



Catch a Falling Knife

The X year Bull Run we all enjoyed abruptly ended in the summer of last year as a deteriorating economic environment took its toll on the most susceptible of our society and we were hit with what has now come to be known as the “US Sub-Prime Mortgage Crisis”. Subsequently the market has been bombarded with mixed news sending it plummeting and soaring on a daily basis. This extreme volatility erodes investor confidence and makes the investment managers’ job even more challenging.

As early as beginning of 2007 Tradition have been on a more defensive tack in anticipation of these moves. Directional equity exposure within our portfolios has been reduced, fixed income exposure increased and we have conducted significant research in identify “alternative” investments that are less correlated the major financial markets. Should the worst happen and we are subjected to further market decline our cautious stance will be rewarded. Conversely should we emerge from this current environment on a positive note, our liquidity-management will allow us re-position portfolios accordingly to extract full future value.

We believe it inefficient to try and “catch” short-term sudden moves, with mean reversion so prevalent in

the market. Indeed execution costs and the forward pricing of most collective investments would make this a prohibitory unprofitable exercise.

Therefore by investing for the medium to long term and adopting a more defensive and balanced view we have reduced the volatility of our portfolios compared with that of the overall market whilst maintaining key exposure to the best investments in their class.

There are, however, consequences of any asset allocation strategy; in our case the intentional dislocation from short-term market moves (i.e. reduced volatility) can cause short-term deviations between portfolio and benchmarks performance. When markets fall sharply, portfolios out-perform in the short-term, when markets rally they under-perform. Although normal and to be expected it can cause confusion when monitoring the comparable performance of portfolios.

In summary we believe that our current strategy will ensure capital conservation should market conditions decline further and generate significant returns when markets conditions improve.

This document is not intended in isolation as an offer or solicitation or recommendation to use or invest in any of the services or products mentioned herein. Investors should be aware that the value of the portfolio and the income from it can go down as well as up so you may get back less than you invested. Past performance is not necessarily a guide to future returns. The value of investments denominated in foreign currency may fall as a result of exchange rate movements. The investments and services referred to in this document may not be suitable for all investors and, if in doubt, you should seek qualified independent financial advice. Any opinions, expectations and projections within this note are those of TAM Asset Management International Limited, represent only one possible outcome and do not constitute investment advice.

TAM Asset Management International Limited is regulated by the Financial Services Commission of Mauritius and is an authorised Financial Services Provider regulated by the South African Financial Service Conduct Authority.