INVESTMENT REVIEW

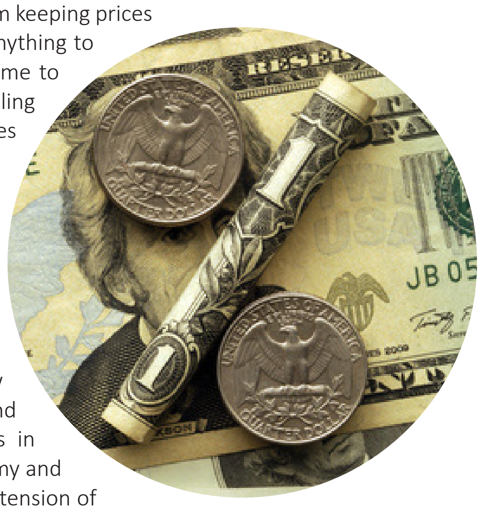
BECKETT ASSET MANAGEMENT LTD

Quarter 4 2015

The fourth quarter of 2015 was positive overall for equities but we saw volatility throughout caused by the fluctuating views on the timing of the US rate rise, the instability of the oil price and the continued nervousness about the state of China's economy. Unfortunately, we did not see much of the fabled Santa Claus rally that we had become accustomed to over the last few festive periods.

We finally saw the long awaited rate rise from the US Federal Reserve (the Fed) as Janet Yellen announced that rates would increase by 0.25%. This was the first move in US interest rates for seven years. By the time the rate rise was announced, much of it had been priced into markets following a stream of positive data in the run up to the December Fed meeting. Markets reacted positively, which was helped by the talk of "gradual" future increases and monitoring progress towards their inflation goals. We feel the decision by the Fed to raise rates was based on their belief that the US economy is robust enough to withstand it. One note of caution though; we must consider that every future Fed meeting this year could see a rate rise. We expect any rate rises to be measured and careful, but we expect to see bouts of volatility ahead of, and perhaps just after, Fed meetings. Now we are seeing the cheap money era come to an end in the US, we expect a continuation of the disparity in the share price performance between good companies and bad. In this environment we see opportunity for active managers to generate alpha with their stock selection.

Oil continued to take up many column inches as the global economy suffers from an over-supply problem keeping prices very depressed. The December OPEC meeting made it abundantly clear that they will not be doing anything to stem supply and Brent Crude fell to prices not seen since 2004. We also have production due to come to market from Iran and increasingly efficient US producers, which appear to be more than negating the falling rig count. This leads us to believe that oil prices will remain subdued for some time. However, this should provide a positive tailwind to oil importing nations, corporates with heavy oil price sensitivity and consumers who benefit from cheaper fuel costs.



We have seen a continuation of the recovery in Europe with many positive data points over the quarter. The spectre of low inflation still haunts the region, though, and Mario Draghi announced further measures in December to stimulate the European economy and inflation. The cut to interest rates and the extension of the bond buying program, however, were not as large as the market had been expecting and this caused the falls in European equities seen at the start of December. Despite this period of volatility, we remain positive about the prospects for the region and the equity market as the recovery continues.

The FTSE 100 was positive for the quarter but languished in comparison to its developed market peers due to the heavy exposure to energy and mining sectors. This index is not the best representation of the health of the UK economy due to the majority of the revenue of FTSE 100 companies being generated from outside of the UK. It is the small and mid-cap companies which can provide more targeted exposure to the UK and we ensure that the portfolios have exposure across the market capitalisation scale to capture this. We remain positive about the outlook for the UK economy and one area which continues to benefit from the recovery is Property. The asset class had another excellent year in 2015 and, as the economy continues to improve, we expect commercial property to, once again, be an important part of our portfolios.

The UK has a big year ahead with David Cameron's renegotiation with the EU before the impending Brexit referendum. Once the referendum date is announced, we will likely see some volatility as we approach it. Many economists still view the UK faring better economically if we remain inside the EU, but public opinion is rather mixed and a lot will depend on the success of the renegotiations as to how opinions shift.

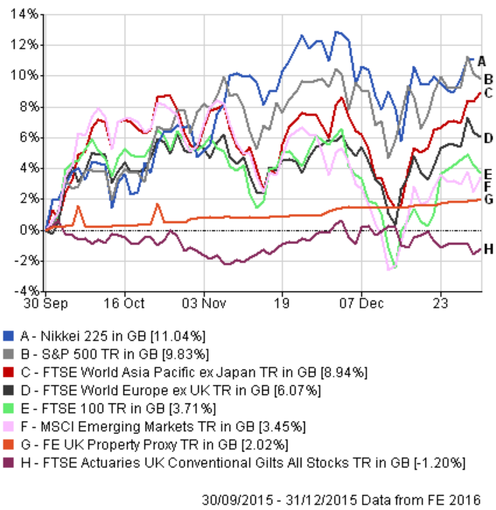
We are optimistic about the prospects for 2016 but are mindful of the risks which are currently present in markets, and our portfolio positioning reflects this. We continue to favour equities over bonds but remain selective on our regional positioning. Our portfolios remain well-diversified with tilts towards our favoured markets, such as European and Japanese equities. We believe that we will continue to see heightened volatility compared to what we have been used to over the last few years but our portfolio performance has been encouraging during the bouts of volatility seen in recent times.

US RATE LIFT-OFF

VOLATILITY AHEAD

MORE EUROPEAN STIMULUS

FTSE SLIPS ON OIL



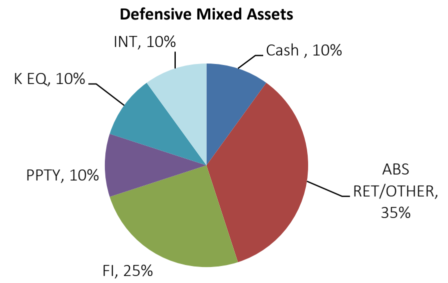
Figures shown are for a sterling denominated investor, for the 3 month period to 31/12/2015. Source: Financial Express Analytics

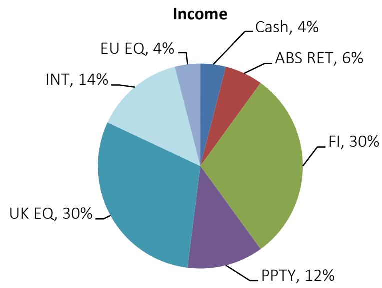
BAM Portfolio Models' Investment Performance

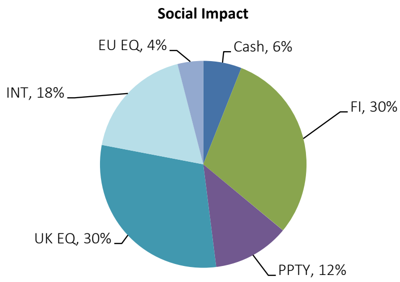
	31/12/2010 -31/12/2011	31/12/2011- 31/12/2012	31/12/2012– 31/12/2013	31/12/2013– 31/12/2014	31/12/2014- 31/12/2015
Defensive Mixed Assets Strategy	n/a	n/a	+6.00%	+8.53%	+2.71%
IA MIXED ASSETS 0-35% SHARES	+1.38%	+6.22%	+4.20%	+4.84%	+0.38%
Income Portfolio Strategy	+1.69%	+9.14%	+11.79%	+5.88%	+1.96%
IA MIXED ASSETS 20-60% SHARES	-1.89%	+8.35%	+8.85%	+4.85%	+1.21%
Income & Growth Portfolio Strategy	-0.31%	+10.39%	+13.21%	+6.41%	+3.30%
IA MIXED ASSETS 40-85% SHARES	-5.51%	+9.97%	+14.47%	+4.87%	+2.66%
Growth Portfolio Strategy	-6.19%	+10.19%	+16.52%	+6.07%	+6.08%
IA FLEXIBLE	-8.73%	+10.13%	+14.54%	+4.89%	+1.99%
Key Indices					
FTSE ALL SHARE	-3.46%	+12.30%	+20.81%	+1.18%	+0.98%
FTSE UK CONVENTIONAL GILTS ALL STOCKS	+15.57%	+2.70%	-3.94%	+13.86%	+0.57%
FTSE WORLD	-5.79%	+11.83%	+22.36%	+11.29%	+4.34%
FTSE WORLD EUROPE (EX UK)	-14.71%	+17.82%	+25.18%	+0.16%	+5.35%
FTSE WORLD ASIA PACIFIC (EX JAPAN)	-12.93%	+17.72%	+2.72%	+5.01%	-4.40%
JAPAN NIKKEI 225	-13.02%	+4.59%	+26.90%	+0.10%	+14.27%
S&P 500	+2.23%	+10.16%	+29.10%	+20.02%	+6.58%

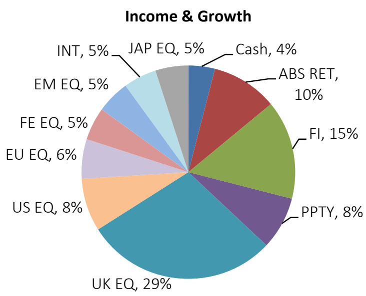
Notes: BAM figures take into account normal dealing costs but not BAM fees.
Source: BAM portfolio performance figures: Beckett Asset Management.
Indices: FE Analytics- Total Return; IA: Investment Association
Overseas equity returns are for a sterling denominated investor.
PAST PERFORMANCE IS NO INDICATOR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

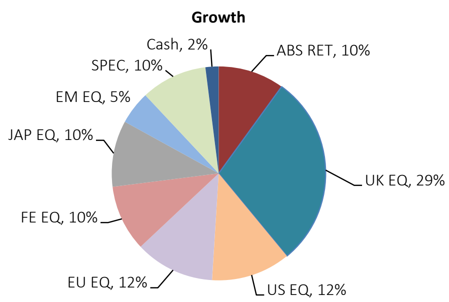
Target Model Portfolio Structures for Quarter 1 2016











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

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