



## **KMI EXCLUSIVE NEWSLETTER**

25th year of uninterrupted financial advice for the Expatriate Market

**April 2017**

**Dear Clients and Investors**

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April is here, a time in this part of the world, when we should be skipping lightly amongst the buds and blooms of a burgeoning spring. The fact that I have had to take my gloves off to type this piece may give a clue that all is not currently well in the Prague weather garden.



Perhaps the gloomy leaden skies and chill winds that are prevailing here are a metaphor for the troubled political times that we currently inhabit. A time where world leaders and their nodding cohorts posture with their nuclear play sets, where freshly plebiscited and thus newly empowered men feel it is time to move past rhetoric and stretch their military muscles and where established leaders, emboldened

by their backers, seem to think it is ok to unleash vile chemical cocktails upon their own people.

All of which fosters unrest amongst the populous in geographically affected areas and creates the wriggleroom for would be dictators to drive a coach and horses through democracy giving themselves limitless powers and seemingly unending rule.

Throw into the mix, forthcoming elections in both France and now the UK that will show the current political will of these two leading world nations and test the stability of a nervous looking eurozone even further and you have a recipe for a time that may well equal the Prague Spring of 1968 for a place in the history books.

Now that we have dealt with all that seasonal cheeriness, we will return to our normal financial update, although, that said, we have a more in depth feature this month on the aforementioned French Presidential election and the potential effect for both the Eurozone and the Euro. Doubtless, next month Theresa May's Easter gift to us all will also feature further. Additionally, this month we look at America's massive problem with its infrastructure and how that may lead to some highly interesting investment opportunities. Finally, we have updated fact sheets on the bespoke funds that reflect our partnership with Mansard Capital.

## **America and its Infrastructure Spending**

America has a problem, nothing new there, but this particular one has been a bit under the radar, in that very little has been heard about it. However, it has the potential to become very big news indeed.



It relates to the country's failing infrastructure. According to the US Department of Transportation, it has over 60,000 bridges that are 'structurally deficient' and in need of serious repair. The American Society of Civil Engineers has said that it will take more than USD 50 billion to repair all of the country's deficient dams. The Rail, Port and Highway authorities say that congestion caused by poor infrastructure planning and lack of necessary repairs will cost the economy in excess of USD 70 billion per year.

In the latest American election battle, hidden amongst the barrage of traded insults between Trump and Clinton, were promises of USD 500 million and USD 275 million respectively, to start rebuilding American infrastructure. Trump won that race but as with many of his pre election promises, is a little slow to deliver a plan to back them up. He'd better hurry! The American Society of Civil Engineers reckon that USD 300 million annually up to 2020 and an overall total of USD 2.4 trillion (yes that's trillion) is needed just to bring the whole system up to a 'mediocre' level.



So, why are we writing about this in our monthly newsletter? Well it is our belief that once this particular bull is grabbed by the horns, there will be excellent investment opportunities and that infrastructure development related funds can provide steady low risk returns augmented by some impressive gains. We come to this conclusion because any serious attempt by the current American government to tackle this ever growing problem, will mean up to 10 million well paid jobs helping the middle classes back on their feet. It will re-ignite an economy, currently growing at less than 1% per year and we know for a fact that Trump's inward looking policies will ensure that wherever possible, raw materials and manufacture will come from within rather than by import.

We will keep you updated on developments and opportunities in this sector, but of course, if you wish to know more then please do not hesitate to contact us.

## **The French Presidential Election and its potential effect on the EU and the Euro**

In a predicted closely fought election for presidential office, we are faced with a whole host of possibilities for both the EU and the Euro depending who is ultimately victorious. Here we look at some of the possibilities under the potential victors.



Current slight favourite in the polls **Emmanuel Macron** was a former economy minister in President Hollande's government. He now has his own party, En Marche, a centrist party that will maintain pro European policies whilst seeking to promote increased financial equalisation and pushing for the appointment of a Euro commissioner to co-ordinate economic and social policies.



Close behind, if we believe the polls, is **Marine Le Pen**, of the Front National party, promoting strong nationalistic and protectionist policies. Rich in appeal to the French working classes, a win for her will see a future of state intervention, and a referendum for the return of the Franc.



**Francois Fillon** from the centre right Republican party, has suffered as a result of financial impropriety scandals, involving having his wife on the payroll. If he bucks the trend of the polls, France will have another austerity government impacting not only on French economic policy but also critical future appointments to both the European Council of Ministers and the European Central Bank.



**Jean-Luc Melenchon and Benoit Hamon** the communist and socialist backed candidates are currently bringing up the rear in this five horse race, but close enough to have hope. Both men if successful would be seeking to introduce conditions to stay in the Euro.

Two of the above five will go through to a deciding second ballot and as can be seen the potential impact on the Euro will vary widely depending on the winning candidate.

A strengthening of the Euro could be on the cards if France is led towards influencing Europe in the shoring up of its fiscal and growth policies. A similar outcome is also

possible with the re-introduction of the Franc under Le Pen, who is likely to devalue to improve exports thus boosting the euro.

However, a winning candidate that opts for a continuation of low growth and high unemployment policies seen over the past decade would place additional burdens on the EU and re-enforce the downward trend of the Euro.

## **KMI and Mansard Capital**

Finally in this month's letter, we are pleased to attach the latest results from our collaboration and partnership with Mansard Capital, in the form of fact sheets for the bespoke risk rated model portfolios (dynamic, prudent and opportunistic.) These are of course exclusive to KMI clients and we will be happy to provide additional information to those of you that wish to know more.

Happy Investing!

Mike Towing

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