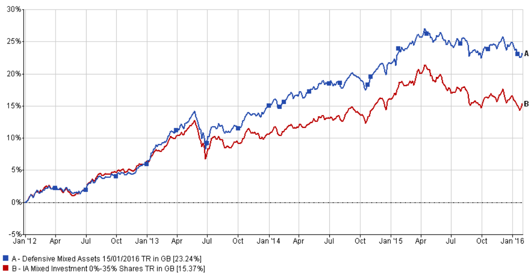
MARKET UPDATE

BECKETT ASSET MANAGEMENT

January 2016

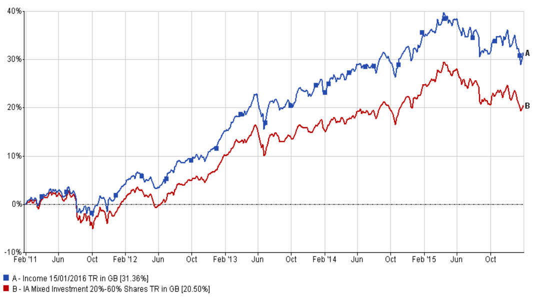
5 YEAR MODEL PERFORMANCE* VERSUS BENCHMARK

DEFENSIVE MIXED ASSETS MODEL

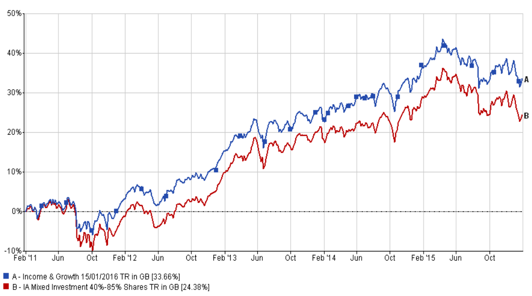


*DEFENSIVE MIXED ASSET MODEL PERFORMANCE SINCE INCEPTION AS NOT 5 YEARS OLD

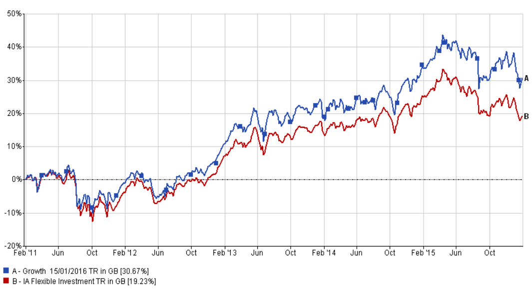
INCOME MODEL



INCOME & GROWTH MODEL



GROWTH MODEL

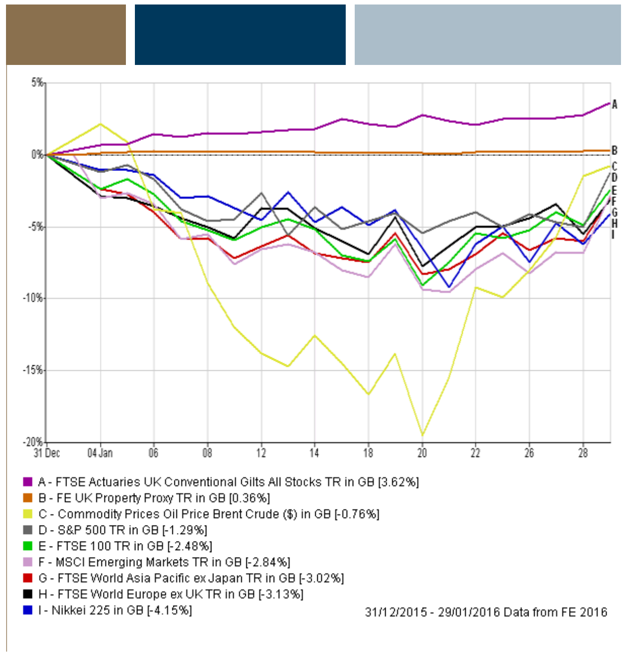


BAM figures take into account normal dealing costs BUT NOT BAM fees.
Source: FE Analytics – Total Return.
IA: Investment Association

It was a savage start to 2016 as you can see in the chart. We have also plotted the oil price on the chart in yellow. Risk assets have been highly correlated to movements in the oil price in the short term. There have been few places to hide.

We have seen some big intraday swings in markets. Funds generally price at midday and there can be wide dispersions in the midday price of a fund and the close price of an index, which can impact performance figures.

The Bank of Japan said "konnichiwa" to negative interest rates at the end of the month which reversed some of the recent appreciation of the Yen and helped markets pare some losses.



In this choppy environment, the BAM portfolios struggled to outperform their benchmarks and only Income & Growth finished the month ahead. However, over one and three years, the portfolios are comfortably ranked in the 1st or 2nd quartile of their respective peer groups.

While there were no stand-out performers in January, it is worth highlighting funds which stood firm in the face of the volatility and actually made a positive return showing why they are included in the portfolios as a diversifying tool. In Income & Growth, we had a number of positive returns from: L&G Dynamic Bond, Jupiter Strategic Bond, Aviva Multi Strategy Target Income, M&G Feeder of Property Portfolio, First State Global Listed Infrastructure and even Newton Asian Income. In the Income portfolio, Fidelity Strategic Bond, Legg Mason IF Brandywine Global Income Optimiser and Royal London Global Index Linked were all positive. In DMA Kames Property Income Feeder was flat and Standard Life Global Index Linked Bond was up. Growth had just one positive contributor; JPM Global Macro Opportunities, which was added to the portfolio last year.

It was tough month in which to launch a new strategy - the Social Impact portfolio. However, three holdings all made a positive contribution helping to offset some of the negative returns elsewhere: L&G UK Property Feeder, Standard Life Ethical Corporate Bond and Kames Ethical Corporate Bond.

To echo both the mid-month note and our end of December update, we expect markets to remain volatile as market participants seem fixated on the negatives and brush over the positives. Since 1970 there has never been a US recession preceded by a falling oil price and no one is expecting a big rebound in oil prices in the near term due with lots of supply still sloshing around. China is undergoing a huge economic transition putting significant pressure on large parts of the old economy but creating a new consumer-driven growth engine. As we approach the Chinese New Year, Year of the Monkey, we should see quieter Asian markets during the February celebrations. As the year progresses we watch will watch out for potential banana skins.