MARKET UPDATE

BECKETT ASSET MANAGEMENT

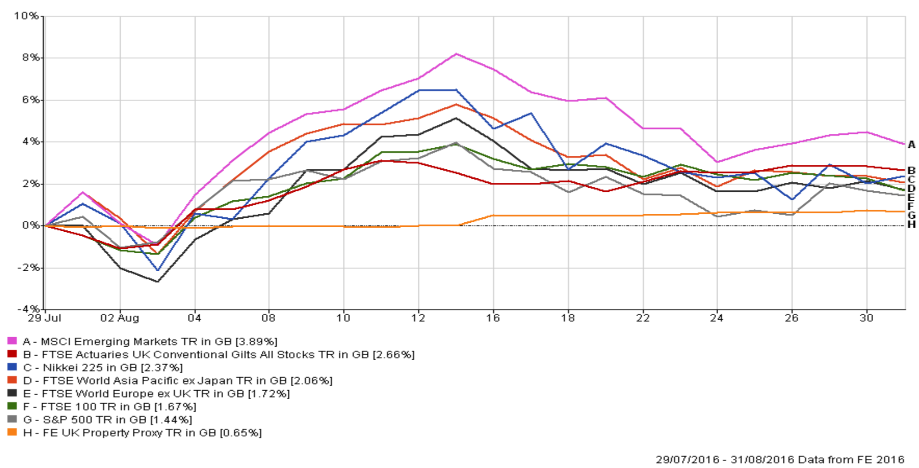
August 2016

August proved to be another very busy month for Central Banks across the globe with the actions and statements they make continuing to have significant impacts on financial markets. The month was mixed with the first half being very positive for risk assets followed by a slight move down and then flattening into month end.

The pattern we have seen over the last couple of months of all risk assets performing positively across the board continued and the stronger correlation between the performance of equities and government bonds persisted. Traditionally one would not expect both of these assets to rally together but central bank action has led the normal relationship between these asset classes to break down.

The month began with the highly anticipated announcement from the governor of the Bank of England, Mark Carney, that base rate would be cut to 0.25% from 0.5%, which is the level base rate has been since 2009. In addition to cutting the base rate Mr Carney introduced further stimulus measures in an attempt to boost the UK economy and mitigate some of the expected effects of Brexit. These measures included purchasing up to £10bn of corporate bonds and £60bn of government bonds along with establishing a new Term Funding for Lending scheme, which is designed to encourage banks to lend and ensure rate cuts are passed on to businesses and households.

Whilst we expect it to be the coming quarters when we begin to see the impacts from the EU referendum result, in UK economic data we have seen inflation jump to a 2 year high, partly due to the depreciation of Sterling, and mortgage approvals at 18 month lows. Having said that, consumer confidence bucked the trend and bounced higher, which is a positive sign. Two areas of concern though are business hiring and capital expenditure expectations. The recent Bank of England survey showed that a majority of businesses surveyed expected to slightly reduce or significantly reduce both hiring and capital expenditure. These two areas in particular are of vital importance to keeping the UK economy on track.



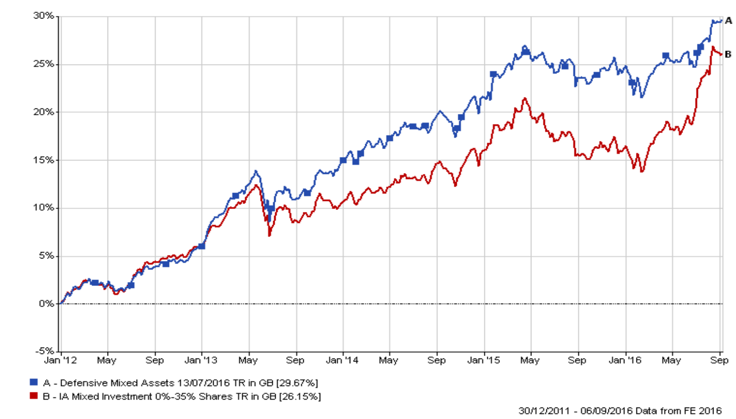
In the US the Federal Reserve (Fed), led by Janet Yellen, did not take any action at their policy meeting but indicated that the case for a rate rise had strengthened, given robust job growth and strong consumer confidence and spending. Ms Yellen stated that the Fed expects moderate growth in the US economy and a return of inflation towards the 2% target over the next few years. It has started to become clear that the Fed is willing to look past the near-term on inflation and focus more on its expectations over the more medium-term. Ms Yellen added in her statement that the US economy was now nearing the Fed's statutory goals of maximum employment and price stability. With the US election getting ever closer and another rate rise seeming more and more likely we continue to keep a keen eye on developments in the US and what opportunities may present themselves.

CONTINUED OVERLEAF

We have continued to trim some of the UK equity exposure in portfolios into the current market strength. The likely economic impacts of Brexit have dampened our appetite for UK equities and we have been looking to more global exposure to benefit from better valuations and more robust economic prospects elsewhere in the world. The political calendar is packed with potentially game-changing elections and referenda and as such we continue to search for not only interesting opportunities in markets, but ways to mitigate volatility and risk in portfolios caused by these often binary political events.

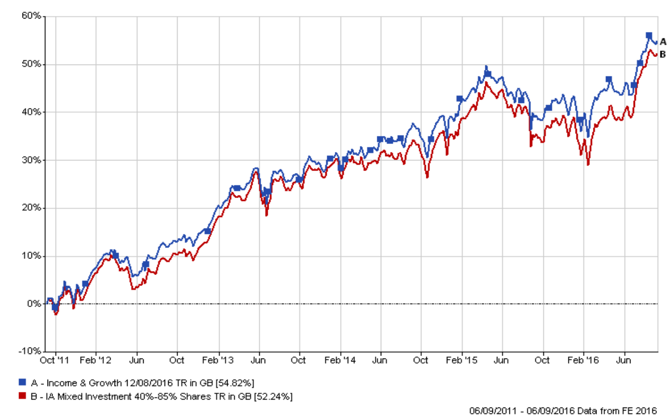
5 YEAR MODEL PERFORMANCE* VERSUS BENCHMARK

DEFENSIVE MIXED ASSETS MODEL

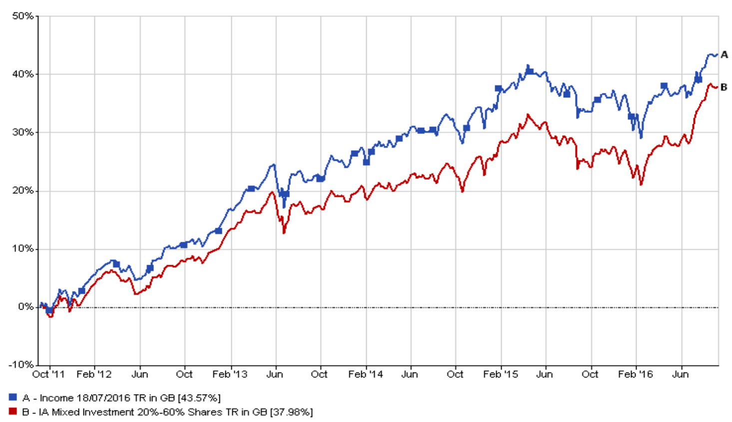


*DEFENSIVE MIXED ASSET MODEL PERFORMANCE SINCE INCEPTION AS NOT 5 YEARS OLD

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

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.