

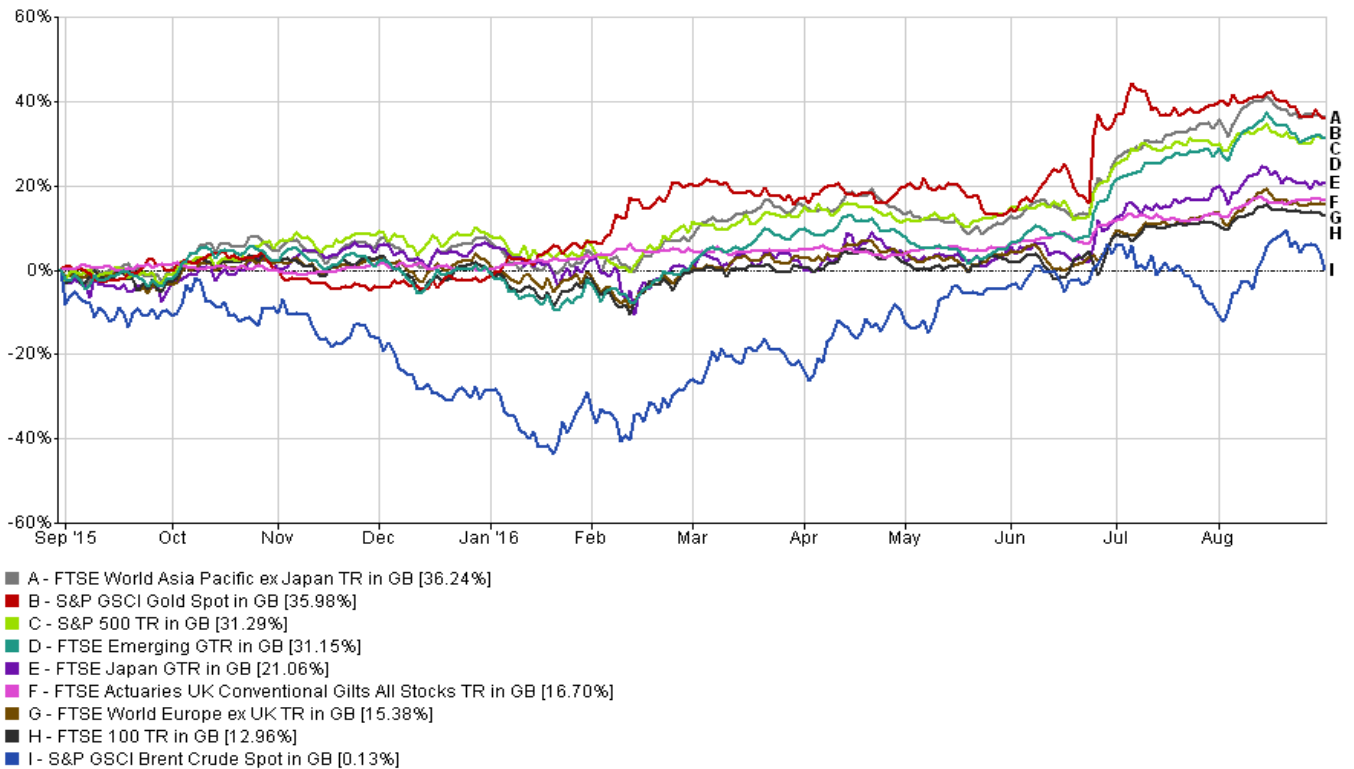
Global equities rose again in August, with the largest gains being seen in Sterling terms due to currency translation effects. After falling to a 31-year low in July, Sterling has remained weak compared to the US Dollar and the Euro. This has enhanced returns from global and international regional funds and indices in Sterling terms. The S&P 500 has a total return of 20.79% in Sterling terms. Conversely, this return is 7.33% in US Dollar terms, indicating that approximately 13.5% of the UK total return figure is attributable to currency effects. Additionally, the FTSE World Europe ex UK index has made a loss of 2.22% in composite local currency terms in the year to date but has a total return of 12.38% in Sterling meaning that all of this return is attributable to currency differentials.

Year to date the FTSE 100 is up over 12% in total return terms. Over the same period the FTSE index of UK Conventional Gilts rose by nearly 17%, fuelled further in the last month by expanded quantitative easing operations by the Bank of England and the cut in interest rates to a historic low of 0.25%. Whilst this will artificially sustain the rally in bonds, we are alive to the considerable distortions in the bond market and the potential for permanent capital loss once prices ultimately correct. We therefore retain our negative view.

Bond prices and yields are inversely related and with bond prices being so high, yields are therefore low (and in the case of some non-Sterling international issuers are negative). The UK 10-year benchmark bond yield is 0.69%, compared to 1.56% at the beginning of the year and 4.5% 10-years ago in September 2006. Equivalent bonds in Germany, Switzerland and Japan offer -0.06%, -0.52% and -0.02% respectively.

Oil prices fell back in Dollar terms in the last 3 months although they have made headway in the year to date and we expect this to continue to feed through in inflation figures in the coming months. Gold prices have continued to increase in Dollar terms and are further enhanced in Sterling terms by currency differentials. This is based on the perceived security of gold as a store of value in uncertain times, but we remain wary because longer term data reveals great volatility in prices, which peaked at over \$1,800 in 2011 and which are now around \$1,325.

1-Year Performance in Sterling Terms to August 2016



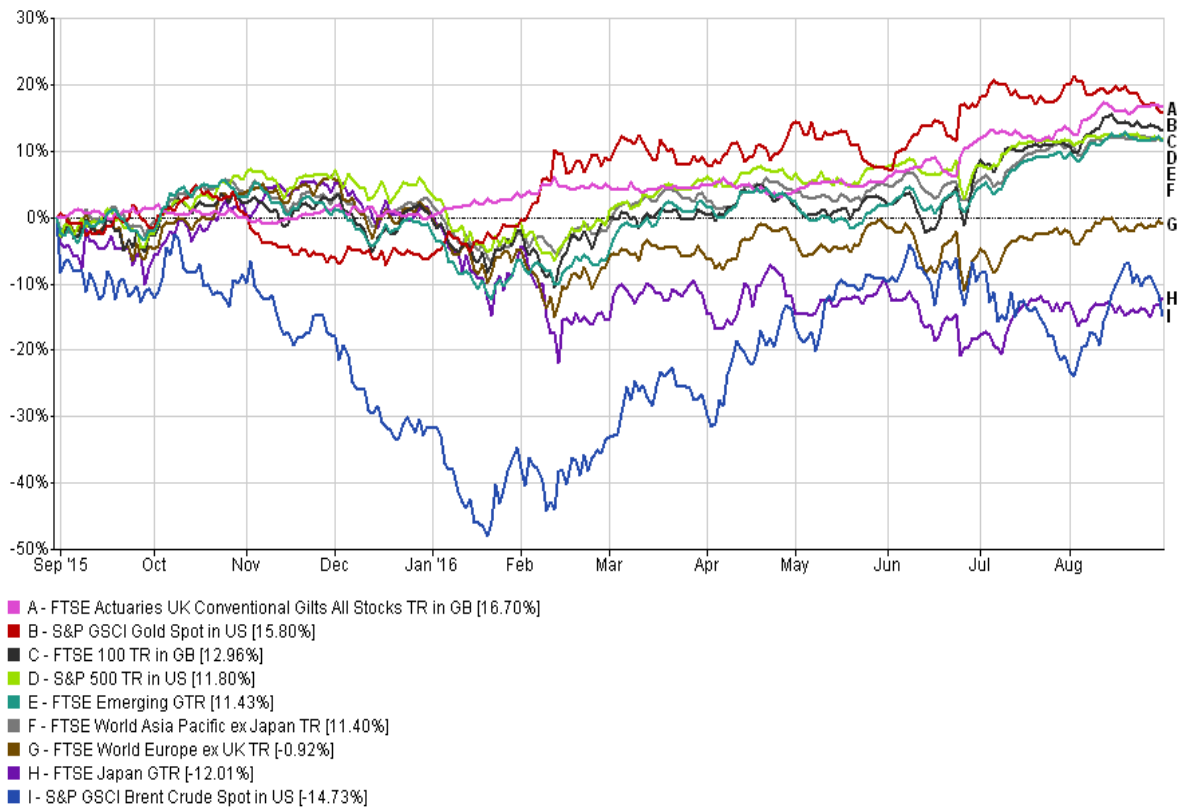
31/08/2015 - 31/08/2016 Data from FE 2016

Cumulative Performance in Sterling Terms to August 2016

	1m	3m	6m	1y	3y	5y
FTSE Actuaries UK Conventional Gilts All Stocks (GBP)	2.66%	10.63%	11.06%	16.70%	32.81%	40.66%
FTSE 100 (GBP)	1.67%	10.13%	14.04%	12.96%	18.17%	51.58%
S&P 500 (GBP)	1.44%	15.50%	20.48%	31.29%	64.14%	138.80%
FTSE World Europe ex UK (GBP)	1.72%	11.37%	16.28%	15.38%	29.10%	65.35%
FTSE World Asia Pacific ex Japan (GBP)	2.06%	21.77%	27.36%	36.24%	27.36%	45.55%
FTSE Emerging (GBP)	3.25%	24.50%	31.53%	31.15%	27.50%	25.28%
FTSE Japan (GBP)	1.61%	15.67%	20.70%	21.06%	41.95%	75.87%
S&P GSCI Brent Crude Spot (GBP)	9.20%	4.45%	36.43%	0.13%	-50.69%	-48.90%
S&P GSCI Gold Spot (GBP)	2.07%	19.70%	13.04%	35.98%	10.95%	-10.99%

Source: Financial Express

1-Year Performance in Local Currency Terms to August 2016



31/08/2015 - 31/08/2016 Data from FE 2016

Cumulative Performance in Local Currency Terms to August 2016

	1m	3m	6m	1y	3y	5y
FTSE Actuaries UK Conventional Gilts All Stocks (GBP)	2.66%	10.63%	11.06%	16.70%	32.81%	40.66%
FTSE 100 (GBP)	1.67%	10.13%	14.04%	12.96%	18.17%	51.58%
S&P 500 (USD)	0.06%	3.93%	13.22%	11.80%	38.97%	92.08%
FTSE World Europe ex UK (Composite)	0.98%	0.11%	7.00%	-0.92%	27.68%	71.61%
FTSE World Asia Pacific ex Japan (Composite)	0.87%	5.98%	13.80%	11.40%	16.82%	38.29%
FTSE Emerging (Composite)	2.33%	9.55%	19.21%	11.43%	22.84%	35.90%
FTSE Japan (Yen)	1.16%	-2.92%	3.94%	-12.01%	26.70%	91.35%
S&P GSCI Brent Crude Spot (USD)	7.72%	-6.02%	28.22%	-14.73%	-58.25%	-58.90%
S&P GSCI Gold Spot (USD)	-3.40%	7.71%	6.24%	15.80%	-6.07%	-28.41%

Source: Financial Express

Calendar Performance in Sterling Terms

	YTD	2015	2014	2013	2012	2011
FTSE Actuaries UK Conventional Gilts All Stocks (GBP)	16.68%	0.57%	13.86%	-3.94%	2.51%	15.79%
FTSE 100 (GBP)	12.12%	-1.32%	0.74%	18.66%	9.97%	-2.18%
S&P 500 (GBP)	20.79%	6.58%	20.02%	29.10%	10.16%	2.23%
FTSE World Europe ex UK (GBP)	12.38%	5.35%	0.16%	25.18%	17.82%	-14.71%
FTSE World Asia Pacific ex Japan (GBP)	26.13%	-4.40%	5.01%	2.72%	17.72%	-12.93%
FTSE Emerging (GBP)	30.12%	-10.31%	7.87%	-5.29%	12.76%	-18.36%
FTSE Japan (GBP)	13.48%	17.58%	2.73%	24.95%	3.34%	-12.91%
S&P GSCI Brent Crude Spot (GBP)	40.08%	-31.54%	-44.40%	-0.68%	-1.69%	13.73%
S&P GSCI Gold Spot (GBP)	39.20%	-5.28%	4.25%	-29.34%	2.26%	11.05%

Source: Financial Express

Calendar Performance in Local Currency Terms

	YTD	2015	2014	2013	2012	2011
FTSE Actuaries UK Conventional Gilts All Stocks (GBP)	16.68%	0.57%	13.86%	-3.94%	2.51%	15.79%
FTSE 100 (GBP)	12.12%	-1.32%	0.74%	18.66%	9.97%	-2.18%
S&P 500 (USD)	7.33%	0.75%	12.99%	31.55%	15.22%	1.47%
FTSE World Europe ex UK (Composite)	-2.22%	8.66%	7.58%	23.37%	20.54%	-12.71%
FTSE World Asia Pacific ex Japan (Composite)	8.44%	-2.73%	4.18%	11.36%	19.07%	-12.84%
FTSE Emerging (Composite)	12.58%	-5.83%	7.17%	3.92%	18.79%	-12.09%
FTSE Japan (Yen)	-13.30%	11.52%	10.32%	54.77%	21.46%	-17.98%
S&P GSCI Brent Crude Spot (USD)	24.47%	-35.28%	-47.54%	0.97%	2.83%	12.89%
S&P GSCI Gold Spot (USD)	23.69%	-10.46%	-1.64%	-28.17%	6.96%	10.23%

Source: Financial Express

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