

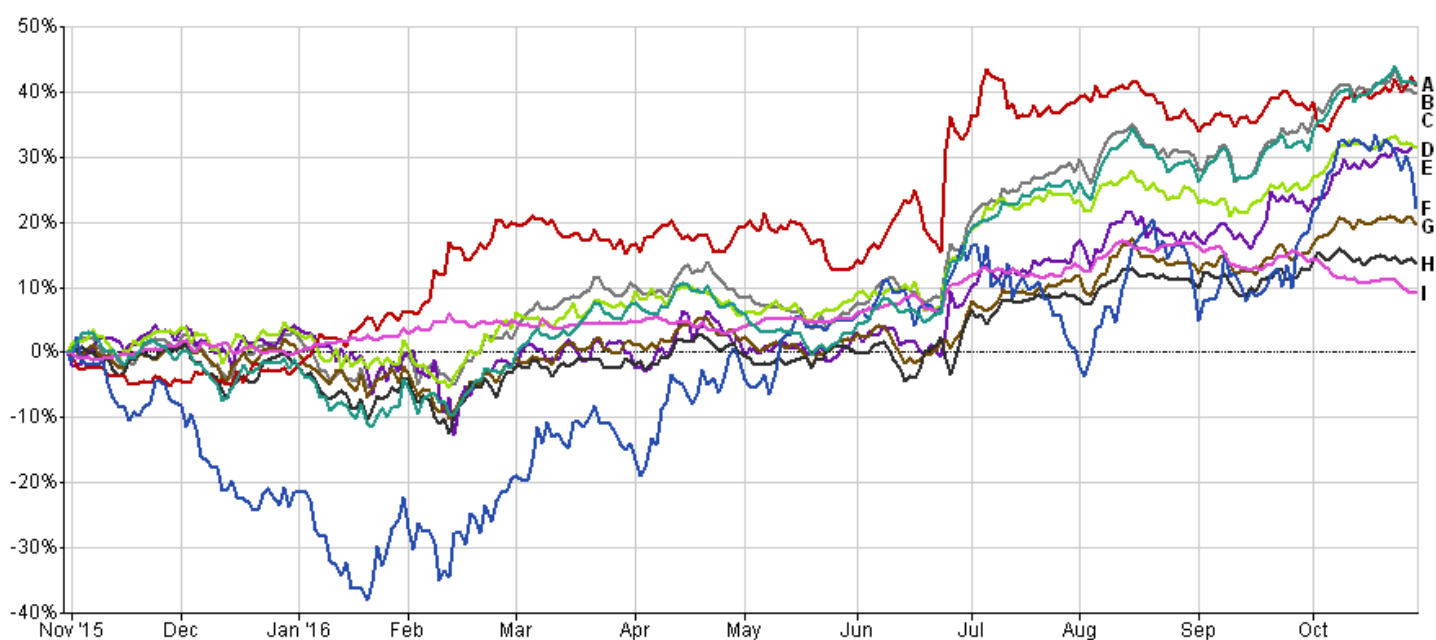
Equity markets made some headway in Sterling terms in October. The FTSE 100 hit a record high during the month, fuelled by currency weakness and quantitative easing rather than any improvement in fundamentals. Returns were more muted by the end of the month as certain industry sectors, in particular, commercial property and oil companies proved to be a drag on the index. There is limited exposure to these areas within our portfolios.

Sterling has dropped nearly 20% compared to the US Dollar since the EU Referendum. Currency translation effects therefore continue to be a major influence on Sterling versus local currency returns. This is especially true for assets denominated in US Dollars and the S&P 500 and the gold spot price have been influenced accordingly. For instance, the S&P 500 is up over 27% in the last year in Sterling terms compared to 5.3% in US Dollar terms. The index actually made a loss of 1.86% in October in local currency terms, but this is masked if these returns are translated into Sterling and a 4.4% gain is seen. Likewise the gold spot price fell 6.2% in US Dollar terms in the last 3 months, but a gain of nearly 2% is seen once these returns are converted into Pounds. These effects therefore remain positive for Sterling based investors.

Emerging markets and Japanese equities also show large differences in returns depending upon whether they are presented in local currency or converted to Sterling. In the year to date the FTSE Japan index has gained 26% in Sterling terms but is down just under 9% in Yen terms. Additionally, we believe the resurgence in emerging markets to have been overstated this year due to the distortions created by currency differentials. The FTSE Emerging index is up 43% in Sterling terms year to date, but only 14.3% in local currency terms.

UK, European and US sovereign bond markets were adversely impacted by rising inflation expectations in the last week of October. Yields rise as bond prices fall. The UK 10-year benchmark gilt yield is now 1.25%, after falling below 1% in the immediate aftermath of the Referendum. The increase was rapid with the yield increasing 13 basis points in one day, confirming the fragility of bond markets. Taking a slightly longer view, the FTSE Actuaries UK Conventional Gilts All Stocks index is in positive territory for the year to date but has made losses in the last 3 months. We retain our negative view on bond markets due to high prices and comparatively low yields.

1-Year Performance in Sterling Terms to October 2016



- A - FTSE Emerging GTR in GB [41.20%]
- B - S&P GSCI Gold Spot in GB [41.09%]
- C - FTSE World Asia Pacific ex Japan TR in GB [39.79%]
- D - FTSE Japan GTR in GB [31.39%]
- E - S&P 500 TR in GB [31.34%]
- F - S&P GSCI Brent Crude Spot in GB [22.22%]
- G - FTSE World Europe ex UK TR in GB [19.74%]
- H - FTSE 100 TR in GB [13.72%]
- I - FTSE Actuaries UK Conventional Gilts All Stocks TR in GB [9.45%]

30/10/2015 - 31/10/2016 Data from FE 2016

Cumulative Performance in Sterling Terms to October 2016

	1m	3m	6m	1y	3y	5y
FTSE Actuaries UK Conventional Gilts All Stocks (GBP)	-4.13%	-3.84%	5.44%	9.19%	22.65%	29.32%
FTSE 100 (GBP)	1.64%	5.20%	14.31%	14.41%	16.17%	52.16%
S&P 500 (GBP)	4.42%	6.77%	24.45%	31.34%	66.48%	141.81%
FTSE World Europe ex UK (GBP)	3.80%	7.29%	17.55%	19.74%	24.96%	76.09%
FTSE World Asia Pacific ex Japan (GBP)	4.59%	9.57%	28.53%	39.79%	28.15%	58.29%
FTSE Emerging (GBP)	7.85%	13.43%	32.68%	41.20%	29.57%	41.92%
FTSE Japan (GBP)	7.99%	12.85%	28.27%	31.39%	51.01%	96.99%
S&P GSCI Brent Crude Spot (GBP)	3.05%	21.44%	23.13%	22.22%	-41.12%	-40.95%
S&P GSCI Gold Spot (GBP)	2.84%	1.99%	18.37%	41.09%	26.56%	-2.44%

Source: Financial Express

1-Year Performance in Local Currency Terms to October 2016



- A - FTSE 100 TR in GB [13.72%]
- B - S&P GSCI Gold Spot in US [11.54%]
- C - FTSE Emerging GTR [9.84%]
- D - FTSE Actuaries UK Conventional Gilts All Stocks TR in GB [9.45%]
- E - FTSE World Asia Pacific ex Japan TR [7.56%]
- F - S&P 500 TR in US [3.83%]
- G - S&P GSCI Brent Crude Spot in US [-3.38%]
- H - FTSE World Europe ex UK TR [-4.37%]
- I - FTSE Japan GTR [-9.55%]

30/10/2015 - 31/10/2016 Data from FE 2016

Cumulative Performance in Local Currency Terms to October 2016

	1m	3m	6m	1y	3y	5y
FTSE Actuaries UK Conventional Gilts All Stocks (GBP)	-4.13%	-3.84%	5.44%	9.19%	22.65%	29.32%
FTSE 100 (GBP)	1.64%	5.20%	14.31%	14.41%	16.17%	52.16%
S&P 500 (USD)	-1.86%	-1.82%	3.72%	3.83%	26.51%	82.91%
FTSE World Europe ex UK (Composite)	0.10%	0.89%	2.61%	-4.37%	16.17%	67.59%
FTSE World Asia Pacific ex Japan (Composite)	-0.43%	1.31%	7.49%	7.56%	10.02%	39.26%
FTSE Emerging (Composite)	1.13%	3.86%	10.15%	9.84%	13.96%	37.30%
FTSE Japan (Yen)	5.33%	6.41%	4.99%	-9.55%	22.92%	100.80%
S&P GSCI Brent Crude Spot (USD)	-3.15%	11.67%	2.62%	-3.38%	-55.25%	-55.34%
S&P GSCI Gold Spot (USD)	-3.34%	-6.22%	-1.35%	11.54%	-3.82%	-26.21%

Source: Financial Express

Calendar Performance in Sterling Terms

	YTD	2015	2014	2013	2012	2011
FTSE Actuaries UK Conventional Gilts All Stocks (GBP)	9.30%	0.57%	13.86%	-3.94%	2.51%	15.79%
FTSE 100 (GBP)	16.02%	-1.32%	0.74%	18.66%	9.97%	-2.18%
S&P 500 (GBP)	27.13%	6.58%	20.02%	29.10%	10.16%	2.23%
FTSE World Europe ex UK (GBP)	18.54%	5.35%	0.16%	25.18%	17.82%	-14.71%
FTSE World Asia Pacific ex Japan (GBP)	35.41%	-4.40%	5.01%	2.72%	17.72%	-12.93%
FTSE Emerging (GBP)	42.96%	-10.31%	7.87%	-5.29%	12.76%	-18.36%
FTSE Japan (GBP)	26.04%	17.58%	2.73%	24.95%	3.34%	-12.91%
S&P GSCI Brent Crude Spot (GBP)	55.78%	-31.54%	-44.40%	-0.68%	-1.69%	13.73%
S&P GSCI Gold Spot (GBP)	44.96%	-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)	9.30%	0.57%	13.86%	-3.94%	2.51%	15.79%
FTSE 100 (GBP)	16.02%	-1.32%	0.74%	18.66%	9.97%	-2.18%
S&P 500 (USD)	5.31%	0.75%	12.99%	31.55%	15.22%	1.47%
FTSE World Europe ex UK (Composite)	-2.31%	8.66%	7.58%	23.37%	20.54%	-12.71%
FTSE World Asia Pacific ex Japan (Composite)	8.91%	-2.73%	4.18%	11.36%	19.07%	-12.84%
FTSE Emerging (Composite)	14.25%	-5.83%	7.17%	3.92%	18.79%	-12.09%
FTSE Japan (Yen)	-8.80%	11.52%	10.32%	54.77%	21.46%	-17.98%
S&P GSCI Brent Crude Spot (USD)	29.04%	-35.28%	-47.54%	0.97%	2.83%	12.89%
S&P GSCI Gold Spot (USD)	20.08%	-10.46%	-1.64%	-28.17%	6.96%	10.23%

Source: Financial Express

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