MARKET UPDATE

BECKETT ASSET MANAGEMENT

February 2016

February was a mixed month with a continuation of the sell-off in equity markets through to the middle of the month, followed by a rebound in markets in the second half, which left the FTSE 100 back above the level the index closed on 4th January, the first trading day of 2016.

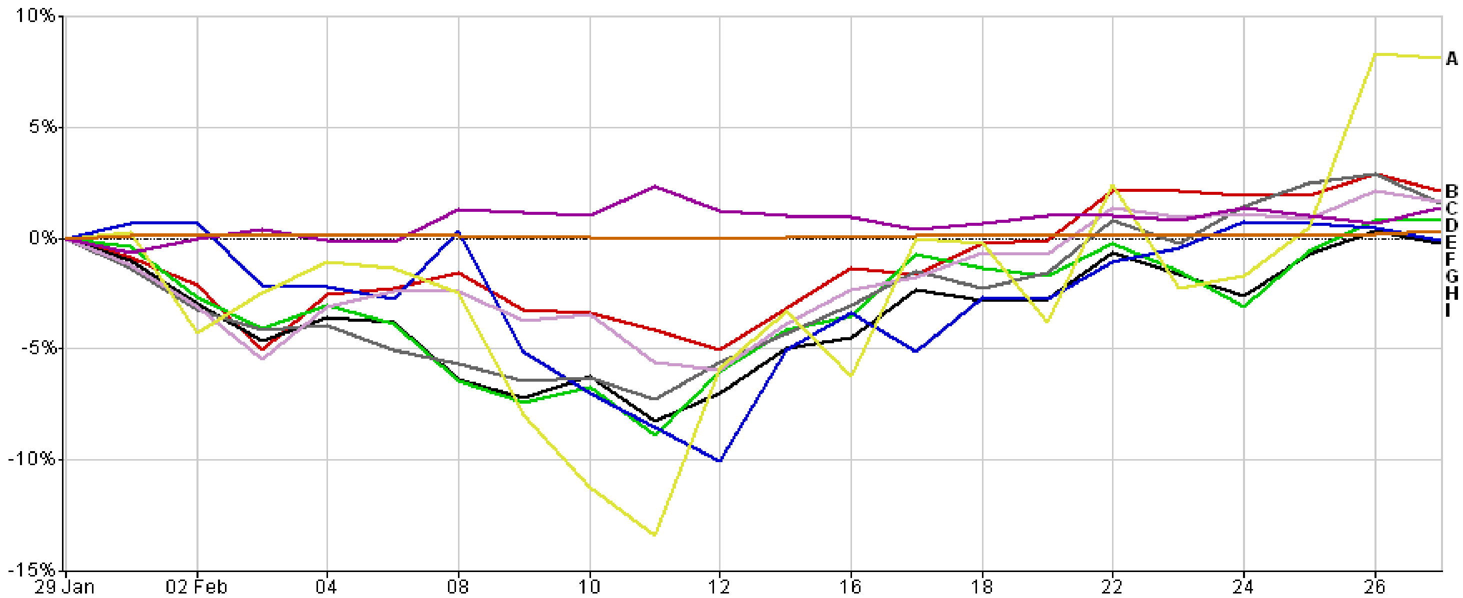
Oil continued to demonstrate significant volatility with the price per barrel whipsawing around; this was based on continued concerns about global oversupply, followed by relative calm as a result of talks surrounding production freezes at the January levels. We continue to feel that oil will be challenged and, in the near-term, cannot see an obvious catalyst to drive the price significantly higher.

We have continued to see big intraday swings in markets and, as we mentioned last month, with funds generally priced at midday there can be wide dispersions in the midday price of a fund and the close price of an index. This can therefore impact performance figures in the short-term.

One of the biggest pieces of news from the month was the setting of the date for the Brexit referendum on 23rd June 2016. Mr Cameron returned from Brussels with a deal he felt was strong enough to convince the British people that voting to remain in the EU was the best course of action. This was shortly followed by the announcement by Mayor of London, Boris Johnson, that he would be supporting the campaign to leave the EU. The announcement of the referendum date and the news that Mr Johnson will support the leave campaign generated higher volatility in Sterling, which led to the pound being the weakest it has been against the US Dollar since 2008. We expect to see continued volatility ahead of the referendum date as nervousness increases about the potential implications of a vote to leave.

At the end of the month inflation data for Europe came in weaker than expected, which further raised expectations

CONTINUED OVERLEAF



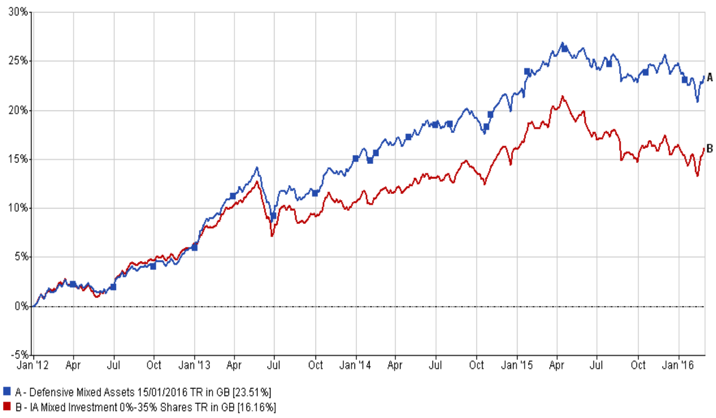
A - Commodity Prices Oil Price Brent Crude ($) in GB [8.11%]
B - FTSE World Asia Pacific ex Japan TR in GB [2.12%]
C - MSCI Emerging Markets TR in GB [1.62%]
D - S&P 500 TR in GB [1.56%]
E - FTSE Actuaries UK Conventional Gilts All Stocks TR in GB [1.39%]
F - FTSE 100 TR in GB [0.82%]
G - FE UK Property Proxy TR in GB [0.30%]
H - Nikkei 225 in GB [-0.12%]
I - FTSE World Europe ex UK TR in GB [-0.22%]

for additional easing to come from the European Central Bank (ECB) as the try to stimulate the economy and generate inflation. The implementation of this is a topic for discussion as they currently have negative interest rates, which we have seen already impact the banking sector. However, in addition to this, the efficacy of continued asset purchases via Quantitative Easing (QE) is being called into question. Some have likened QE and incredibly loose monetary policy to antibiotics, whereby, over long periods of it being administered, the marginal effect decreases with each dose as the body and virus become accustomed to it.

We still expect markets to remain volatile, not least given the rather uncertain political backdrop in the developed world along with the next moves by central banks. Market participants who have seemed fixated on the negatives appear to have taken a pause for breath and the market has been experiencing a period of relative calm. We continue to believe that the data points towards a continuation of the plodding global recovery we have seen thus far but that, as we enter the later stage of the market cycle, good active management becomes increasingly key to both generating returns and protecting from the bouts of volatility that will lie ahead.

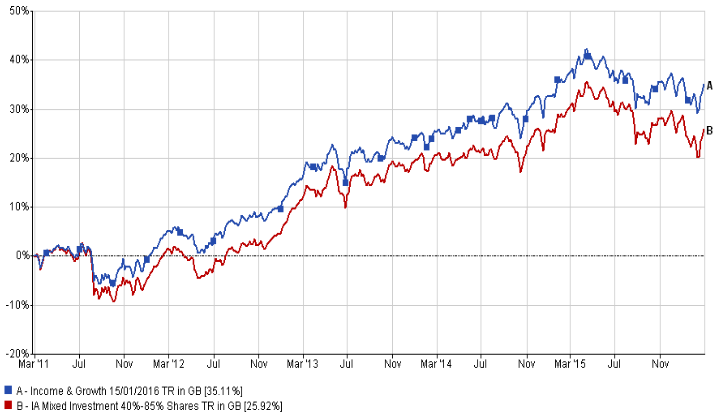
5 YEAR MODEL PERFORMANCE* VERSUS BENCHMARK

DEFENSIVE MIXED ASSETS MODEL

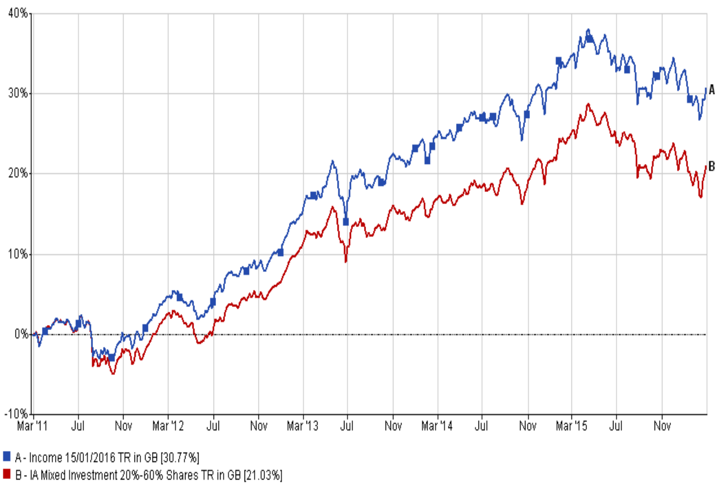


*DEFENSIVE MIXED ASSET MODEL PERFORMANCE SINCE INCEPTION AS NOT 5 YEARS OLD

INCOME & GROWTH MODEL



INCOME MODEL



GROWTH MODEL

BAM figures take into account normal dealing costs BUT NOT BAM fees.

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