TRAPEZE
ASSET MANAGEMENT

TRICKY TIMES TWO

A continuation of our last quarterly letter, “Tricky Times.”

And, we emphasize again that this is a period of unusual crosscurrents. At the top of the list is the troubling amount of global debt, with government debt at around $60 trillion and with corporate debt almost equal thereto. Global debt to GDP is almost 300%. And the U.S. problematic too, with government debt equal to its GDP at around $20 trillion and growing faster than its economic growth. How does this debt get repaid in a low inflationary, low growth environment? Not to worry, Donald Trump says he will renegotiate the U.S. federal debt if he is President. A new chapter indeed for the U.S.—Chapter XI.

Many central banks, including Europe and Japan, have gone to very low or even negative interest rates to stimulate growth and inflation and to keep their currencies low to stimulate trade. Over $10 trillion of government debt now has negative yields globally. In Europe, a flight to investment-grade corporate bonds has lowered yields of the same to 1%. And with global interest rates at record lows, global government 10-year bonds yielding less than 1%, riskier assets such as equities and gold are a more attractive alternative.

With U.S. mortgage rates at a 30-year low, the housing market has held up. U.S. consumer confidence is at a one-year high. April retail sales were up 1.3% though, while on-line retailers like Amazon benefited, many individual retailers such as Macy’s, The Gap and Nordstrom suffered. The May jobs report was disappointing even though unemployment in the U.S. remains at a respectable 4.7%. A nervous Fed keeps deferring its next rate hike, now perhaps until after June, concerned about the slowing effect and an even higher dollar than currently.

On the other hand, global economic growth is slowing and the International Monetary Fund recently lowered its global growth forecast, albeit marginally, for '16 and '17.

Specific issues such as low commodity prices, especially oil, are impacting producing countries such as Canada. The refugee crisis is impacting a somewhat improving Eurozone, and slowing Chinese growth is certainly an issue, already suffering from weak inflation and high joblessness, though GDP growth still held up at 6.7% in Q1. Japan has been suffering from the unusually strong yen, with exports down for the sixth consecutive month.

The Bank of Canada believes it could take more than three years to recover from the shock of low oil prices, and having to deal with low interest rates, weak inflation and sub-par growth.

We are concerned that whenever interest rates begin to rise from improving economic conditions or higher inflation, servicing the enormous global debt could become a problem for borrowers and their growth prospects. We continue to believe the bond market is a bubble. The U.S. treasury yield curve is already starting to flatten, with short-term rates rising. On the other hand, we also believe there are opportunities for equity investors in the still depressed commodity sectors which could improve more quickly than anticipated. Indeed, as growth improves from the stimulus, corporate earnings should too, likely recovering more than anticipated. And with interest rates at record lows where else is an investor to go but to other assets such as equities. The earnings yield of the S&P 500 at about 6% is more than 4 times the yield on 10-year U.S. treasuries. And the dividend yield of 2.2% is higher too. Bonds could prove riskier than equities, even in a slow growing economy with equities trading close to fair value.

While negative interest rates show how desperate central banks are to provide stimulus it is likely a boon for the markets. At the same time, a global recession does not appear to be on the horizon though overall growth remains rather slow and corporate America's earnings keep getting revised lower. China has been slowing yet industrial commodity prices have been rebounding. Global debts are high and stimulus abounds but interest rates stay near record lows. And, now, with Britain having voted to exit the EU, a whole host of uncertainty can be added to the list. Crosscurrents continue to prevail.

Upside Appears Capped

Valuations are not extreme but usually trading at fair market value (FMV) is a maximum valuation for the markets. Individual stocks and overall markets tend to fluctuate between a discount to fair value and fair value itself. Over time, as fair values rise so do share prices. Typically, once fair value is reached though, a stock or market will decline because the upside potential is limited and/or valuation risks are elevated. As we witnessed in the bubble of '99/'00, rarely will stock markets trade much above fair value. The S&P 500 has not made a new high in over a year, only the 13^{th} such occasion since the early '30s, ignoring the first year of bull markets. Of those 13 occasions, 8 were bear markets and 5 were corrections. It appears the probabilities are high that a period of market decline may ensue. Though, without a recession market damage tends to be muted.

What Recession?

We still don't see the typical precursors of a U.S. recession—no oil spike, unemployment is not rising, bank loss ratios are stable, and most important, the yield curve is not inverted. Our own Economic Composite (TEC™), designed to alert us to recessions in various regions around the world, is not forecasting a peak in the business cycle. So we do not expect a severe market correction. But, though there is no recession, corporate profits have been rolling over.

Meanwhile, governments in many countries are keeping interest rates below the inflation rate (i.e., negative real rates) to encourage lending. Whether with negative real rates or outright negative nominal rates, central banks are attempting to drive economic activity. This should help keep stocks elevated as the stock market remains the best alternative for reasonable returns.

During a recession it's not unusual for the market to fall in excess of 40%. Therefore, we are always on the lookout, with our TEC™ tool, for a downturn. Looking back in time, TEC™ tends to flash an alert and then a TRIM™ alert follows a few months to a year or so later.

Here too, we are seeing another unusual crosscurrent. Although TEC™ has not warned yet, our TRIM™ indicator alerted us in 28 of 30 developed markets, including the S&P 500 in late January. And then, after a market rebound from the bottom, our TRIM™ indicator signaled a buy. This flickering is highly unusual. So we look to the weight of the evidence—most key markets remain on TRIM™ sell. As well, our TRAC™ signal has warned too, with the Dow and S&P giving sell signals—with the rebound in the last few months they've merely reverted to their ceilings. There have been instances, albeit only 4 in the post WWII era, where a bear market (more than 20% decline) occurred without a recession—1962, 1966, 1987 and 1998. We continue to be concerned about this happening again. The Russell 2000 fell 27% from its 2015 high to its February low, as did the Value Line, falling 28%. Both have rebounded but remain down 12% and 14% respectively over the last 12 months.

Our Strategy

Based on our work the U.S. stock markets are essentially trading right in line with FMV. And as long as FMV is rising, markets should rise over time too as FMV dictates the ultimate direction of the stock market. However, the path is rarely a straight line as psychology causes volatility in the shorter term. Because our tools indicate that better bargain price levels may lie ahead, we continue to take a relatively defensive posture. We have purchased little, eliminated or trimmed a few positions, and have been hedged, with a small position which mirrors a short sale of the S&P 500 index and some S&P index puts (where options authorized) held until just after the Brexit vote.

We are still interested in buying shares at wide discounts from fair value, assuming earnings outlooks are positive. And we continue to ardently screen and research companies to find investment opportunities. It continues to be our objective to add more large cap positions to our All Cap portfolios as we find compelling ideas and as our smaller cap positions rise toward their FMVs and are eliminated.

Gold's inflection from a low point and the rebound in industrial commodity prices, with the lift in oil prices, augers well for purveyors of commodities. Perhaps it even means that economic growth is about to accelerate. Or it could simply be that commodity prices overshot to the downside and needed to regress back to the mean. Either way, in our All Cap portfolios, we continue to hold resource companies that should benefit, especially from a rebound in junior stocks where the S&P/TSX Venture Index is still close to its all-time low.

Our Portfolios

The following descriptions of the significant holdings in our managed accounts are intended only to explain the reasons that we have made, and continue to hold, these investments in the accounts we manage for you and are not intended as advice or recommendations with respect to purchasing, selling or holding the securities described.

Our All Cap Portfolios – Key Holdings

Our All Cap portfolios combine selections from our large cap strategy (Global Insight) with our best small and medium cap ideas. We generally prefer large cap companies for their superior liquidity and lower volatility. Importantly, they tend to recover back to their fair values much faster than smaller stocks, so they can be traded more frequently for enhanced returns. However, our small cap positions are cheaper, trading far below our fair value estimates; therefore, our All Cap portfolios still hold a significant position in small caps.

Most of our small company holdings still trade well below our estimate of their respective FMVs. Although these smaller, less liquid holdings are potentially more volatile, the risk of permanent impairment appears minimal while upside potential remains high. We elaborate on these key holdings below.

Specialty Foods Group, a shareholding in a private company held in our taxable accounts, has been preparing to liquidate its assets through a wind-down. The company has placed $45 million (of its more than $60 million cash) in trust, earmarked to be distributed to stakeholders. Its remaining business line had a record year in '15. The approval of the wind-down plan, including the distribution of cash held in trust and the sale of the remaining business and distribution of its proceeds, requires Board approval and the complicated corporate organization structure needs to be unwound. We continue to expect a partial return of capital, which has been inhibited due to the complexities of the corporate structure, from the existing cash in the next few months with further distributions thereafter, though the timing and amounts of these payouts remain uncertain. Our carrying value still has potential upside, mostly dependent on the sale value of the remaining business.

Kirkland Lake Gold's purchase of St Andrew, in a share exchange, closed in January, making Kirkland an intermediate producer. The company should produce around 300,000 ounces this year and it remains one of the highest grade gold miners in the world. Free cash flow in Q1 was strong and at the current Canadian dollar gold price, we expect the company to deliver significant free cash flow. The share price is now in line with the value of the company based on prevailing gold prices and CAD exchange rate. However, there remains upside primarily from a rise in the gold price in the months ahead. Gold should rise above $1,400 as it normally trades at a reasonable premium to the industry all-in average cost of production, in line with the marginal cost of production. This, along with a potential for an improvement in grades and exploration success, could provide additional upside. In the meantime, the company is a standout in an excellent jurisdiction with a clean balance sheet and an enormous land package, all of which could also make it attractive to a potential suitor.

Orca Exploration announced early in Q1 that David Lyons, its CEO and controlling shareholder, was considering a privatization transaction. We and others were not supportive of such a transaction assuming it would not have represented fair value. Subsequently, in April, Orca announced that no privatization proposal was forthcoming. We believe Orca has considerably more value than is suggested by its share price—clearly so does David Lyons. And the situation in the country continues to improve. The company successfully completed the workover of 3 wells and drilled 1 new well along with additions to the infrastructure, lifting production capabilities to in excess of 185 mmcf/d. The IFC (an arm of the World Bank) is now involved as a lender to Orca. And, as a significant stakeholder, the IFC now has a vested interest in seeing the in-country situation improve even further.

Orca's production should rise over the next year. The country's new pipeline needs to be filled and Orca provides nearly all of the natural gas to the country. It's unlikely that hydroelectricity will be a competing source of power since the country endures droughts and agricultural requirements are high. New power plants coming online, powered by natural gas, will materially boost demand in the region too.

TANESCO, the national power utility and Orca's primary customer, should continue to meet its current obligations to Orca although the receivable arrears are substantial. The World Bank has been providing aid to the government which should help too. The TANESCO arrears and Orca's cash, net of payables and debt, are substantial. With an estimated reserve value of over $11 per share, the combined value is about 4 times the share price. Finally, we believe the new government will work much more quickly to bring Orca's needed gas to market. We have patiently awaited these pieces to all fall into place and anticipate that the wide gap between the share price and the company's underlying value should narrow.

ProShares Short S&P 500 is about a 7% weighting in most 100% Growth mandate accounts. This is a long position in an ETF which mirrors the inverse performance of the S&P 500 (i.e., if the market declines the value of this position increases) on a daily basis. With the market rising since late January, this has worked against us; however, it remains a simple way of hedging the U.S. market, for reasons detailed above.

Regarding resource stocks, gold prices have risen considerably from their bottom but remain below their normal premium over the cost of industry production. Oil prices have risen too but remain around all-in sustaining costs. Normally, these commodities trade at a 30-40% premium to the industries' average all-in costs. Typically prices below industry costs in the past have only been seen during periods of great economic dislocation. This period has been unusual. We still anticipate further recovery in these commodity prices in the months ahead.

Manitok moved up substantially off its last December bottom where we participated in a financing so the company could pay down a smaller portion of its debt to the National Bank. The price has set back recently as the company is completing another financing to better allow it to resume a growth trajectory. The company estimates its net asset value, prior to the dilution of its current equity issue, at above $1 per share, 6x higher than the still heavily depressed share price. The company's wells should be highly profitable even at current oil prices. And, the company has over 300 drilling locations which provide the potential for years of growth. Even if the company only traded at a below peer average of 5x cash flow (giving no credit for reserves or future potential additions) Manitok would trade at over 3x its current share price. Furthermore, with the drilling success we expect, the company could generate a value, in about 3 years, in line with its former share price highs, even after the significant share dilution. While debt levels have come down substantially they still remain somewhat high. The current equity issue and future cash flows should help in bringing the debt back down to a level below the average producer.

Dynacor Gold Mines has rebounded as the price of gold has lifted. Output has been running near all-time highs. The new mill is expected to be completed in the next few months and should be commissioned over the summer. This should lift earnings power significantly. While Dynacor reported its 20th consecutive quarter of net profits, lower gold prices reduced overall industry production, impacting Dynacor's profit margins. While a miller of gold and not a miner, Dynacor is less susceptible to bullion price movements, but the impact is still felt, and the fact that its older existing mill is a multi-hour drive through the mountains for most ore suppliers doesn't help. However, gold prices have been recovering, the new mill is located on the main highway and much more accessible to suppliers and this brand new facility should materially lower operating costs too. As gold prices firm further, there's a possibility of filling both mills. The results from Tumipampa, the company's own exploration properties have been excellent, supporting Dynacor having a viable mine or creating value from joint venturing or outright sale of these properties. An NI 43-101 report delineating an initial resource is still expected in the next few months. We anticipate serious interest from other majors in the area in Dynacor's potential mine(s). Our view of the FMV is over double the share price, without any potential value from the exploration property.

Enerdynamic Hybrid Technologies (EHT) is an income position—a secured debenture. The bond yields 19% and matures mid '17. EHT is a manufacturer of prefab structures whose buildings can also be outfitted with the company's solar and wind systems. The company missed its interest payment in December, a default which was waived by debenture holders (in exchange for an extra 1% interest), but the company is expected to make its payments shortly. We still expect the company to generate substantial profits over the next 12 months from contracts for schools, housing and health care centers in various jurisdictions around the world. Contract wins have been delayed but the company announced a major contract win in Africa last summer and Sweden in Q1. The debenture's healthy coupon attracted us along with the security feature—the company's total debt is well covered by the value of its existing contracts, plant and equipment and contracts that we expect to be signed shortly.

Our top holdings in our All Cap portfolios also include large caps *Berkshire Hathaway, Bank of Montreal and Liberty Media Series C SiriusXM* (a tracking stock for SiriusXM) which are discussed below in our Global Insight portfolio review.

Our All Cap Portfolios – Portfolio Changes

Prior to Brexit, in the last few months we added 2 new positions, Liberty Media Series C SiriusXM and Foot Locker—summarized in our Global Insight portfolio review below. The market decline post-Brexit vote also just allowed us to buy *Disney, Alphabet (Google), Robert Half* and *Harman International* We sold some Kirkland Lake Gold to reduce the position where accounts were overweight, sold Hershey Foods as it lifted closer to our FMV estimate and MetLife and Whole Foods Market as they triggered sell signals falling below their respective floors. Where authorized we also bought S&P 500 puts in the accounts so that if the market fell, a considerable portion of our positions would be hedged against the decline. We view the payment of these put premiums as insurance against a market decline. The puts were set to expire in mid-July and we sold them when they increased in value after the Brexit vote. We will look to reinitiate the hedge assuming volatility diminishes making the options more attractively priced.

Global Insight (Large Cap) Portfolios – Key Holdings

Global Insight represents our large cap model where portfolios are managed Long/Short or Long only. A complete description of the Global Insight Model is available on our website. Our target for our large cap positions is more than a 20% return per year over a 2-year period, though many may rise toward our FMV estimates sooner should the market react to their undervaluations sooner. Or some may be eliminated sooner if they decline and breach TRAC™ floors.

At about 70 cents-on-the-dollar versus our FMV estimates, our Global Insight holdings appear to be the cheapest, in aggregate, since we began the large cap model over 3 years ago. ProShares Short S&P 500, given our negative near-term outlook, is about an 8% weighting in most 100% Global Insight accounts. This is a long position in an ETF which mirrors the inverse performance of the S&P 500 on a daily basis. Therefore, it's a simple way of hedging against declines in the U.S. market, for reasons detailed above.

Shares of payment technology company *NCR* have risen over 50% since the end of January. After evaluating strategic alternatives—including the outright sale of the company—NCR entered into an agreement with private equity firm Blackstone under which Blackstone will invest $820 million via perpetual preferred shares. NCR will use the proceeds to invest in software-based payment solutions and fund a $1 billion share buyback program. We may redeploy funds into a more attractive opportunity now that NCR's discount to our $35 FMV estimate has narrowed.

In our last quarterly newsletter we wrote that a case could be made—for the first time in a long time—that the big five Canadian banks as a whole looked attractive. Despite the recent appreciation in the big five's share prices since the start of the year, we continue to hold both *Bank of Montreal* and *Bank of Nova Scotia*. We are monitoring loan loss provisions given the weakness in the oil and gas industry and recent deterioration of corporate profits. Neither of the banks recently reported Q2 results showed any worrying developments. In fact, during Bank of Nova Scotia's Q2 conference call, management noted that Q2 may represent the peak for energy-related loan loss provisions. Our FMV estimates for Bank of Montreal and Bank of Nova Scotia are $95 and $75, respectively.

Berkshire Hathaway's share price has drifted sideways while our FMV estimate—over $250,000 per Class A share—keeps rising. The market has likely been concerned with a softer insurance market, the lackluster performance of its mega-cap long-term holdings and Buffett's age. The company is now remarkably diversified with first-class businesses that are run via their own management teams. Berkshire's growing cash hoard provides both downside protection and the ability to continue its growth whether through further acquisitions or share buy backs—the company trades just above where Buffett has stated it would buy back shares. Meanwhile, book value per share growth at about 11% per year in the last 4 years is remarkable for such a large enterprise.

We view the recent boardroom drama at homebuilder *PulteGroup* as an immaterial distraction. CEO Richard Dugas has been forced out in a coup by Bill Pulte and the former CEO. We agree with management's game plan of balance sheet restoration and the prioritization of high return on invested capital projects. There are no signs that this game plan will change any time soon. Q1 revenue grew 32% year-over-year, driven by 24% unit growth and management maintained its FY'16 outlook. Our '17 EPS estimate is $1.70, representing a 14% 2-year compounded growth rate. Our FMV estimate is $24.

21st Century Fox is a leading global media company with assets including Fox TV stations, cable programming (e.g., Fox Sports, Fox News, FX) and film production. Our sum-of-the-parts valuation is $35. Growth in EBITDA of 12% in its latest quarter was nicely ahead of expectations mostly from the cable network division. A weaker U.S. dollar would help because foreign exchange pressures restrained profit growth. The company's worldwide cable networks and film and television content should provide the company with continued competitive advantages especially since both news and sports continue to be consumed in real time.

We have downgraded our view of pharmaceutical distributor *McKesson* after recalibrating our financial model to account for the company's full year '16 results and the industry turmoil created mostly by Valeant Pharmaceuticals. We expect generic drug price inflation to be substantially reduced in the coming years. Additionally, we see lower margins due to less favourable contract renewals with major customers. Looking out to '18, we see revenue of approximately $200 billion which represents a 3% compounded growth rate from '15, well below the 8-10% rate achieved in the past. Our FMV is close to its current share price. We expect to sell our position shortly and redeploy the funds into a more compelling opportunity.

Shares of *Power Financial* trade substantially below our sum-of-the-parts FMV estimate of $45 per share. Our target is a 14% discount to where it has historically traded—which works out to approximately $38. At its current share price the discount to FMV is closer to 30%, or double where it typically trades. One reason for its larger than usual discount could be its relatively lower trading volume (it trades half the dollar volume per day of other similarly sized Canadian companies) in an environment where investors prize liquidity. Or perhaps the market is focused on current weak results from Great-West Life (76% of Power's asset value) due to equity market volatility and low interest rates. Either way, we see the current gap narrowing back to historical levels.

We are disappointed that the shares of diversified conglomerate *Sumitomo Corp*. have drifted sideways over the last year. Full year '15 results came in below analyst estimates due to asset writedowns. The company's commodities-related businesses continue to be the main focus, despite 80% of earnings coming from media, lifestyle, and real estate assets. Though, as noted above, our view is that most commodity prices are in the process of bottoming. Sumitomo's writedowns will soon be in the rearview mirror and the market's attention will shift to the performance of its other businesses. Management recently committed to maintaining the dividend (the current yield is 4.7%) which should provide support for the shares. Our sum-of-the-parts estimate of FMV is ¥1,500.

Global Insight (Large Cap) Portfolios – Portfolio Changes

Prior to Brexit, in the last few months we added only two new positions, Liberty Media Series C SiriusXM and Foot Locker. These 2 new equity additions were both at TRAC™ floors and at least 20% below our FMV estimates. The market declines post-Brexit vote also just allowed us to buy *Disney, Alphabet (Google), Robert Half, Harman International, Charles Schwab* and *Priceline Group*. We sold Syngenta after the buyout offer as it lifted near our estimated FMV, Hershey Foods as it traded closer to our FMV estimate, Xerox after it bounced in response to spin-out plans and sold Deutsche Bank AG, MetLife and Whole Foods Market as they triggered sell signals falling below their respective floors. Where authorized we also bought S&P 500 puts in the accounts such that if the market fell, a considerable portion of our positions would be hedged against such a decline. We view the payment of these put premiums as insurance against a market decline. The puts were set to expire in mid-July and we sold them when they increased in value after the Brexit vote. We will look to reinitiate the hedge assuming volatility diminishes making the options more attractively priced.

Liberty Media Series C SiriusXM represents the non-voting shares of Liberty SiriusXM Group which is a tracking stock for Sirius XM Holdings. Liberty SiriusXM's sole asset is a 62% ownership position in SiriusXM whose own stock trades at about $4 per share whereas our FMV estimate is close to $5, placing Liberty SiriusXM's value around $44. SiriusXM has a dominant market share of in-car satellite radios in the U.S., fast-growing profits and substantial free cash flow which could allow Liberty to own all of Sirius in just 3 years should Sirius use all of its free cash to repurchase the outstanding float shares at today's prices.

Foot Locker is a shoe and athletic apparel retailer. Over the last couple of months numerous retailers have reported disappointing earnings due to weak traffic, competition from Amazon and merchandise markdowns. While certainly not immune to broader consumer trends or online competition, we see Foot Locker as a standout name in retail for several reasons. First is the growing percentage of retail dollars dedicated to shoes—the latest sneaker is the must-have clothing accessory. Second is the strong in-store shoe shopping experience. A recent PWC survey showed 53% of clothing and footwear shoppers preferred to make purchases in store. Lastly, we see a strong revenue and EPS growth trajectory driven by higher average selling prices, international expansion and store remodeling. Our FMV is $70.

Income Holdings

The 10-year U.S. government bond yield is 1.5%. Rates remain low, held back by the slow growth environment, high U.S. dollar and disinflation. Though we still believe higher rates are likely soon. After rising to about 10% earlier in the year, high-yield corporate bond yields have now fallen back to 7.6%. Because of the spectre of rising rates, and a dearth of attractive opportunities, we have been less active than usual in our income accounts.

We continue to hold a number of undervalued income positions and collect outsized interest income on these positions due to the depressed prices. Our income holdings have an average current annual yield (income we receive as a percent of current market value of income securities held) of nearly 9%.

In the last few months we sold IBI Group bonds we originally bought after they ran up considerably on the heels of improved business and a rights issue, shoring up the balance sheet. We added one new position—convertible debentures in Jackpot Digital where the debentures yield 12%, are secured and are due in April '17. The company dominates the digital poker table business, selling its dealer-less machines to cruise ships and small casinos in many locations. The company was looking to finance growth initiatives and reorganize existing obligations from a recent acquisition. The expected free cash flow should be sufficient to pay the interest, fund all of its debt maturities and create a potential equity value well in excess of our exercise price.

Of note, regarding our top holdings in our income accounts: *Specialty Foods,* now an equity holding of a private company, held only in our taxable income accounts, is planning to return capital to us (see the reference under All Cap holdings above); *Sun Product* bonds (a private company held only in our taxable accounts) has solid earnings from its consumer staple business; *JAKKS Pacific's* convertible bonds may benefit from the possibility of a buyout; *Advantex Marketing* debentures remain secured by the company's asset base; *Ruby Tuesday's* bonds are well covered by underlying real estate; *Brookfield Real Estate Services* continues to earn from the steady royalties based on the increasing number of real estate agents in its network; *Enerdynamic Hybrid Technologies* (see the reference under All Cap holdings above); *Northwest International Healthcare Properties REIT* bonds are underpinned by a stable income stream; *Artis REIT* where a recent acquisition diversifies its portfolio which should allow the gap to FMV to narrow.

Strategies For Tricky Times

In these so-called tricky times, unusual macro risks present a challenge to investors, so we want to be more cautious. To buy investments at what we believe to be meaningful undervaluations. To avoid overpriced investments including minimal yielding government bonds. To hedge extended currencies. To defend against a potential market decline. And to be contrarian when we believe sentiment is overdone.

We continue to use our proprietary tools to gauge the likelihood of a recession or a looming bear market and to optimize our entries and exits.

Tricky times present unusual risks, but also opportunities, and we are actively trying to defend against the risks and seek those opportunities.

Herbert Abramson and
Randall Abramson
June 29, 2016