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Bury FINANCIAL ADVISERS LTD

THE Adviser

Current Market Uncertainty

This last week has been a poor week for investment markets, it has not been absolutely disastrous but there certainly is uncertainty in the markets currently. As is necessary in today's environment fuelled by 24 hour news coverage and sensationalist reporting, I feel I need to put together a few words in terms of my interpretation of what is going on and how we are positioned for it.

The recent problems began 2 weeks ago when Francois Hollande was sworn in as the new President of France. In addition Greece went to the polling booths and failed to elect a Government. All discussion following the election also failed to elect a coalition Government. Angela Merkel of Germany also lost a state election (before national elections in 2013).

Essentially Greece and France want to renegotiate everything which was agreed last year. This centred on Austerity and they would like to factor in growth to avoid a devastating debt spiral.

It is my view and has been for some time that Greece will either leave of its own accord, be asked to leave or be left with no option to leave when it runs out of money. I think the former option is the one they will be forced upon them. Without a Government in place they may not be afforded their next round of bailout funds due in June. Commentators have suggested that Greece will run out of money in late June to early July.

A "Grexit" has already been priced into their stock market and bond markets so there is a 95% chance that this will happen.

We think this is bad news for Greece a "drachmageddon" and would actually make Europe stronger if the risk of contagion is prevented. Europe has the firepower and ability to make this happen so long as the politicians work to Europe's advantage and not their own.

Short term, as I have said before the markets the market's perception of fear can become irrational. This is where I believe we are.

The positioning of our portfolios is really quite simple. We like equities as we think they are good value. We prefer good quality companies that make profits today and are expected to rise in the future. We like corporate bonds again for their income characteristics. We don't like over-valued Government bonds and speculative equities in major emerging economies. We don't like Banks as they are in urgent need of reform. Southern Europe also has major problems and again we have very, very little to no exposure there.

This we believe is a short term blip that will prove to be a correction to a good long term growth opportunity. How long this blip lasts is impossible to answer. However, good quality and profitable companies are not worth less today than they were 2 weeks ago!

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