INVESTMENT REVIEW

BECKETT ASSET MANAGEMENT LTD

31st March 2015

The first quarter of 2015 saw monetary conditions remain generally supportive and global growth was modest, yet divergent. All of the Beckett Asset Management (BAM) portfolio strategies had a strong start to the year.

Macroeconomic policy is still closely watched and its impact is felt on investment markets. Helping to stimulate markets, we have seen a raft of central banks cutting interest rates this year as falling oil prices have caused deflation and slowing growth in many countries; India, South Korea, Thailand, Turkey to name a few. China's central bank has also been cutting rates to step up support for the nation's slowing economy. There has been a great deal of focus on the growth prospects for China, as the world's largest consumer of industrial metals and biggest importer of crude oil. Consumption concerns, as well as oversupply and a stronger dollar, have weighed on the price of many commodities, with Iron ore leading the decline.

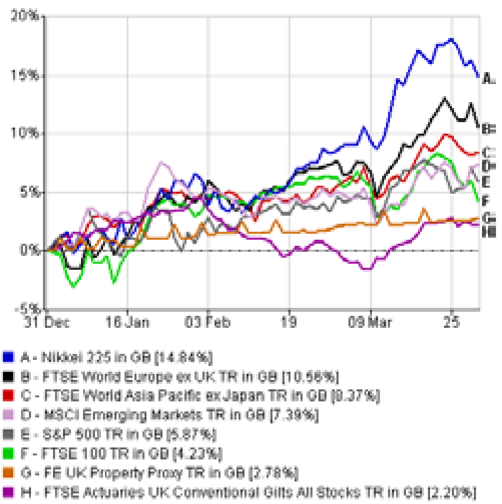
In many countries, official interest rates are now lower than they were during the financial crisis and the Danish, Swiss, Swedish and the ECB (European Central Bank) are all experimenting with negative interest rates. There was a "shock and awe" European quantitative-easing programme announced in January and launched In March. Monthly purchases will rise to €60 billion and will last at least until September 2016 and until inflation reaches 2%. As a result, the Euro has weakened, bond yields have fallen and the stockmarket has rallied. Anticipating the European QE announcement, the Swiss National Bank decided to stop capping the value of the Franc against the Euro and their currency jumped by nearly 30% against the Euro in minutes.

A STRONG START TO 2015

BUT COMMODITIES STRUGGLE

SHOCK AND AWE EUROPEAN QE

US RATE RISE ON THE CARDS



Figures shown are for a sterling denominated investor, for the 3 month period to 31/03/2015.
Source: Financial Express Analytics

Japan remains in stimulus mode and the stockmarket is on the rise. GDP growth is coming through as industrial production and exports grew, yet retail sales slipped. Corporate earnings results in Japan have been solid, with positive surprises outweighing the negatives.

In the aftermath of the financial crisis, the current economic recovery in the US is approaching six years in length, near the average for a standard global expansion. However, research by Goldman Sachs suggests that average expansions following housing busts have been much longer and therefore, relative to historical downturns involving house price declines, the US recovery is still relatively young. Janet Yellen, head of the Federal Reserve is about to embark on a process of tightening policy. The word "patient" was dropped from the Fed meeting minutes in March and in Fed language "patient" indicated that it would hold off increasing interest rates for at least two meetings. So, now the word has been removed, we could see interest rates in the US begin to move from the summer. This is to a degree priced into valuations, but there could be a wobble when they eventually do raise rates. Research by JP Morgan shows that, since 1980, there have been initial share price falls through to the second increase, followed by positive returns to the end of the rate rise cycle and a positive return in four of five rate rise cycles overall.

While uncertainty over the result and consequences of our approaching general election may hang over Sterling and UK equity and bond markets in coming months, creating bouts of volatility, implications for Commercial Property should be modest. Demand from a broad range of investors, including overseas and institutional buyers, remains strong and total returns should remain buoyant. However, growth is expected to be stronger in regional markets than central London, where assets now look more fully valued.

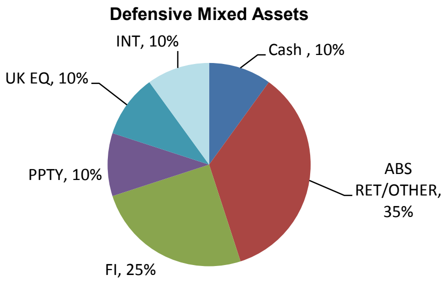
Given where we are now in the economic cycle and the rise we have seen in asset prices, future return expectations are more muted.

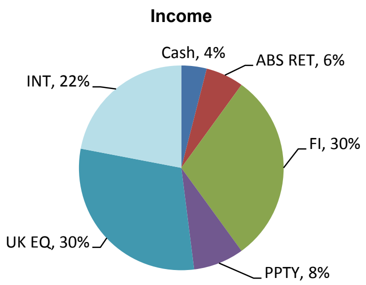
BAM Portfolio Models' Investment Performance

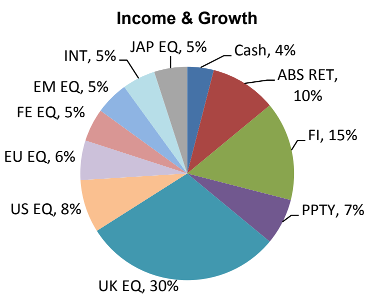
	31/03/2010 to 31/03/2011	31/03/2011 to 31/03/2012	31/03/2012 to 31/03/2013	31/03/2013 to 31/03/2014	31/03/2014 to 31/03/2015
Defensive Mixed Assets Strategy	n/a	n/a	+ 8.70%	+ 4.90%	+ 7.60%
IA MIXED ASSETS 0-35% SHARES	+ 4.50%	+ 3.10%	+ 8.00%	+ 1.20%	+ 7.50%
Income Portfolio Strategy	+ 5.80%	+ 3.50%	+ 10.40%	+ 6.40%	+ 8.50%
IA MIXED ASSETS 20-60% SHARES	+ 4.79%	+ 1.60%	+ 10.20%	+ 3.60%	+ 8.60%
Income & Growth Portfolio Strategy	+ 7.70%	+ 2.50%	+ 11.10%	+ 6.20%	+ 10.80%
IA MIXED ASSETS 40-85% SHARES	+ 6.50%	+ 1.00%	+ 12.70%	+ 5.60%	+ 10.60%
Growth Portfolio Strategy	+ 9.10%	+ 0.20%	+ 14.60%	+ 5.70%	+ 13.10%
IA FLEXIBLE	+ 7.70%	- 2.00%	+ 12.30%	+ 4.60%	+ 11.60%
INDICES					
FTSE ALL SHARE	+ 8.72%	+ 1.39%	+ 16.77%	+ 8.81%	+ 6.57%
FTSE UK CONVENTIONAL GILTS ALL STOCKS	+ 5.16%	+ 14.46%	+ 5.25%	- 2.56%	+ 13.91%
FTSE WORLD	+ 8.15%	+ 0.45%	+ 17.47%	+ 7.63%	+ 18.79%
FTSE WORLD EUROPE (EX UK)	+ 7.48%	- 11.38%	+ 17.98%	+ 17.26%	+ 9.42%
FTSE WORLD ASIA PACIFIC (EX JAPAN)	+ 14.64%	- 4.63%	+ 18.13%	- 5.82%	+ 12.58%
JAPAN NIKKEI 225	- 6.15%	+ 4.44%	+ 13.24%	- 0.55%	+ 24.92%
S&P 500	+ 8.79%	+ 8.19%	+ 19.10%	+ 10.29%	+ 25.83%

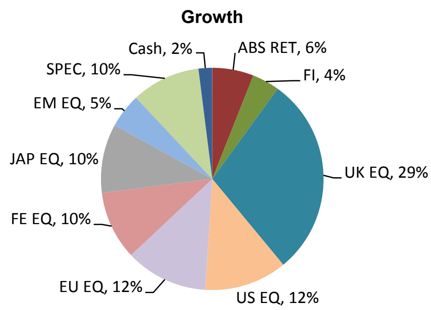
Notes: BAM figures take into account normal dealing costs but not BAM fees.
Source: BAM portfolio performance figures: Beckett Asset Management.
Indices: FE Analytics- Total Return; IA: Investment Association
Overseas equity returns are for a sterling denominated investor.
PAST PERFORMANCE IS NO INDICATOR OF FUTURE PERFORMANCE

Target Model Portfolio Structures from 31/03/2015









FI	Fixed Interest
UK EQ	UK Equities
PPTY	Property
EU EQ	European Equities
EM	Emerging Markets Equities
FE EQ	Far Eastern Equities
JAP EQ	Japanese Equities
SPEC	Specialist Equities
US EQ	US Equities
INT	International Equities
AB RET	Absolute Return

PLEASE NOTE THAT ASSET ALLOCATIONS MAY CHANGE OVER TIME

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