios these times require.

From all of us at KMI, we hope you all enjoy the summer sun and may all your investments be good ones.

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