MARKET UPDATE

BECKETT ASSET MANAGEMENT

The first full month since the UK's EU referendum result has passed and it proved to be a very good one for equities as most markets rallied. The chart on the right hand side does show returns in GBP so the overseas equity indices will have been boosted by the depreciation of GBP.
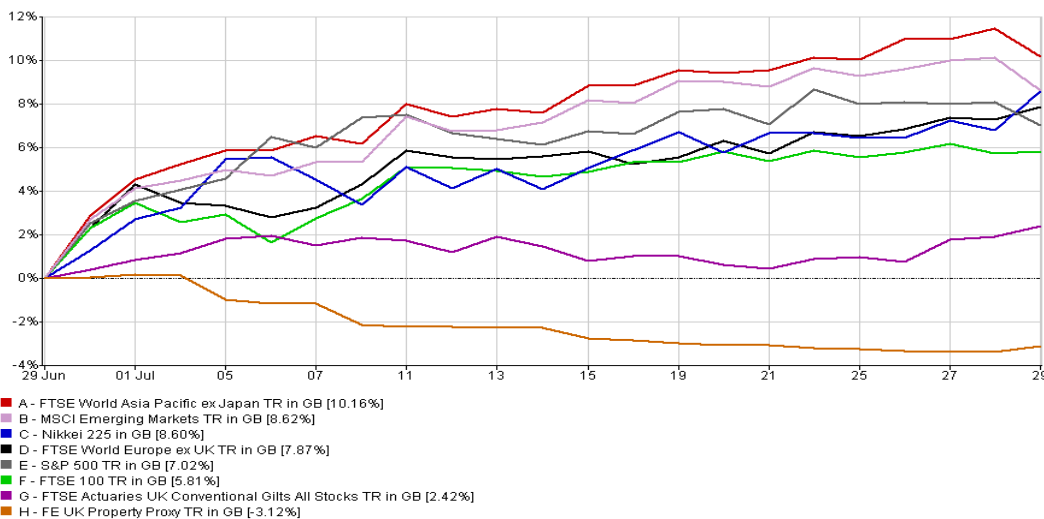
As we moved through the month we gained more political stability after Theresa May was the only candidate left standing in the Conservative Party leadership race and therefore became our new Prime Minister. This result served to soothe any market nervousness surrounding political uncertainty.

The FTSE 100 continued its rise as the weaker pound continued to be a tailwind for those multinational corporations who have substantial earnings overseas and/or report in US Dollars. Bond yields also ended the month lower due to expectations of additional monetary stimulus.

The MPC decided not to cut rates at their July meeting but this action still appears to be on the cards, with their August meeting now keenly in focus. Despite standing ready to provide additional monetary stimulus, Mr Carney has been vocal in highlighting that monetary policy does have its limitations and is certainly not a silver bullet. Indeed, he indicated that the Treasury will need to play a part in trying to stabilise the economy from any Brexit shocks with perhaps some fiscal stimulus. What form this fiscal stimulus cold take is hotly debated. It will be important to keep a close eye on upcoming data releases from the UK to establish where we are seeing any impact from Brexit and the severity.

A - FTSE World Asia Pacific ex Japan TR in GB [10.16%]
B - MSCI Emerging Markets TR in GB [8.62%]
C - Nikkei 225 in GB [8.60%]
D - FTSE World Europe ex UK TR in GB [7.87%]
E - S&P 500 TR in GB [7.02%]
F - FTSE 100 TR in GB [5.81%]
G - FTSE Actuaries UK Conventional Gilts All Stocks TR in GB [2.42%]
H - FE UK Property Proxy TR in GB [-3.12%]

29/06/2016 - 29/07/2016 Data from FE 2016

In the US both political parties held their conventions where Donald Trump was confirmed and the Republican nominee and Hillary Clinton as the Democratic nominee. This is an election cycle which has been unique for having candidates that huge parts of the country do not like. In fact, they have two of the highest unfavourable scores amongst voters of any candidates in the era of polling. We expe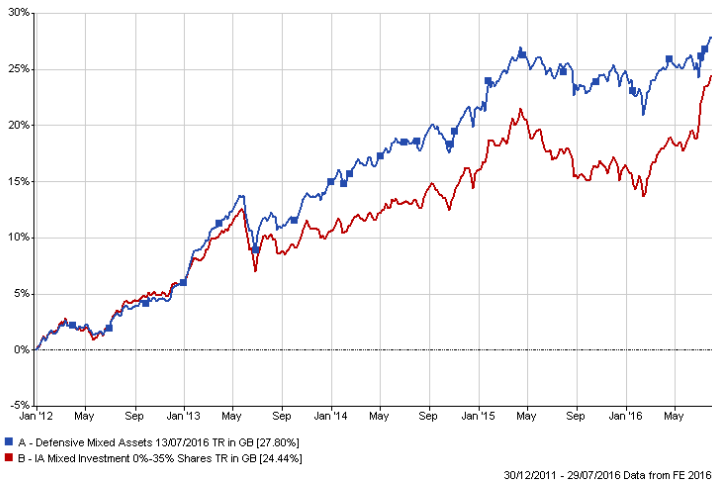ct the rhetoric and posturing we have seen thus far to increase as we approach the day of the vote. The US Federal Reserve decided not to hike rates at their recent meeting and there is much debate about their next steps. A key factor that the Fed need to consider in the US Dollar, which has been very strong and actually done a fair amount of tightening for them. Ms Yellen can ill afford to see the US Dollar significantly strengthen from here so will be mindful of her next move.

The changes made in the July rebalance have already been shown to be positive and we look for that to continue throughout the remainder of the year. There are a number of big political events ahead which could cause spikes in volatility and additional market nerves. We are very mindful of these and work to take appropriate mitigating action ahead of time to position portfolio accordingly.
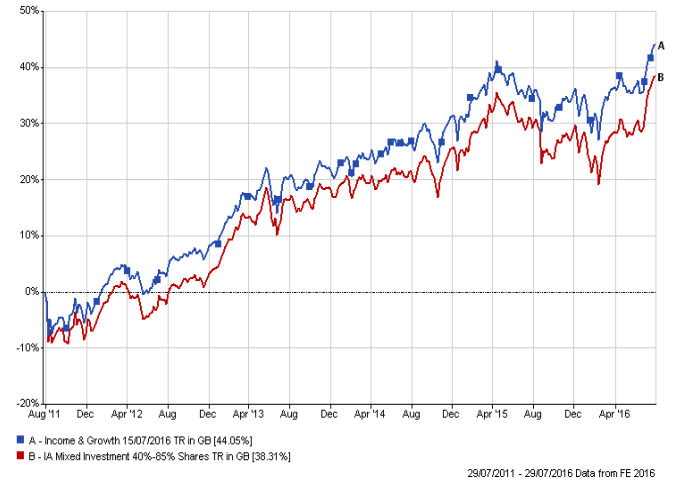
5 YEAR MODEL PERFORMANCE* VERSUS BENCHMARK
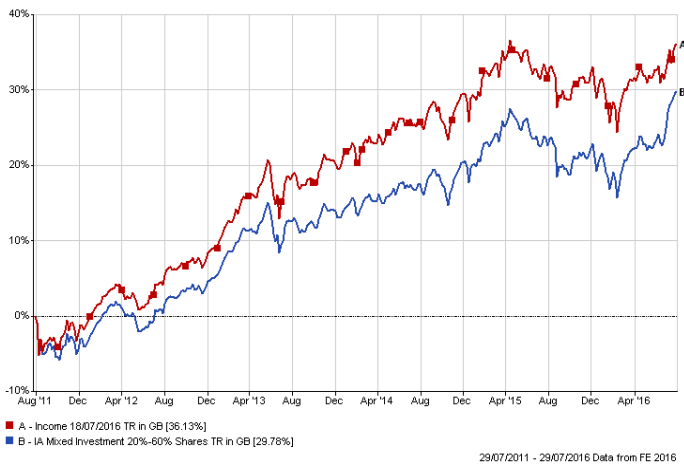
DEFENSIVE MIXED ASSETS MODEL

- A - Defensive Mixed Assets 13/07/2016 TR in GB [27.80%]
- B - IA Mixed Investment 0%-35% Shares TR in GB [24.44%]

30/12/2011 - 29/07/2016 Data from FE 2016

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

INCOME & GROWTH MODEL

- A - Income & Growth 15/07/2016 TR in GB [44.05%]
- B - IA Mixed Investment 40%-85% Shares TR in GB [38.31%]

29/07/2011 - 29/07/2016 Data from FE 2016

INCOME MODEL

- A - Income 18/07/2016 TR in GB [36.13%]
- B - IA Mixed Investment 20%-60% Shares TR in GB [29.78%]

29/07/2011 - 29/07/2016 Data from FE 2016

GROWTH MODEL

- A - Growth 12/07/2016 TR in GB [43.41%]
- B - IA Flexible Investment TR in GB [34.21%]

29/07/2011 - 29/07/2016 Data from FE 2016
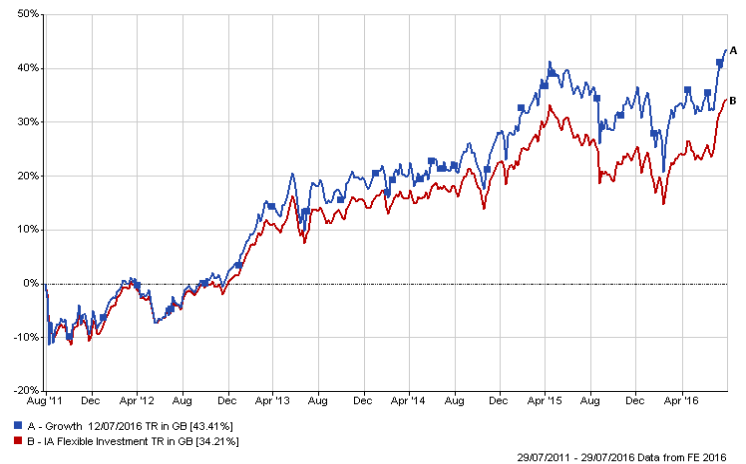
BAM figures take into account normal dealing costs BUT NOT BAM fees.

Source: FE Analytics – Total Return.   IA: Investment Association