

Trustee Managed Portfolio Indices

Q3-2017 Market Commentary

Sterling

Q3 saw equity markets continue to scale new heights despite political risks looming on the horizon. In the U.S. the geopolitical focus turned to North Korean belligerence with Trump threatening to rein down “fire and fury” upon the hermit kingdom, while chief strategist Steve Bannon became the latest administration member to be sacked or resign. This followed the departure of numerous CEO’s from Trumps business council in the wake of criticism of the president’s response to the violent conclusion of a white-supremacist rally. The council was swiftly dissolved. The S&P 500 continued its strong performance, up 4.48% while the Nasdaq increased 6.06%. The Federal Reserve’s announcement that their QE programme is set to end preceded a swift rally for the dollar, although still down around 14% against the Euro this year. Yields on 10-year treasury bonds climbed to 2.27% shortly afterwards, while 2-year treasury yields climbed to 1.43%, their highest since the 2008 financial crisis.

Brexit negotiations appear to be progressing slowly with Hard Brexit remaining a distinct possibility. Perception of a lacklustre UK attitude prompted dismay among EU negotiators while British frustrations surrounding their counterparts’ apparent inflexible approach and narrow parameters for negotiation continued to grow. Sterling remains sensitive to these negotiations and with GBP down 15% against the Euro and 12.5% on a trade-weighted basis since the referendum, the Pounds Brexit-driven depreciation initially minimised damage to the FTSE 100; one of the most globally exposed major markets in the world. However September saw Sterling bounce to a one year high against the Dollar following hawkish BoE MPC minutes, good news in helping cool inflationary pressures but spelling potentially bad news for the FTSE 100; up 1.82% in Q3, whereas the MSCI ACWI was up 4.35% over the same period.

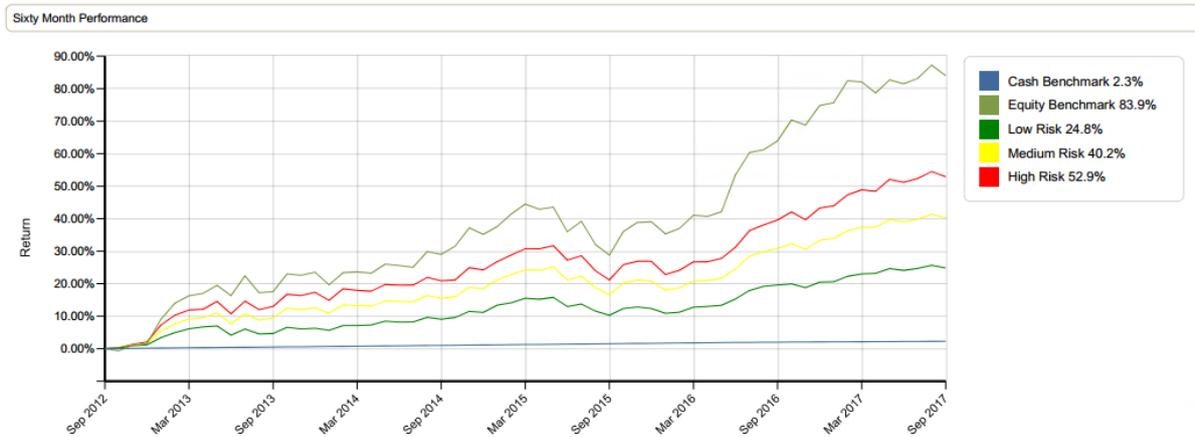
In Europe German federal elections took place in September. Angela Merkel expectedly secured her fourth term as President but her centre-right CDU conservative party saw its proportion of the vote fall to 33%, down from 41% in 2013, leaving their authority diminished on the domestic stage. The result echoed other recent elections across Europe with the far-right anti-immigration AfD party making historic breakthroughs, becoming the first nationalist party to sit in the Bundestag for 60 years. Political uncertainty also grew in Spain where a Catalan independence vote was scheduled to take place on October 1st despite Spanish authorities vowing to block the vote and jail the region’s top politician Carlos Puigdemont. European equities rose against a backdrop of positive economic data as expectations that the ECB could reduce its stimulus measures continued to be a focus for markets. The Stoxx Europe 600 ended the quarter up 2.32% while the Eurostoxx 50 saw an increase of 4.44%

In Japan the political uncertainty of a snap election called by PM Shinzo Abe appeared to have no bearing on BOJ monetary stimulus policy. Despite moves to the contrary in the US and Europe, the Bank of Japan voted to continue with their asset purchasing program although a dovish new board

member did voice opposition; an unexpected decision on a board chosen entirely by the Japanese Prime Minister. The Nikkei 225 ended the quarter up 1.61%.

Emerging markets continue to soar, returning circa 25% year to date, with MSCI Emerging Markets up 7.89% for the quarter. Stocks in Brazil and Russia were among the best performing over the past three months, with gains of 21% and 14% respectively.

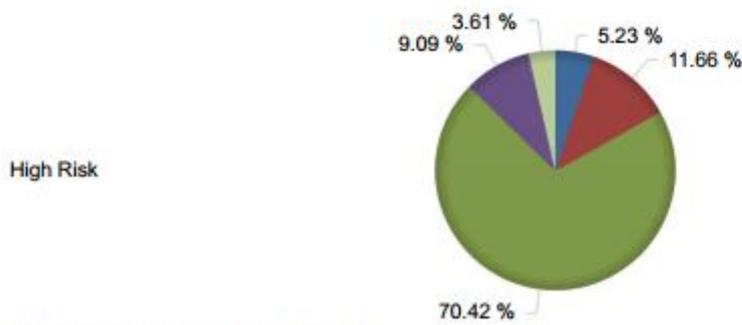
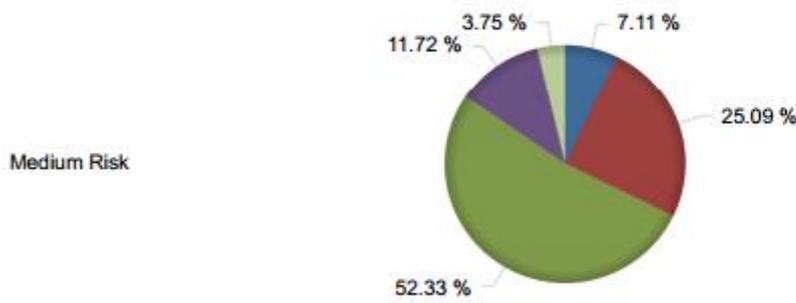
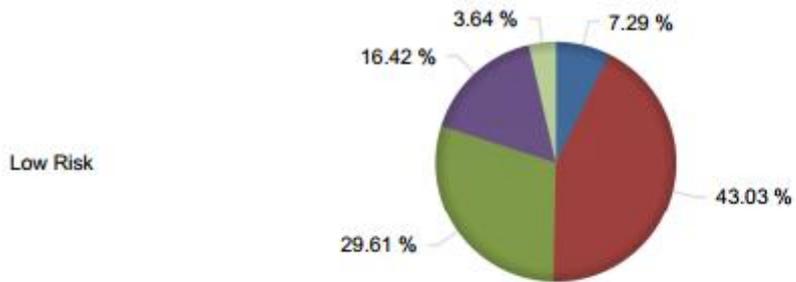
Hurricanes ravaged the Caribbean and southern US. Goldman Sachs estimated that hurricane Harvey alone took 3 million barrels a day – 17% - of US refining capacity offline, pushing crude oil prices above \$50 a barrel. Gold had seen a steady increase in value over the quarter before dropping back to \$1283 per troy ounce following the Fed’s QE announcement.



In terms of individual equity market returns during the quarter, the FTSE 100 (capital only) increased by 0.82%, European equities increased by 2.29% in EUR terms (MSCI AC Europe CR LC) while the United States increased by 3.96% in USD terms (S&P 500 PR). Emerging markets increased by 7.89% in the quarter (MSCI EM NR USD) while the Japanese rose by 1.61% (Nikkei 225 CR). Government bond prices returned -0.39% in the U.K., 0.40% in the U.S. and 0.60% in Europe. Oil prices rose by 20.08% and the Gold price increased by 3.29%.

During the quarter the Trustee Managed Portfolio Indices produced positive returns across the three risk profiles; the Low Risk index returned 0.58%, the Medium Risk index 0.88% and the High Risk index 1.14%.

Asset Allocation at 30 September 2017



Allocations less than 2% are not labelled.

Equity

Cash

Alternative

Fixed Income

Other

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Trustee Managed Portfolio Indices

Q3-2017 Market Commentary

US Dollar

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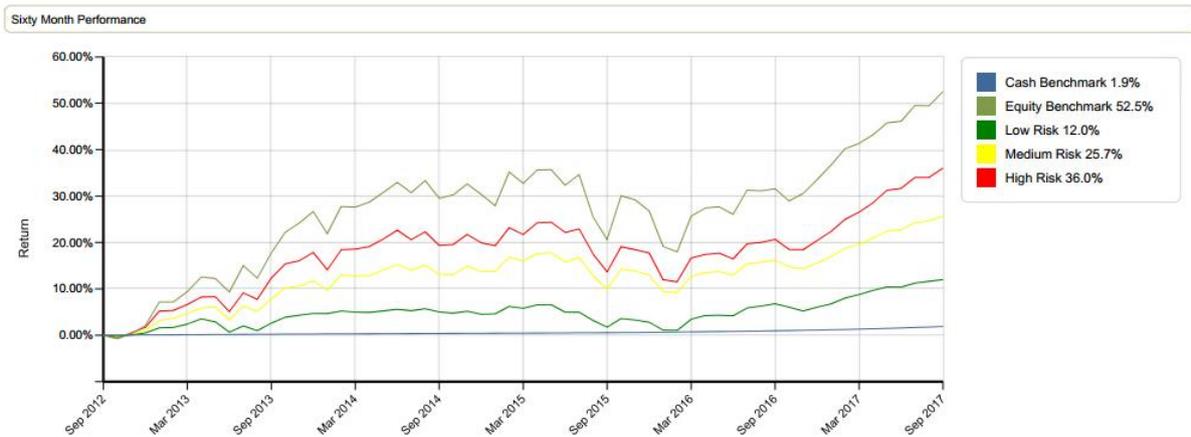
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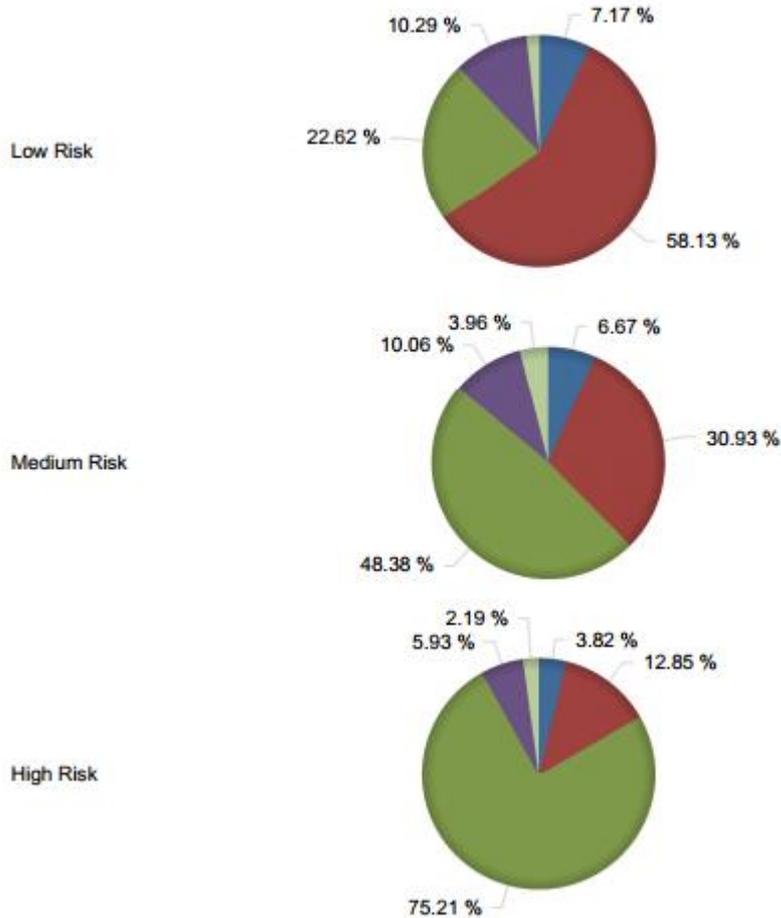
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Trustee Managed Portfolio Indices

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Enhance MPI Limited, registered in Jersey with company number 109905, registered office: 2nd Floor, 2 Hill Street, St. Helier, Jersey,
JE2 4UA

Q3-2017 Market Commentary

Euro

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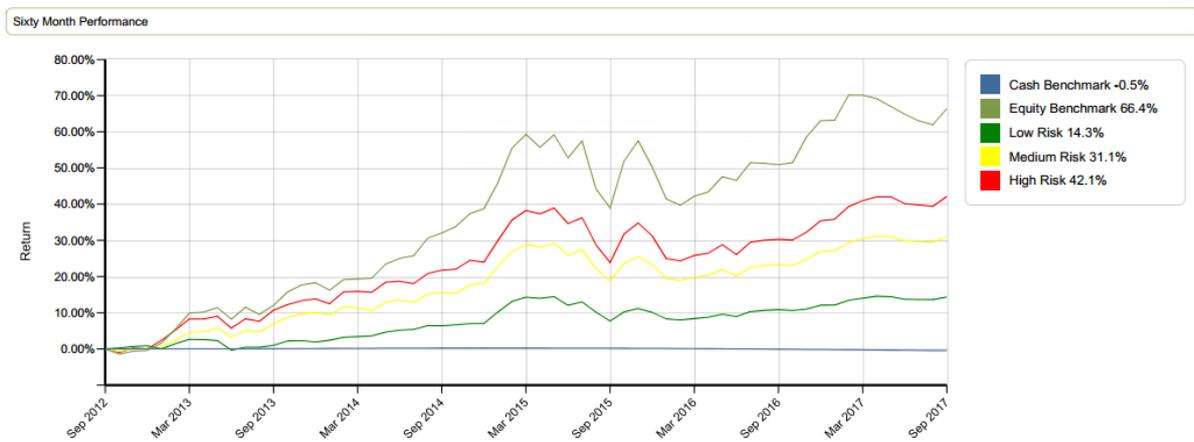
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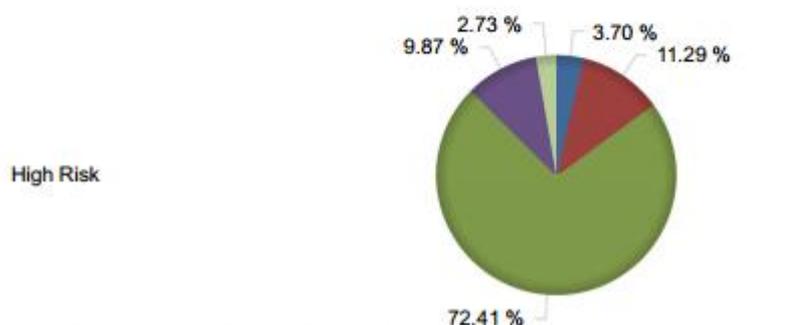
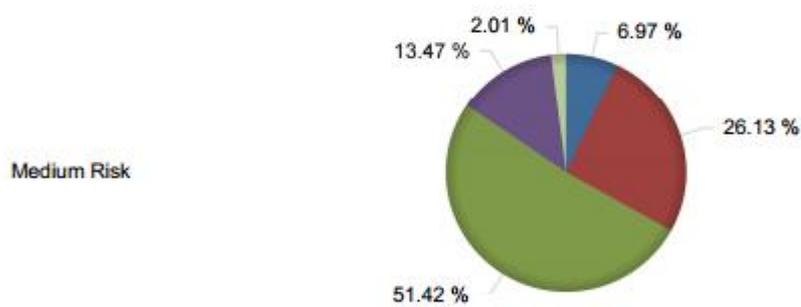
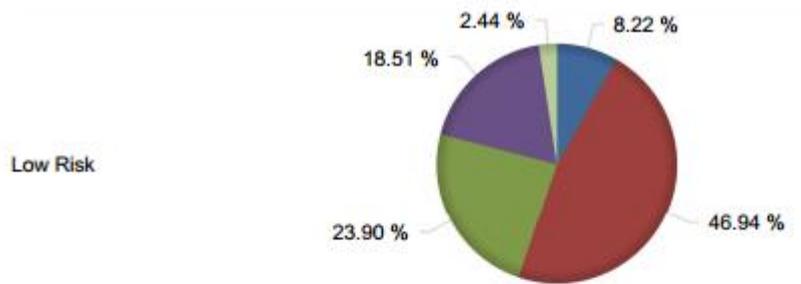
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