

MARKET UPDATE

November 2017

BAM MODEL PORTFOLIO PERFORMANCE UPDATE – NOVEMBER

All of the BAM strategies, except for BAM Focused Growth with its larger weighting in the US and Japan, suffered a small drawdown in November due to market moves right at the end of month. Signs of progress in the Brexit negotiations supported Sterling in the final days of the month, which weighed on the very international earnings of the FTSE 100. 12 month returns are still looking very healthy and we have been meeting with lots of fund managers and debating portfolio changes required for the January rebalance.

RATES AND INFLATION

November began with a rate rise from the Bank of England, the first in a decade, which was widely expected and takes us back to the pre Brexit base rate of 0.50%. Third-quarter GDP growth for the UK was confirmed at 1.5% and inflation remained unchanged at 3.0%. The market anticipates roughly two more rises over the next three years to control inflation, but it is difficult for Mark Carney, the governor of the Bank of England, to have much certainty about the inflation outlook, especially when Brexit is thrown into the mix. Tension in the Middle East between Saudi Arabia and Iran, combined with the new production discipline of OPEC, saw the oil price rise further in November, an increase of over 40% in Brent crude since 21st June. Also, according to Good Housekeeping research into the cost of Christmas Dinner this year, the basket of goods will cost around 16% more than last year. Nine of the ten supermarkets they looked at were more expensive than last year with the only one to buck the trend being M&S (yet it is still the second most expensive basket of goods overall.)

BITCOIN MANIA

Cryptocurrencies have been big news in November as Bitcoin continued its astronomical rise breaking the \$10,000 mark. Bitcoin mining is a difficult concept to fathom. Bitcoin miners use computer programs to solve complex math problems and receive, in exchange, new bitcoins. Interestingly, around 80% of all bitcoins that could ever be mined now have been, but it is estimated the last new bitcoin will be mined around the year 2150, which reflects the increasing difficulty of the algorithms that need to be solved in the mining process. Most bitcoin markets are lightly regulated and are located outside of the US. A major potential drawback to digital currency is their use for money laundering, illegal trading, computer ransom attacks, tax avoidance, and to subvert exchange controls. The recent rise in the popularity of Bitcoin has led to more central banks focussing their attention on the implications of cryptocurrencies for the wider financial markets. Indeed, the interest in searching Google for 'central bank digital currencies' has risen sharply recently, alongside the rapid increase in the value of bitcoin against the dollar. We do not know if a digital currency that is secure today will be secure under new technology if quantum computing becomes a reality. This is not an investable asset for us but we watch the developments with interest and the development of Blockchain technology.

CHANGES AHEAD AT THE FED

As 2017 comes to a close there has been some interesting observations made by 7IM. Their analysis shows that December has been very productive historically. In fact, since 1950, the S&P 500 has had 50 positive Decembers and has been negative just 17 times- making it the most common month to see positive returns. Even better, the average December return over the last 67 years is 1.54%, the highest of any month. This is all made more interesting by the fact that if the US equity market sticks to tradition, and finishes the month up, 2017 will be the first calendar year ever with no negative months. The US economy has expanded by at least 3% in both Q2 and Q3, and a cut in the US corporate tax rate from 35% to 20%, which will potentially soon to be made law, should bring additional stimulus. Therefore the Federal Reserve is on schedule to raise rates again when they meet on 13th December with Fed Chair Janet Yellen, the first woman to lead the Fed, still in place until next February when her four-year term as Fed chief ends. Jerome "Jay" Powell, nominated by President Trump, this month is set to take over the reins as the first non economist to chair the Fed in decades and also one of the wealthiest, after making money in private equity. However, it is worth noting that he is seen as the status quo candidate and is expected to continue the broad trajectory Janet Yellen has set out on.

Wishing you a very merry Christmas and peaceful and prosperous New Year.

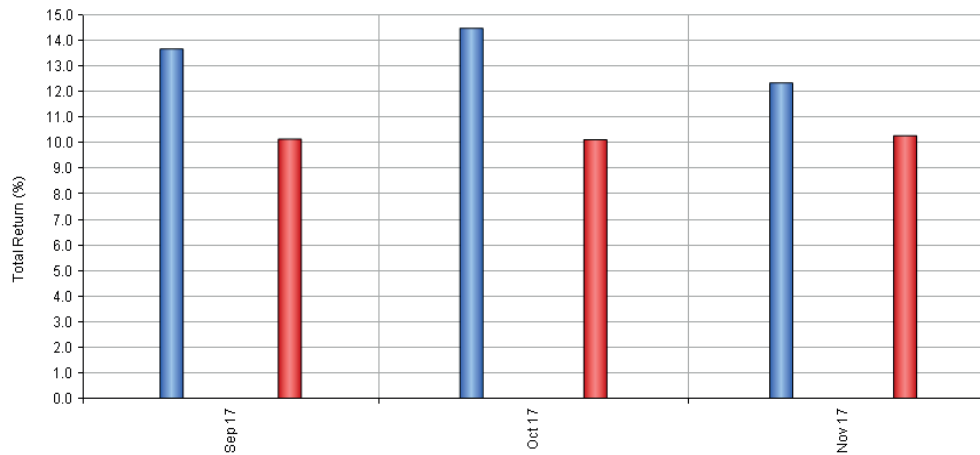
SOCIAL IMPACT MODEL



31/12/2015 - 30/11/2017 Data from FE 2017
PERFORMANCE SINCE INCEPTION IN 2016

5 YEAR MODEL PERFORMANCE VS BENCHMARK*

DEFENSIVE MIXED ASSETS MODEL



■ Defensive Mixed Assets 16/10/2017 TR in GB
 ■ UK Consumer Price + 2% TR in GB

*Last 3 months of 3 year rolling performance of Defensive Mixed Assets versus benchmark.

09/2017 - 11/2017 Powered by data from FE

DEFENSIVE BALANCED MIXED ASSETS MODEL



■ A - IA Mixed Investment 20-60% Shares TR in GB [36.17%]
 ■ B - Defensive Balanced Mixed Assets 17/10/2017 TR in GB [35.26%]

30/11/2012 - 30/11/2017 Data from FE 2017

BALANCED MIXED ASSETS MODEL



■ A - IA Mixed Investment 40-85% Shares TR in GB [52.55%]
 ■ B - Balanced Mixed Assets 17/10/2017 TR in GB [52.30%]

30/11/2012 - 30/11/2017 Data from FE 2017

FOCUSED GROWTH MIXED ASSETS MODEL



■ A - Focused Growth Mixed Assets 16/10/2017 TR in GB [74.50%]
 ■ B - IA Flexible Investment TR in GB [54.99%]

30/11/2012 - 30/11/2017 Data from FE 2017

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.