

December 2017 Client Note

Welcome to the first edition of Olivar Capital Management's monthly client note. As a valued client, we wish to keep you fully informed as to individual position changes for the month, and any changes to our portfolio strategy. Please contact us with any comments, questions, and insights.

With Q3 fiscal 2017 earnings nearly over, high-flying tech companies are still driving the market: most notably Amazon (**AMZN**), Tesla (**TSLA**), and Nvidia (**NVDA**). Uncertainty regarding NAFTA has negatively affected our Mexican exposure through Volaris (**VLRS**) and Grupo Aeropuerto Del Pacifico (**PAC**). However, we are bullish on Mexico in the long-term under the belief Trump concerns are overblown, and macroeconomic signals point to strong growth for the future.

Retail exposure through CBL & Associates Properties (**CBL**) also had a negative impact, as management cut their dividend by \$0.07/quarter. This was very disappointing, as the dividend appeared very well covered, and is what originally attracted us to the investment. In retail, this past month we've seen outlets such as Sears, Macy's, and JC Penny put up promising earnings, so we are optimistic about our position. We will be monitoring **CBL** closely into the holidays, as management lost some credibility with the dividend cut.

This past month we increased gold exposure, and started small positions in General Electric (**GE**) and the Vanguard International Stock ETF (**VXUS**). **GE** has struggled, and after selling off a great deal (over 44% year-to-date), its valuation is looking attractive. It also provides a great deal of diversification, as a multinational conglomerate. They cut their dividend this quarter in an effort to save funds and stabilize their financial situation. We will be buying more this month if it falls below \$15/share. **VXUS**, which provides exposure to ex-US global stock markets, will provide extensive diversification and a reduction of volatility to our current positions.

In the bond market, we are researching several closed-end bond funds (CEFs). These yield 5-8% in dividends per year, will provide diversification into fixed income, and often selloff around this time of year due to tax loss selling by institutions. We have four CEFs on our radar, and will initiate a position once their valuation becomes more attractive.



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