INVESTMENT REVIEW

BECKETT ASSET MANAGEMENT LTD

Quarter 3 2015

We had been predicting the return of volatility for some time but Quarter 3 saw sharper bouts of volatility than many had expected. The focus of world markets shifted from the Greek bailout at the beginning of the quarter, to China and their currency devaluation in August, and then to the action (or inaction) from the US Federal Reserve in September.

It was a challenging quarter for equity markets, particularly those which are sensitive to commodities such as the FTSE 100. In this higher volatility environment, all of the Beckett Asset Management strategies outperformed their benchmarks with three of them ranking in the first quartile of their peer groups.

At our last Quarterly Investment Review the Greek referendum had just produced a No vote, leading to further worries about Greece leaving the Eurozone. A new deal was struck by Greece and its creditors, however, the subsequent period of relative calm was short lived as Tsipras called a General Election, perhaps as an attempt to expedite the shake out of dissenting voices in Syriza and solidify public support. However, we do not feel the Greek situation has been rectified; rather we feel it has been postponed as the IMF believes Greece needs debt relief to help properly address the situation. Despite the issue with Greece, we remain positive about European equities as we have seen a number of encouraging data points coming out of countries like Spain, Italy and Ireland and the market is more attractively valued than the UK and US.

China attracted the most coverage over the quarter with the devaluation of their currency along with data which shows their economy is slowing. We continue to feel the currency devaluation was necessary after a sustained period of appreciation. The changes made to the way the currency trades should aid the government in achieving their ultimate goal of liberalising their markets and being accepted as a reserve currency by the IMF. In terms of their economic slowdown, the country is going through a huge multi-year transition from an investment and export led economy to one driven by consumption. We believe that the government has the will and the resources to keep the economy on track and, whilst they can't avoid the bumps in the road, can avoid a hard landing.

There was some anxiety about whether or not US interest rates would rise. When the decision to leave rates at zero was announced, comments by Janet Yellen did not appear to be consistent with market expectations. However, at a later date she confirmed that they expected to raise rates before the end of this year. We remain positive for the prospects of the US economy but note that the equity markets there look fairly valued and as such we would be unlikely to increase our allocations there at present.

In the UK the FTSE 100 underperformed relative to the US and Europe due to the higher weighting of commodity sensitive stocks in the index, which sold off severely over the quarter. However, other areas of the market in the UK such as small cap and mid-cap stocks fared much better as they are more focused on the domestic economy and are generally less sensitive to global events than the large multi-nationals in the FTSE 100. In our strategies we use funds that invest across the market capitalisation spectrum for exactly this reason and having this type of exposure has helped shield portfolios from the full drawdown of the broad market.

Our preference for equities over Fixed Income continues given the economic environment and the valuations of some areas of Fixed Income. We have seen a sell-off in high yield debt, which was largely driven by events in the commodities sector. We think we are likely to see high yield defaults rise in the coming months as companies are less able to refinance and raise debt to fund operations, as the prices for the commodities they produce or extract remain depressed. We continue to use active managers for Fixed Income who have the experience to find the pockets of value in the asset class but also use their resources to try and avoid those sectors and companies which are particularly stressed and perhaps prone to default.

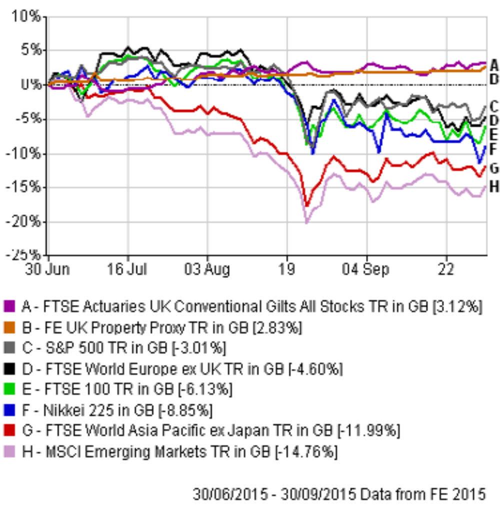
The final quarter of the year now begins and we continue to expect volatility in equity markets but, overall, remain positive about the outlook for equities and believe that this volatility presents opportunity for our managers to outperform the market. We are encouraged by how our strategies performed during the recent period of high volatility and continue to feel we are well positioned going into the end of the year.

VOLATILITY RETURNS

EUROPE MAKES PROGRESS

CHINA – THE LONG AND WINDING ROAD

US RATE RISE DELAYED



Figures shown are for a sterling denominated investor, for the 3 month period to 30/09/2015.
Source: Financial Express Analytics

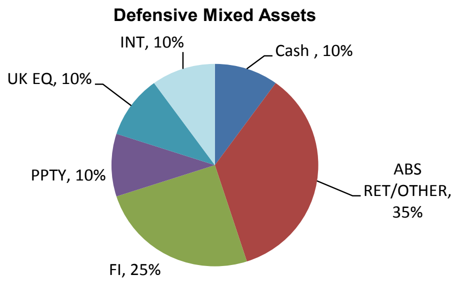
BAM Portfolio Models' Investment Performance

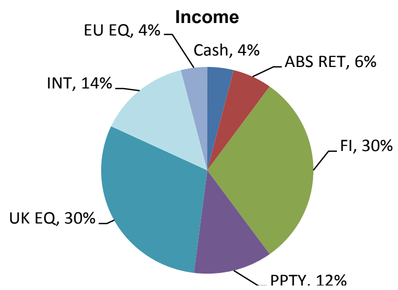
	30/09/2010 -30/09/2011	30/09/2011- 30/09/2012	30/09/2012– 30/09/2013	30/09/2013– 30/09/2014	30/09/2014- 30/09/2015
Defensive Mixed Assets Strategy	n/a	n/a	+ 7.15%	+ 6.94%	+ 2.86%
IA MIXED ASSETS 0-35% SHARES	- 0.53%	+ 7.96%	+ 4.38%	+ 4.11%	+ 0.81%
Income Portfolio Strategy	+ 1.13%	+ 11.15%	+ 10.33%	+ 7.40%	+ 1.16%
IA MIXED ASSETS 20-60% SHARES	- 1.59%	+ 9.20%	+ 8.57%	+ 5.10%	+ 0.32%
Income & Growth Portfolio Strategy	- 0.32%	+ 13.43%	+ 11.84%	+ 7.44%	+ 1.65%
IA MIXED ASSETS 40-85% SHARES	- 3.37%	+ 11.57%	+ 13.40%	+ 5.63%	+ 0.58%
Growth Portfolio Strategy	- 1.92%	+ 10.89%	+ 15.58%	+ 6.21%	+ 3.31%
IA FLEXIBLE	- 3.87%	+ 10.87%	+ 13.40%	+ 5.67%	- 0.66%
Key Indices					
FTSE ALL SHARE	- 4.36%	+ 17.25%	+ 18.93%	+ 6.09%	- 2.30%
FTSE UK CONVENTIONAL GILTS ALL STOCKS	+ 7.76%	+ 8.29%	- 3.02%	+ 5.65%	+ 8.21%
FTSE WORLD	- 4.01%	+ 17.68%	+ 19.04%	+ 11.93%	+ 0.83%
FTSE WORLD EUROPE (EX UK)	- 13.61%	+ 12.57%	+ 28.32%	+ 6.21%	- 1.21%
FTSE WORLD ASIA PACIFIC (EX JAPAN)	- 8.60%	+ 18.68%	+ 8.50%	+ 3.33%	- 11.59%
JAPAN NIKKEI 225	+ 1.80%	- 2.56%	+ 28.85%	- 0.03%	+ 5.39%
S&P 500	+ 1.70%	+ 24.77%	+ 18.21%	+ 18.87%	+ 5.71%

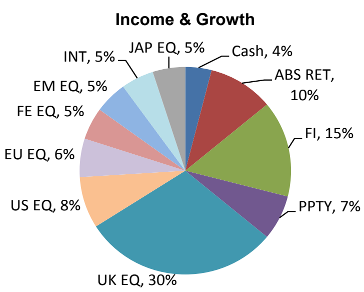
Notes: BAM figures take into account normal dealing costs but not BAM fees.
Source: BAM portfolio performance figures: Beckett Asset Management.
Indices: FE Analytics- Total Return; IA: Investment Association
Overseas equity returns are for a sterling denominated investor.

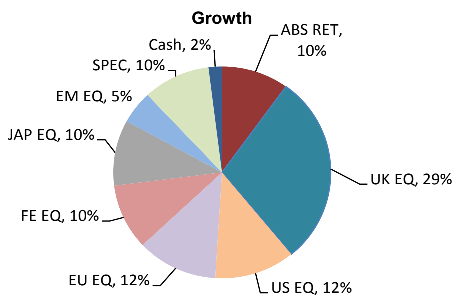
PAST PERFORMANCE IS NO INDICATOR OF FUTURE PERFORMANCE

Target Model Portfolio Structures for Quarter 4









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