

Gibraltar Asset Management Stock Market Commentary

'I just want to retire before I go senile because if I don't retire before I go senile, then I'll do more damage than good at that point' - Elon Musk

The world's richest man, Elon Musk, has completed his \$44bn takeover of Twitter. Mr Musk tweeted "the bird is freed" and later said "let the good times roll". All the directors, including the boss, Parag Agrawal, have been fired and as many as half of Twitter's 8,000 jobs are on the chopping block. The platform struggles to make a profit and one way to fix the problem is by making a dent in the wage bill. Musk, a self-styled "free speech absolutist", had been a vocal critical of Twitter's management and its moderation policies. He said he will reverse bans on many suspended users, which could include former US President Donald Trump, political extremists and Covid-19 deniers. Musk changed his Twitter profile to read "Chief Twit" and has taken the reins at the firm himself, seeking to turn Twitter into "the app for everything". Analysts believe that Musk overpaid for the company, given the fact that the company has rarely made a profit. The takeover has obviously brought employees much anxiety but as Musk once said, "Some people don't like change, but you need to embrace change if the alternative is disaster".

by Mark Maloney, Managing Director, Gibraltar Asset Management Limited

Market Outlook

Our allocation to the stock market moves to equalweight. October, as it has been many times in the past, was a wild month - and at least a short-term bear killer. The month started out great and then the major indices fell off a cliff and declined to new bear-market lows. But stocks had an amazing bullish reversal on October 13th and have been grinding nicely higher ever since. Can the stock market continue to deliver gains in what have historically been the two best months of the year? Whilst not expecting a period of deep economic decline, we have become more cautious about the broad outlook. The housing economy is in full-fledged retreat from its pandemic surge. And inflation is taking a worsening toll on consumer confidence and their propensity to spend. Numerous technology companies that are sensitive to purchases of consumer electronics have recently reduced revenue and earnings expectations. Stocks will find it difficult to return to a sustainable rally, with still rising interest rates standing in the way of recovery gains. And technically, the stock market has reached extreme overbought levels following the bounce from the October lows. A pullback from here is not unlikely in the short term. On a positive note, broader corporate earnings are at historically high levels. That, in our view, should help prevent a catastrophic drop in stock values. Assuming that

earnings hold up, investors should be confident to initiate or add to equity positions at attractive levels in the current market environment.

Recommended Investment

A2 Funding II plc 4.5% 30/09/26 This bond is issued by the A2Dominion Group, a housing association whose history goes back over 60 years. It was originally established as the British Airways Staff Housing Society

in 1947 for the development of properties for British Airways staff workers. The A2Dominion Group in its present form was created in October 2008 as a result of the merger between A2 Housing Group and Dominion Housing Group. Registered as a charity, their principal activity is to provide as many high-quality homes as they can at a price people can afford. Active in 80 local authorities across London and southern England, the Group



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works in partnership with a wide range of statutory and voluntary organisations to deliver:

- Quality, affordable housing for families, couples, single people, students and key workers to rent;
- Low-cost home ownership initiatives to help people onto the housing ladder.

Commercially, the group is one of the strongest players in their field, with a £465.8 million turnover last year. While they take a commercial approach to housebuilding, they reinvest all profits into building new homes and supporting the communities where they operate. The A2Dominion Group currently manages over 39,000 properties providing homes to more than 69,000 people.

The bonds are guaranteed by the Group, which has agreed that, for so long as any Bonds remain outstanding it shall ensure that there are sufficient unsecured property assets to cover the total unsecured debt. Furthermore, the terms and conditions of the Bonds contain a number of covenants (in summary, agreements to do something or refrain from doing something), limiting the activities that can be undertaken by the Issuer. The Guarantor carries a Fitch A credit rating.

The bonds are traded on the London Stock Exchange's Order Book for Retail Bonds ("ORB"), with prices quoted during normal market hours. The bonds can be sold before maturity on the ORB and the prices are supported by prominent investment firms in a market-making capacity. The bonds can be bought and sold in multiples of just £100. Interest is paid in two equal instalments on 30th March and 30th September every year and the capital plus final interest is due to be repaid on 30th September 2026.

This bond was originally issued in 2014 with the offer period closing after just one day due to huge demand. The bonds are currently offered at 99.6% in the market, trading on a very attractive gross redemption yield of 4.6%. 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. Registered office: World Trade Center, Suite 5.28, Gibraltar. Tel: +350 200 75181. Email: gam@gam.gi

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