

MARKET UPDATE

May 2017

POSITIVITY TINGED WITH SADNESS

Risk assets have generally been performing well driven largely by economic signals which point towards a continued recovery in global growth. Plus, of course, there was a favourable reaction to the victory of Emmanuel Macron in the French election, a pro EU centrist. Whilst there was much to be cheerful about in May as far as investment performance was concerned, the tragic terrorist event in Manchester left us all shocked and saddened.

SACREBLEU! EUROPE'S NOT ALL BAD

Whilst half of the UK wanted to cut ties with Europe in the referendum last year, and politicians debate their visions of Brexit, investors should not shun European equities. This month was another strong month for performance from which our portfolios benefitted.

Economic data is fairly positive with Industry surveys strong. The market has, so far, been able to look through political risks too and, as we look ahead, Angela Merkel has taken a lead in Germany. In Italy, despite the populist 5 Star Movement leading the opinion polls, the party looks unlikely to form a majority government in the short term and so the risk of Italy leaving the euro zone seems remote. However, we should not discount the possibility there will be bouts of heightened volatility.

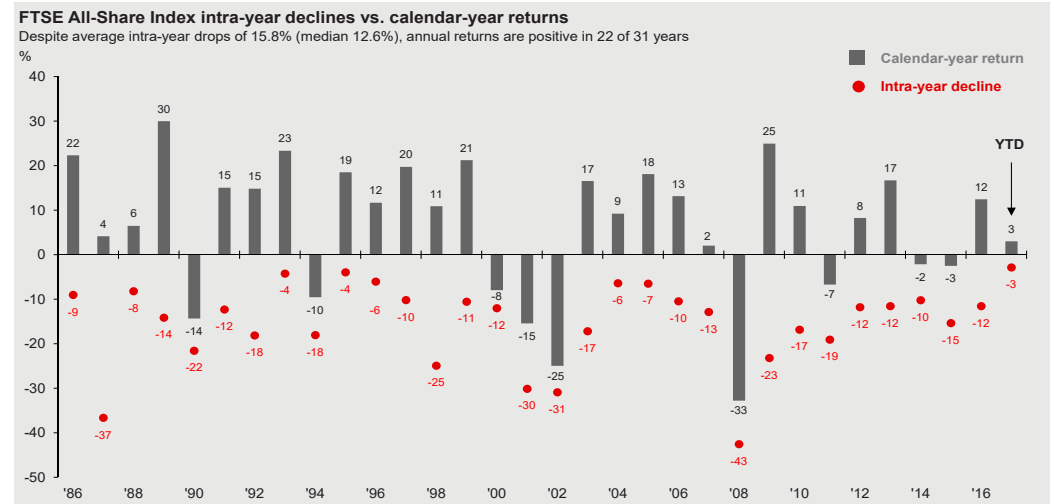
ICEBERGS AHEAD?

Markets have been on a fairly steady upward trajectory and, as many indices around the globe make or approach market highs, we are being asked if we are due a correction - or something worse. Clearly, in some areas, valuations are high; just look at Amazon exceeding \$1000 a share! Valuation alone, however, is not always the best indicator of the future. If we look at the ingredients of previous bear markets like irrational exuberance, widespread misallocation of capital, rapid interest rate rises and economic contraction, we don't see them prevalent today.

Stock market corrections are part and parcel of equity investing, so we would not be surprised to see some of the year-to-date gains tempered somewhat. Equities are volatile - they just haven't been very recently! - and, while bear markets are thankfully relatively infrequent, corrections are a regular feature. Even in 'up years', it is rare that there is a period with no material fall. Our strategies are, to varying degrees, both diversified by asset type and geographically to help make the investment journey a little smoother.

TRUMP TO LAST FULL TERM?

The US market represented by the S&P 500 had a mid-month blip as investors fretted about a possible impeachment for Donald Trump over allegations that he interfered with an FBI investigation of his former national security director, Michael Flynn. The North American Smaller Companies IA sector was the only sector to fall in value in May as the President has not yet made any progress on introducing tax cuts.



Source: FactSet, FTSE, J.P. Morgan Asset Management. Returns are based on local price only and do not include dividends. Intra-year decline refers to the largest market fall from peak to trough within a short time period during the calendar year. Returns shown are calendar years from 1986 to 2016. *Guide to the Markets - UK*. Data as of 31 March 2017

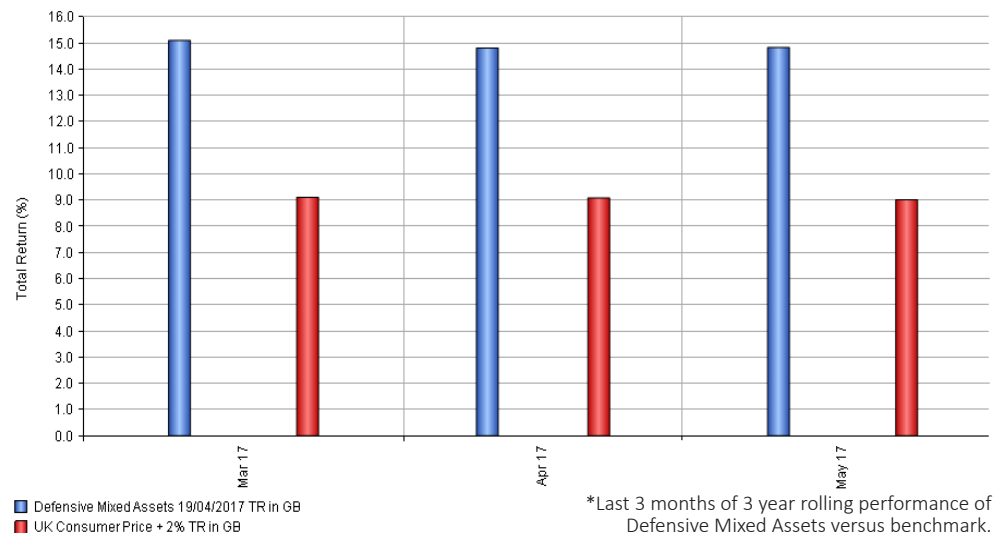
SOCIAL IMPACT MODEL



■ A - IA Mixed Investment 20-60% Shares TR in GB [15.65%]
■ B - Social Impact Portfolio 19/04/2017 TR in GB [15.11%]

5 YEAR MODEL PERFORMANCE VS BENCHMARK*

DEFENSIVE MIXED ASSETS MODEL



BALANCED MIXED ASSETS MODEL



DEFENSIVE BALANCED MIXED ASSETS MODEL



FOCUSED GROWTH MODEL



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

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.