QUARTERLY MARKET UPDATE – Q3 2016

Overall Equity and Bond prices have continued an advance post BREXIT, supported by the perception that interest rates in G7 economies will likely stay at very low rates for the foreseeable future.

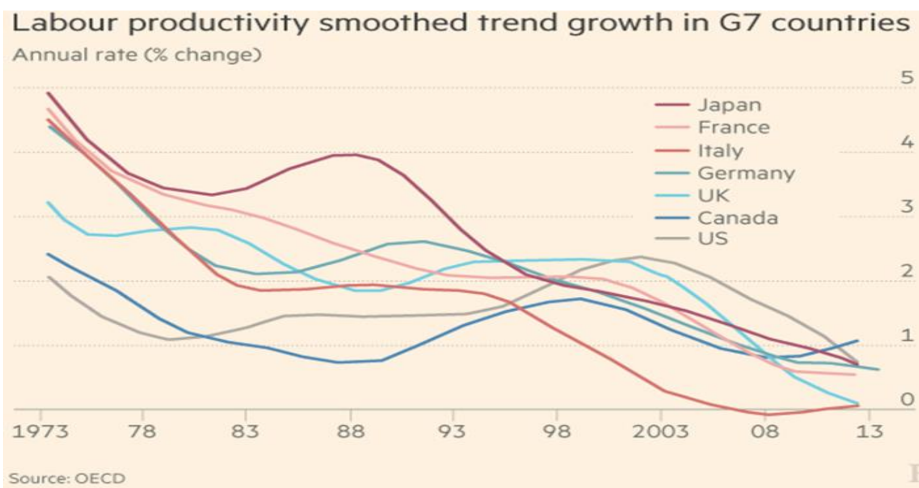
UK retail spending showed strength post BREXIT, whilst the UK unemployment rate remained at an 11 year low. US job growth and consumer spending remained firm, though lower than expected inflation led the US FED to defer a rate increase.

With interest rates remaining low, investors continue to search for yield, particularly as the spread of negative interest rates is approaching US$ 12 trillion in value led by Japan, France and Germany. Increasingly there is a divergence between the European Central Bank and the US FED, with Eurozone growth remaining unimpressive. However, the US FED's emphasis on a low, long-run neutral rate & market stability has been a key factor so far keeping rates low and stable.

Oil prices appear to have settled into a trading range of $40-50 for the time being, with the anticipation that US shale will come on-stream more aggressively at higher oil prices.

Some potential risks:

- The financial sector, banking in particular, is finding maintaining profitable margins more difficult in the low rate environment
- UK final salary schemes facing a potential £1 trillion funding deficit at present
- G7 labour productivity has been deteriorating for years



Sources: FT, Bloomberg, CNBC, Fitch, Telegraph, Reuters, OECD

Note that with any Investment you are not certain to make money and you may suffer a loss