INVESTMENT REVIEW

BECKETT ASSET MANAGEMENT LTD

Quarter 2 2015

As we enter the second half of 2015, we wave goodbye to a quarter marked by bouts of volatility and continued focus on the actions of Central Banks. In this challenging environment, the Beckett Asset Management (BAM) strategies have either outperformed or performed broadly in line with their benchmarks.

Many column inches have been taken over by the situation in Greece. Over the last few days of June, communications between the Greek Government and their creditors became ever more fraught and, in some cases confusing, with Mr Tsipras first seeming to accept most of the conditions offered by creditors in a letter but then, on the same day, appeared on Greek television to encourage the public to vote No in the referendum. Dutch Finance Minister, Jeroen Dijsselbloem, stated that a No vote would essentially cast doubt over Greece's membership of the Eurozone. The referendum produced a decisive No with Mr Tsipras stating that the result doesn't call for a break with Europe. Both sides are truly in unenviable positions with either outcome; renegotiation or Grexit, presenting potentially significant problems. At present, the potential outcomes here seems to be rather binary and, as such, it does not give great cause to take a strong position in the portfolios one way or the other.

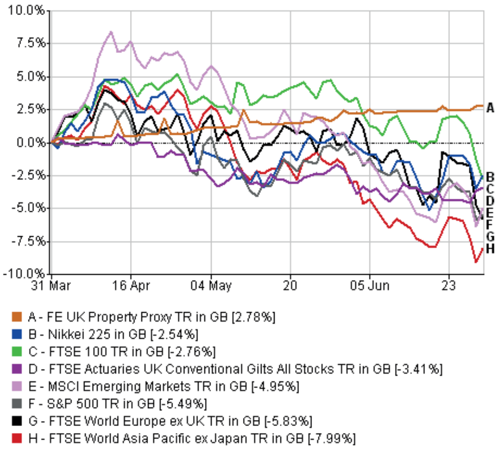
The result of the UK election was largely cheered by markets as a positive step for the economy and one that would be beneficial to both investors and business. The 'Brexit' referendum does loom large but David Cameron appears to be keen to hold it sooner than 2017, which many feel would be a positive move. The referendum may cause some volatility as we approach the date of the vote, but the balance of probabilities seems to lay with the UK renegotiating a deal with Brussels to address a number of key issues so the public feel comfortable voting to stay in Europe. The election result has not driven us to make major changes in the portfolios as we believe that the UK economy will continue on the same trajectory it was on pre-election.

A GREEK TRAGEDY?

UK ELECTION SURPRISE

US RATE RISE STILL IN FOCUS

A WILD RIDE IN CHINA



Figures shown are for a sterling denominated investor, for the 3 month period to 30/06/2015. Source: Financial Express Analytics

The actions of the US Federal Reserve continue to be a key focus for markets with many expecting a rate rise in September this year. The Fed continues to be cautious but commentators do feel that the US economy is now robust enough to withstand a rate increase. The trajectory of the rate rise rather than the rise itself has become a key consideration. When policy begins to normalise, we are likely to see the return of more normal levels of volatility in equity markets. This environment should lend itself to active strategies and, as such, we are rotating the US equity exposure in our Growth portfolio out of passive tracking funds into active strategies managed by experienced teams who can benefit from this environment.

The road to a more consumption-led economy for China is proving to be a difficult one to traverse. There continues to be some concerns regarding the strength of the Chinese economy with continued loosening of monetary policy. Chinese equity has been on somewhat of a rollercoaster ride year to date with the A share market (China mainland stock market) being up around 60% from the start of the year to the high but then losing over 20% of its value in just two weeks at the end of June. The opening of the Hong Kong Shanghai connect brought a huge surge in trading and the number of new brokerage account openings in China every week was staggering.

We continue to favour Equities over Fixed Income given relative valuations and the overall outlook for the asset classes. Fixed Income has many challenges at present such as the impacts of Quantitative Easing (QE) on bond markets. The flood of money from QE has driven yields incredibly low in Europe. US & UK monetary policy normalisation will not be positive for the asset class in the short to medium-term either. Liquidity has been an area of concern in bond markets as a large number of bonds have been taken out of the market by central banks. This is one of the reasons we currently prefer Strategic Bond fund managers who are able to invest across the credit spectrum and regions to find attractive investment opportunities. Given the expectation for heightened volatility from the asset class we continue to use more Absolute Return style strategies as a way to seek steady returns with a low volatility profile, along with Property.

As summer gets into full swing, we expect periods of heightened volatility, especially as trade volumes tend to be thinner thereby exaggerating market reactions to events. However, volatility does provide opportunity and we are confident that the experience and expertise of our Fund Managers will leave them well placed to capture this.

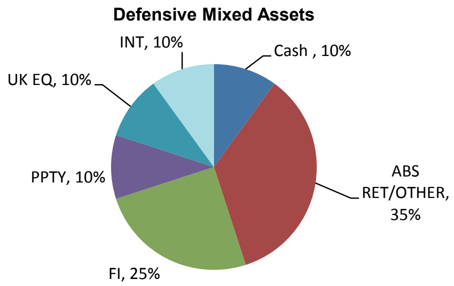
BAM Portfolio Models' Investment Performance

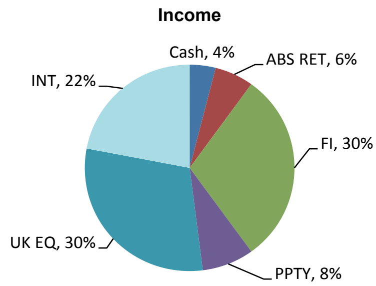
	30/06/2010 to 30/06/2011	30/06/2011 to 30/06/2012	30/06/2012 to 30/06/2013	30/06/2013 to 30/06/2014	30/06/2014 to 30/06/2015
Defensive Mixed Assets Strategy	n/a	n/a	+ 7.85%	+ 7.76%	+ 4.71%
IA MIXED ASSETS 0-35% SHARES	+ 7.61%	+ 2.07%	+ 5.86%	+ 4.78%	+ 3.40%
Income Portfolio Strategy	+ 13.41%	+ 2.61%	+ 11.96%	+ 9.08%	+ 4.51%
IA MIXED ASSETS 20-60% SHARES	+ 9.75%	- 0.74%	+ 10.06%	+ 7.06%	+ 4.72%
Income & Growth Portfolio Strategy	+ 13.41%	+ 1.64%	+ 14.03%	+ 8.60%	+ 6.13%
IA MIXED ASSETS 40-85% SHARES	+ 14.54%	- 3.53%	+ 15.02%	+ 8.17%	+ 6.82%
Growth Portfolio Strategy	+ 20.50%	- 5.44%	+ 18.86%	+ 7.14%	+ 10.54%
IA FLEXIBLE	+ 16.86%	- 6.23%	+ 15.27%	+ 7.83%	+ 7.00%
KEY INDICES					
FTSE ALL SHARE	+ 25.63%	- 3.13%	+ 17.93%	+ 13.12%	+ 2.60%
FTSE UK CONVENTIONAL GILTS ALL STOCKS	+ 3.13%	+ 15.91%	- 2.37%	+ 2.33%	+ 8.86%
FTSE WORLD	+ 22.36%	- 3.46%	+ 22.13%	+ 10.01%	+ 9.86%
FTSE WORLD EUROPE (EX UK)	+ 29.56%	- 20.03%	+ 27.85%	+ 16.38%	+ 1.12%
FTSE WORLD ASIA PACIFIC (EX JAPAN)	+ 27.94%	- 9.44%	+ 14.41%	+ 4.96%	+ 0.83%
JAPAN NIKKEI 225	+ 6.83%	- 4.94%	+ 26.14%	- 3.58%	+ 20.13%
S&P 500	+ 21.07%	+ 7.22%	+ 23.88%	+ 9.84%	+ 16.08%

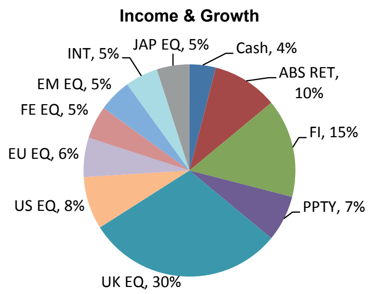
Notes: BAM figures take into account normal dealing costs but not BAM fees.
Source: BAM portfolio performance figures: Beckett Asset Management.
Indices: FE Analytics- Total Return; IA: Investment Association
Overseas equity returns are for a sterling denominated investor.

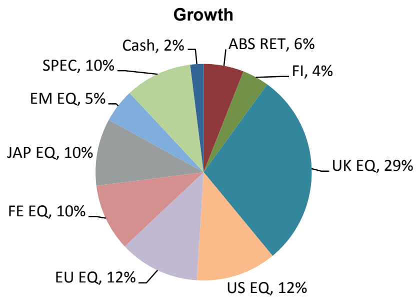
PAST PERFORMANCE IS NO INDICATOR OF FUTURE PERFORMANCE

Target Model Portfolio Structures from 30/06/2015









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
ABS RET	Absolute Return

PLEASE NOTE THAT ASSET ALLOCATIONS MAY CHANGE OVER TIME

The investments mentioned in this report are intended as long-term investments. Some of them may go down as well as up and you therefore may not get back the full amount invested. Where investments are denominated in foreign currencies, changes in the rate of exchange may have an adverse effect on the value or price of the investment in Sterling terms. Past performance is not necessarily a guide to future performance. This document should not be construed as an offer document or solicitation and is circulated because the contents may be of incidental interest. The opinions stated are those of Beckett Asset Management Ltd, which is authorised and regulated by the Financial Conduct Authority.

BECKETT ASSET MANAGEMENT LIMITED
DETTINGEN HOUSE, DETTINGEN WAY, BURY ST EDMUNDS, SUFFOLK, IP33 3TU
T: 01284 754500 F: 01284 773701 E: INFO@BECKETTINVEST.COM WWW.BECKETTINVEST.COM