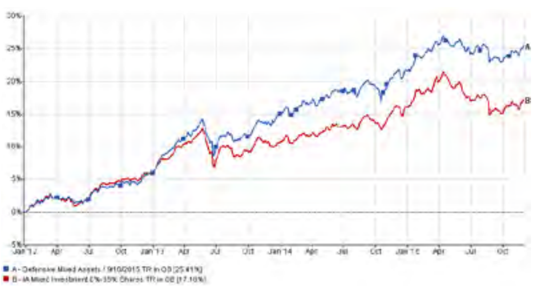
MARKET UPDATE

BECKETT ASSET MANAGEMENT

November 2015

5 YEAR MODEL PERFORMANCE* VERSUS BENCHMARK

DEFENSIVE MIXED ASSETS MODEL



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

INCOME MODEL

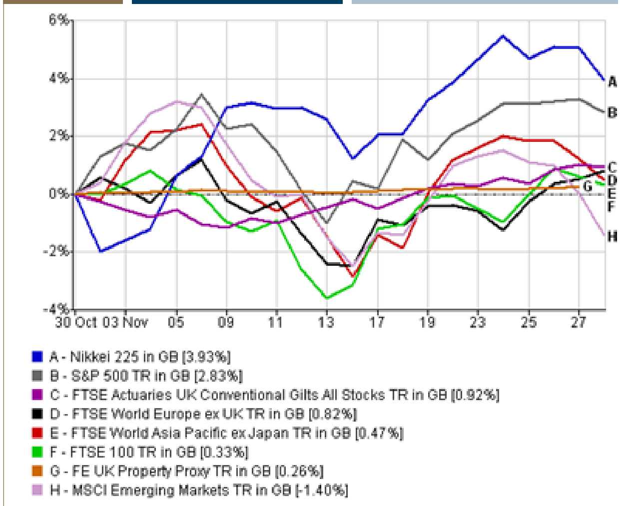
INCOME & GROWTH MODEL

GROWTH MODEL

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

As you can see in the chart below, we returned to more volatile times in November, but it was still a generally positive month for most markets, which builds on a positive October. Japan and the US continued to lead the way.

Mid month, we witnessed the terrible events in Paris. While this has a tremendous social and political impact, the economic impact is limited but may temporarily put the brakes on the European recovery. However, the ECB was already likely to expand stimulus this month.



30/10/2015 - 30/11/2015 Data from FE 2015

During these choppy times, the BAM portfolios coped relatively well and managed to deliver positive one month returns which were ahead or in line with their benchmarks.

The portfolios generally benefitted from having global equity exposure while the main detractors were some of the Strategic Bond holdings which struggled, but these were not enough to offset the positive returns. Our European fund selections were particularly strong this month, with all of our active managers beating the FTSE World Ex UK Index and delivering between 1.12% and 3.50%.

Over 12 months, all of the portfolio returns are positive, but the FTSE 100 still shows a loss. This demonstrates the benefits of a multi asset, multi geography portfolio. Over three years, all of the strategies are first or second quartile which is our aim.

The latest in the Fed rate rise saga is that the likelihood of a rate rise in the US in December now stands at 72%. This would be the first rate rise since 2006. Investors and markets have had plenty of time to get used to the idea and Emerging Market currencies, equity and debt markets are therefore less vulnerable than when former Fed chairman Ben Bernanke made moves towards ending the Fed's QE purchases in 2013 and the so-called "Taper Tantrum" followed. Countries have shifted a lot of debt into Local currency and flows out of EM this year have already been as high as in 2008 showing investors have prepared themselves as the US Dollar has been climbing.

While the Fed looks to tighten, the ECB looks set to cut deposit rates and expand quantitative easing (QE). Japan and China also remain committed to stimulus, so investors could well be in the festive spirit and a Santa Claus rally could ensue once we get past December 16th (the date the Fed meeting concludes).

The prospects for demand growth are not large enough to eat into the supply overhang we still have in Oil which will keep a lid on fuel prices and inflation for the time being, so no excuses for not visiting friends and family this Christmas, plus a few more pennies to spend on presents! Inflation is expected to pick up in 2016 though as the base effects from lower commodity prices drop out of the index. (If you happen to be Brazilian, though, inflation is running at 15%!) It seems people don't need too much of an excuse to shop, with Black Friday sales in the US coming in at $2.6bn. However, this was not a touch on Singles Day in China earlier this month where $14.3bn was reportedly spent. Around 70% of Singles Day sales were online and it appears UK shoppers are following that trend.