

Trustee Managed Portfolio Indices

Q2-2017 Market Commentary

Sterling

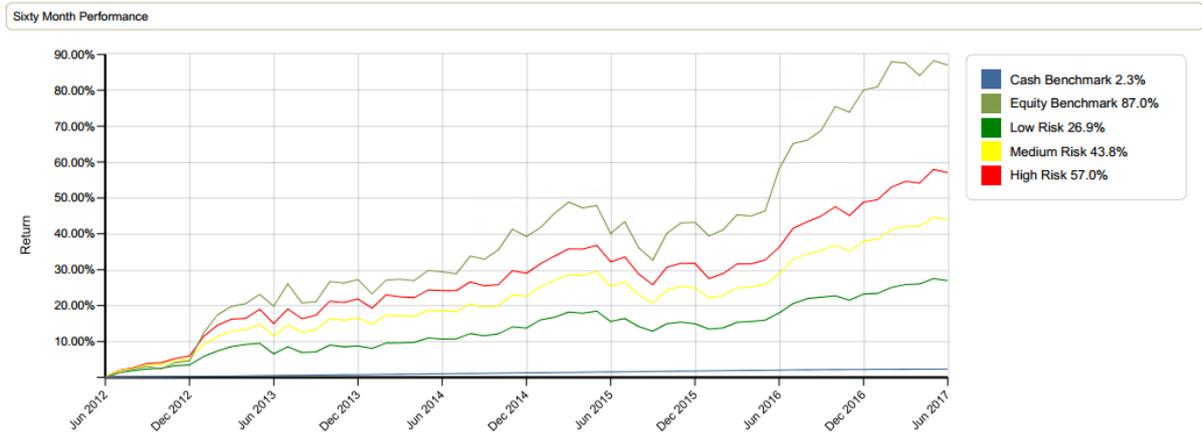
Just three weeks into the quarter UK Prime Minister Theresa May surprised everyone by calling a snap general election. With an overwhelming lead in the polls – 25 points by some measures – the hope that this would manifest into a healthy parliamentary majority and a mandate to secure her vision for Brexit was left in tatters after one of the biggest domestic political upsets in modern history. This failed gamble not only lost the Conservatives their majority but left the Prime Minister facing significant pressure to step down. After mocking the opposition Labour party's more socialist manifesto for requiring a "magic money tree" in order to deliver on its pledges, Prime Minister May found herself in the position of requiring one of her own as the Tories were forced to offer the Democratic Unionist Party of Northern Ireland £1bn for their backing to prop up the Conservative minority government. With the government now in a significantly weaker position heading into Brexit negotiations equity markets proved to be volatile over the quarter with the FTSE All-Share returning 1.4%, supported by good corporate results. Gains made in May were undone in June however with Sterling weakening as the political landscape shifted from a presumed Conservative majority to the prospect of a hung parliament.

Q2 also saw President Trump take his first overseas trips as President, visiting Saudi Arabia to announce a new \$110bn arms deal, Israel, Vatican City, Belgium and finally Italy for a G7 meeting with other heads of state and government. The perception of a significant ideological rift between the US and Europe increased with an unprecedented split developing between the US and the rest of the group on the subject of addressing climate change. A joint communique on the topic - endorsed by all G7 members with the notable exclusion of the US – vowed to uphold the Paris Agreement's principle aim to keep global temperature increases well below 2C, with Trump insisting that he needed more time to work on US climate policy. The US president subsequently decided to withdraw from the accord, resulting in 7,400 US cities and local councils signing an agreement to fight climate change irrespective of the chosen path of the Trump administration, as well as public declarations of disappointment from European leaders and an insistence that the agreement cannot be renegotiated. With Trump also lecturing fellow NATO partners on their failure to pay for their own defence, and German chancellor Angela Merkel's declaration that Europe can no longer completely rely on its longstanding US ally, relations between the US and Europe appear to be under considerable strain. Despite growing political uncertainty equities recorded gains with the S&P 500 up 3.1%. Furthermore first quarter GDP growth was also revised upwards to 1.2% quarter on quarter from an initial 0.7% estimate.

Europe saw political risk recede as France elected centrist Emmanuel Macron as President, beating far right Marine Le Pen in the second round of voting with a two-thirds majority. Macron also saw his fledgling 'Republique En Marche' movement win a clear majority in the French Parliament, taking 351 out of 577 seats, despite a relatively low turnout of 48%. The election was notable for the lacklustre performance of the country's traditional left and right parties who have dominated parliament for decades. With political risk receding in the short term Eurozone equity markets advanced with the

MSCI EMU Index up 1.8% over the period. June also saw European Central Bank President Mario Draghi bolster expectations that stimulus measures would see a reduction as soon as September.

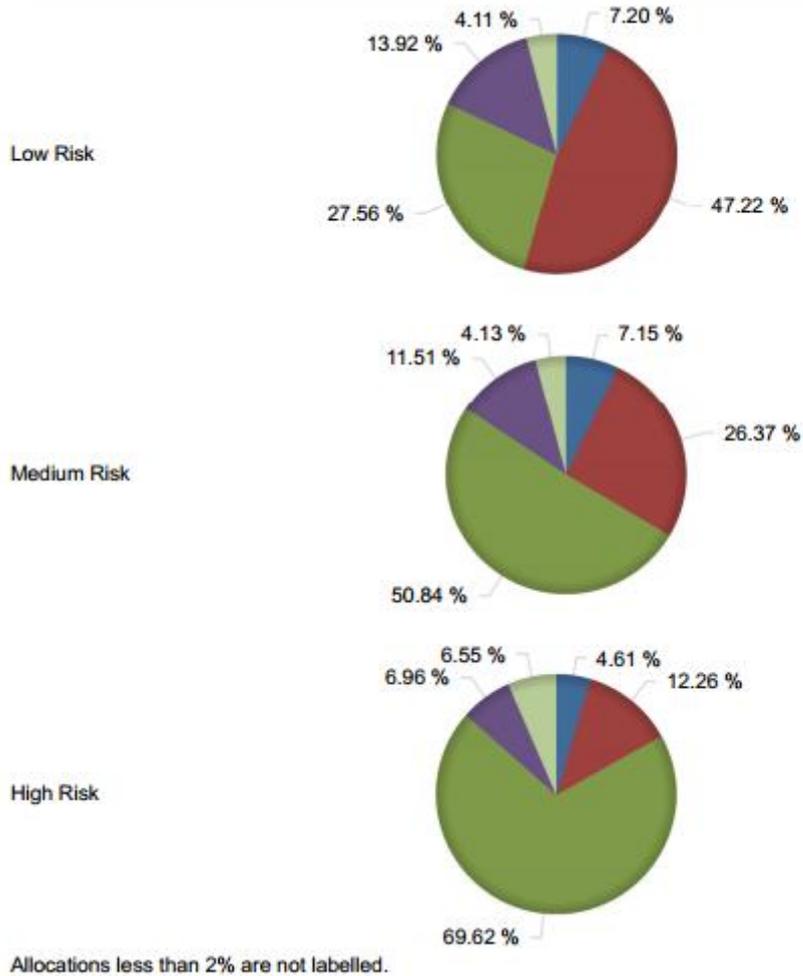
Emerging markets outperformed developed markets again, benefiting from US dollar weakness, with the MSCI Emerging Markets index (6.27%) outperforming the MSCI All Countries World Index (3.61%). Oil prices continued to fall, reducing 9.29% over the period whereas Gold remained flat.



In terms of individual equity market returns during the quarter, the FTSE 100 (capital only) decreased by -0.14%, European equities decreased by -0.66% in EUR terms (MSCI AC Europe CR LC) while the United States increased by 2.57% in USD terms (S&P 500 PR). Emerging markets increased by 6.27% in the quarter (MSCI EM NR USD) while the Japanese rose by 5.95% (Nikkei 225 CR). Government bond prices returned -1.33% in the U.K., 1.23% in the U.S. and 0.54% in Europe. Oil prices fell by -9.29% and the Gold price fell -0.21%.

During the quarter the Trustee Managed Portfolio Indices produced positive returns across the three risk profiles; the Low Risk index returned 0.87%, the Medium Risk index 1.19% and the High Risk index 1.54%.

Asset Allocation at 30 June 2017



Equity

Cash

Alternative

Fixed Income

Other

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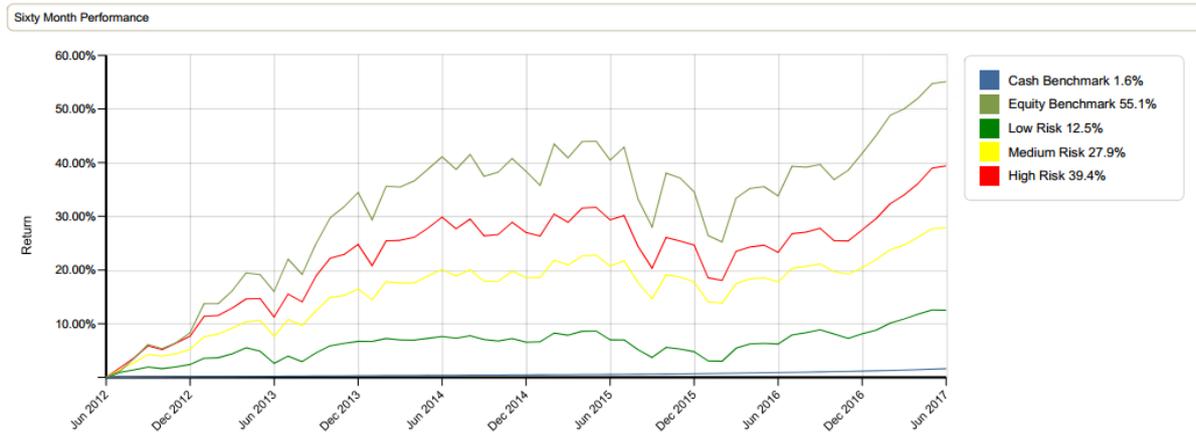
US Dollar

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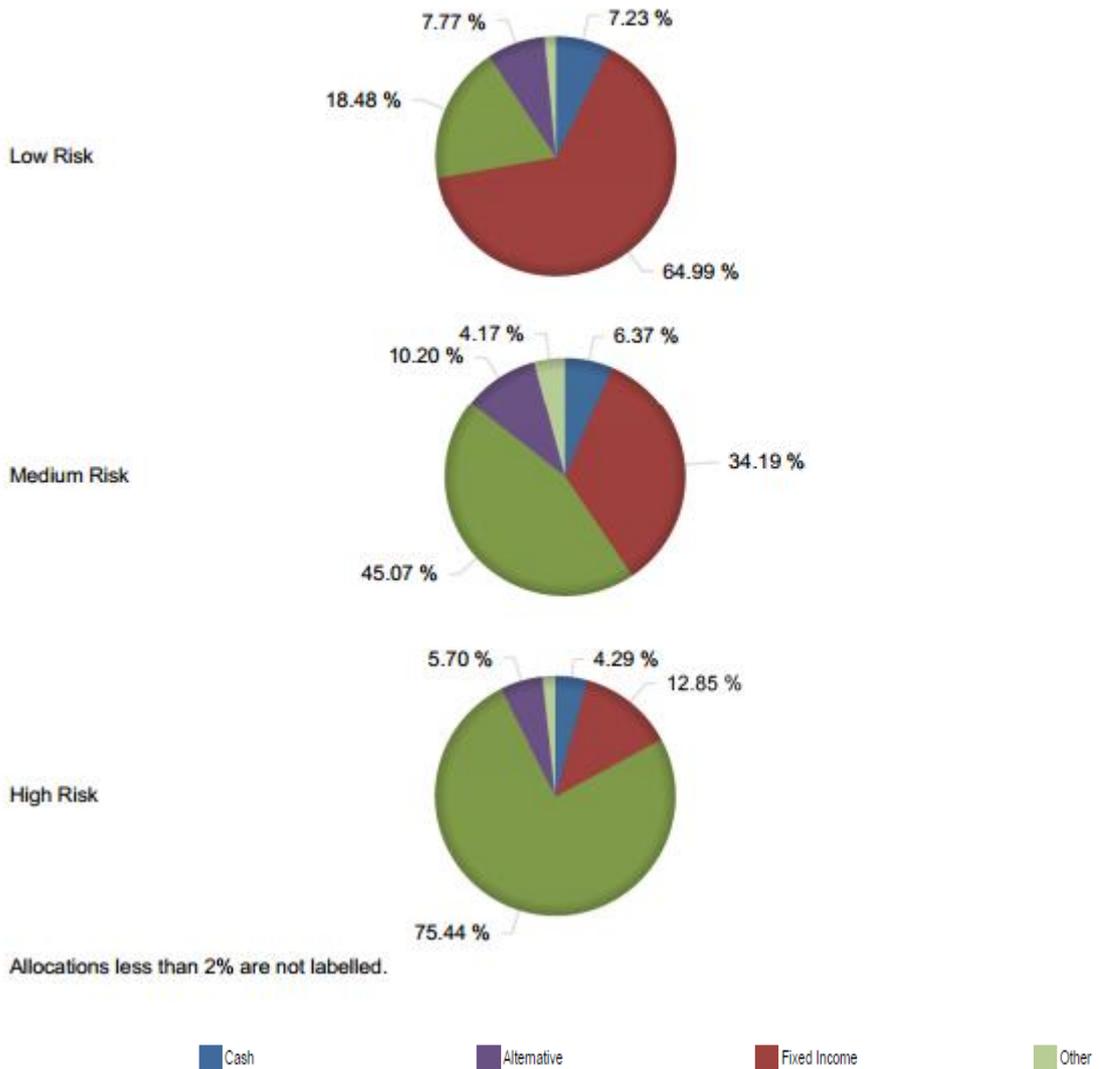
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During the quarter the Trustee Managed Portfolio Indices produced positive returns across the three risk profiles; the Low Risk index returned 1.48%, the Medium Risk index 2.63% and the High Risk index 4.05%.

Asset Allocation at 30 June 2017



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Euro

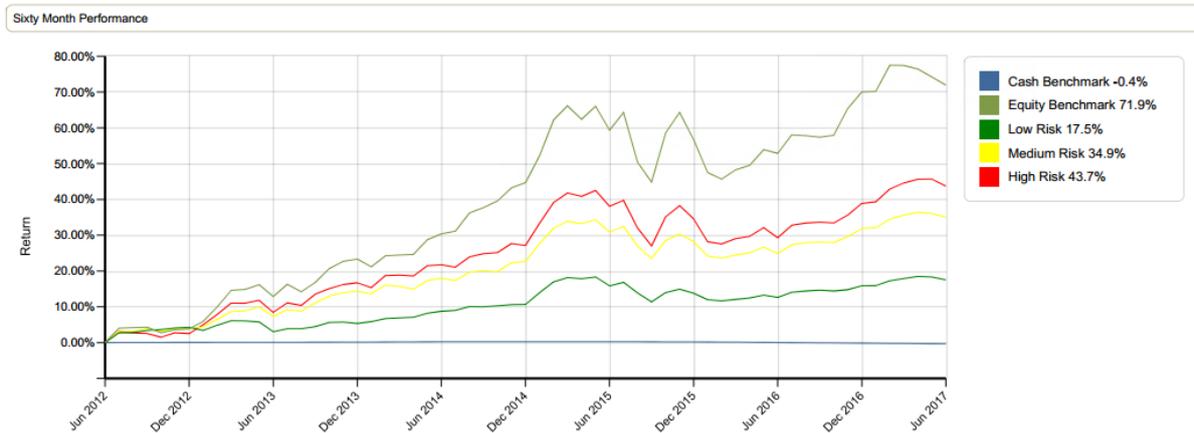
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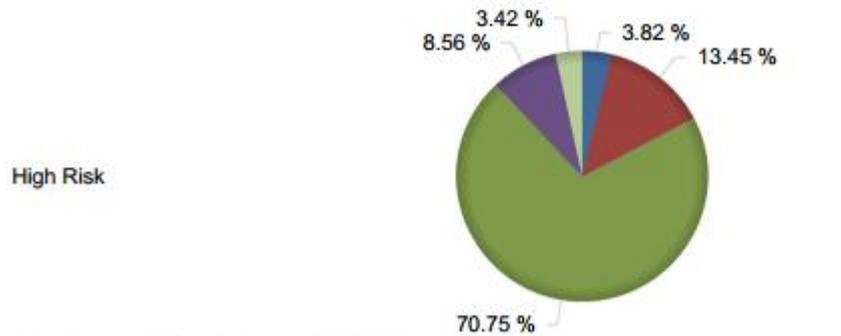
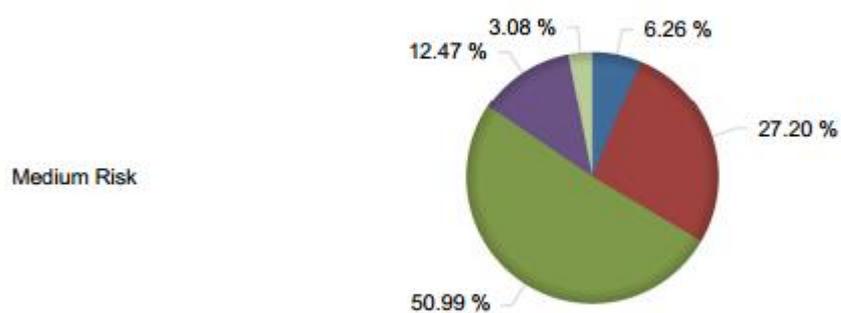
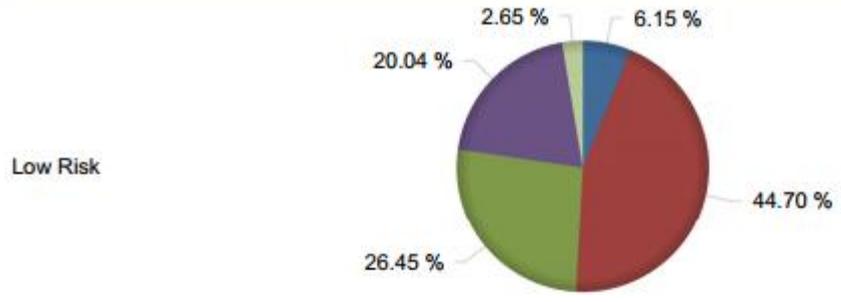
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During the quarter the Trustee Managed Portfolio Indices produced negative returns across the three risk profiles; the Low Risk index returned -0.31%, the Medium Risk index -0.47% and the High Risk index -0.60%.

Asset Allocation at 31 March 2017



Allocations less than 2% are not labelled.



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