MARKET UPDATE

BECKETT ASSET MANAGEMENT

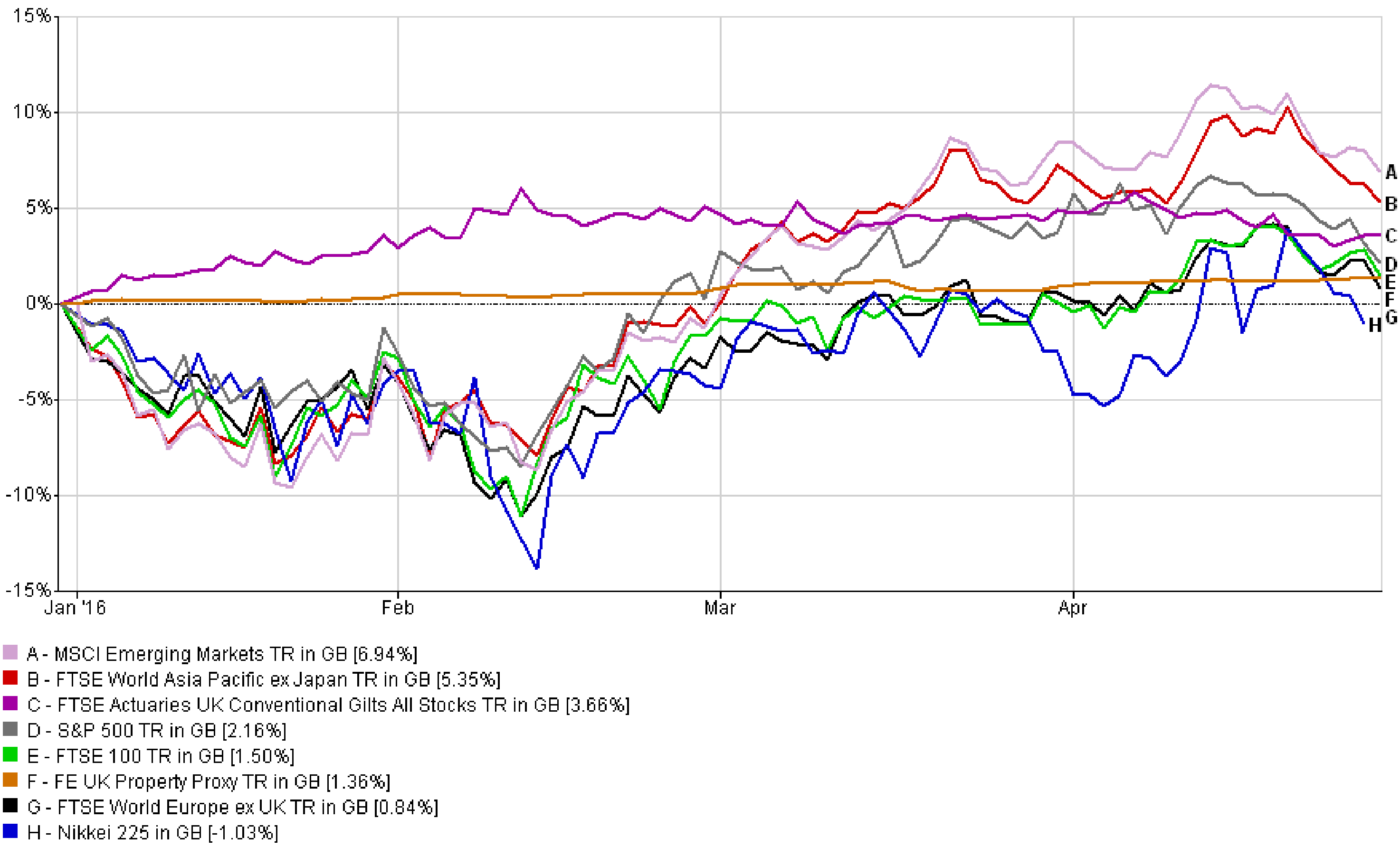
April 2016

The positive sentiment from March was on the wane in April. Markets had got excited about the potential for further easing at the Bank of Japan meeting and, despite downgrading their growth and inflation outlook, they refrained from easing further which disappointed markets. The Yen strengthened and Japanese stocks fell. This was painful for the Growth portfolio which holds a currency hedged Japanese position, but is was slightly offset by the positive return of the unhedged Japan fund also held. Returns on the Growth strategy were slightly negative for April, but the other portfolio strategies all registered a small positive return for the month.

The Fed also held fast at their April meeting, but by doing so led the market to believe in just a 12% probability of a rate rise on the 15th June, retaining easy policy. With inflation expected to be close to 2% later this year, the Fed is running the risk of letting employment and inflation run hot and having to play catch up. We still think the Bank Of Japan is likely to ease further this year but the timing remains uncertain and they possibly won't act until they know their action won't be countered by Fed actions. Another key Central Bank, the European Central Bank (ECB) also made no changes to policy, but Mario Draghi laid out guidelines for the corporate bond buying programme, a new feature of ECB easing. The Bank of England also kept base rates at 0.5%, now an 85 month record.

Over the 12 months to the end of April, the FTSE 100 has lost nearly 7% and the returns on the portfolio strategies are negative to varying degrees. However, through our multi asset, multi geography approach, we have been able to protect capital better than the average fund in each peer group and in comparison to the FTSE. As expected, the BAM Defensive Mixed Assets strategy has held up best over this volatile period. Even our most

CONTINUED OVERLEAF



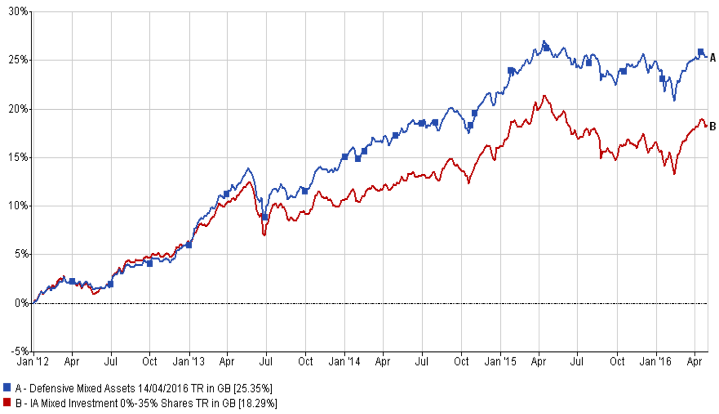
risky strategy, BAM Growth did not fall as much over the 12 month period as the average fund benchmarked against the IA Flexible sector or the FTSE 100.

Over the coming months, investors will wrestle complex issues with a wide range of outcomes, so markets are susceptible to violent rotations. The risk of a Brexit is one such issue at the forefront of British and European minds. At present, most polls and betting odds expect a remain vote. However, we still have over a month to go. In the context of managing a portfolio, this is just one event that needs consideration.

So far this year, investor sentiment has moved from very pessimistic to optimistic in a short space of time, as can be seen in the year to date chart here (Sterling returns, source: Financial Express Analytics). For example, the Emerging Markets Index was one of the worst performers earlier this year but, year to date, is one of the best performers. The rebalancing and changes we made to the portfolio strategies in April should help to protect investors from the worst of the volatility. A message we are hearing more is expect less and diversify more. We take heed.

5 YEAR MODEL PERFORMANCE* VERSUS BENCHMARK

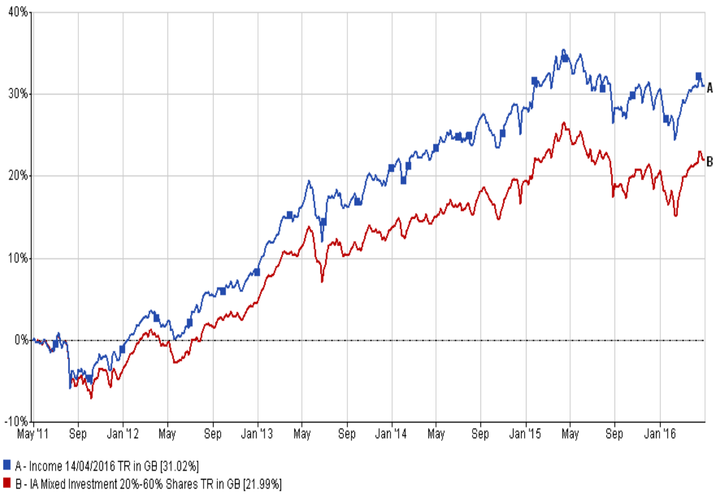
DEFENSIVE MIXED ASSETS MODEL



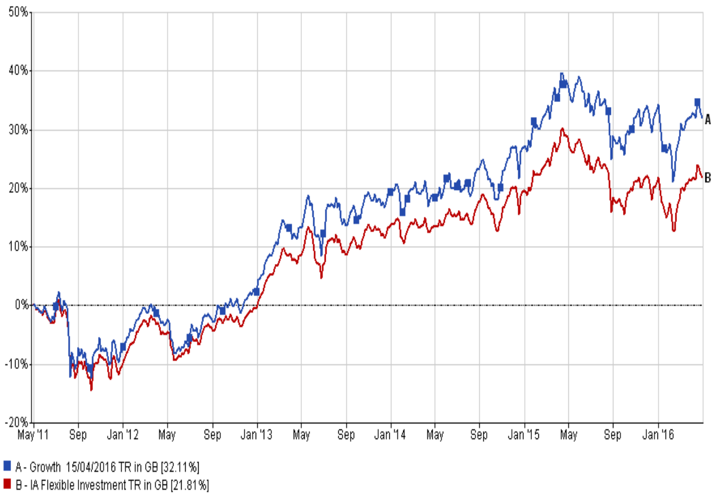
*DEFENSIVE MIXED ASSET MODEL PERFORMANCE SINCE INCEPTION AS NOT 5 YEARS OLD

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