19 May 2017

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INVESTMENT MANAGEMENT

WEEKLY INVESTMENT UPDATE

Deepening political tensions in Washington, risk off sentiment grips markets

KEY MESSAGES:

Markets calm after a global stock selloff as political turmoil in Washington, Brazil hurt appetite for riskier assets.

USD was 1.3% lower for the week. The euro and strengthened 0.7% to $1.12 while GBP remained 0.5% higher at US$1.3. The S&P 500 Index trimmed its weekly drop to 0.4% at 2,382. FTSE 100 index rose to 7,471 gaining 0.5%. Stoxx Europe 600 pared weekly drop to 1.2 per cent. 10-year Treasury yields slipped 8 basis points to 2.25%. Crude Topped $50 per barrel, Gold closed 2% higher at 1,252.6 an ounce.

Economic data remained strong with odds still in favor of a June interest rate hike by the Fed.

Market developments during the week

Growing concerns over the turmoil engulfing President Donald Trump's administration weighed on risk appetite, as investors rush towards havens. Gold rebounded following Trump's firing of FBI Director James Comey a week ago, as well as reports he shared intelligence with Russian officials. In the latest twist, Trump is said to have asked Comey in February to drop an investigation into a former national security adviser, raising questions he may have obstructed justice. The administration's problems are seen as taking its focus away from policies to aid growth, hurting the US currency.

Major US stock indices had the worst session in eight months, with volatility on the rise. However, risk appetite appeared to make a comeback toward the end of the week along with some reversal in earlier trends, particularly among American equities. Bloomberg's US dollar index broke its six-session losing streak Thursday, as the Federal Reserve is seen as continuing on its tightening course despite the turmoil emanating from Washington. Stocks also rose amid a positive string of domestic economic data. 10-year Treasury yields edged higher. Despite the rebound in the US, investors remain on alert. The crisis in Brazil added another layer of worries for investors.

To expand on above, among this week's interesting developments was the news that sacked FBI Director James Comey would be testifying to the Senate Intelligence Committee on reports that he was pressured by President Trump to end his investigation into former National Security advisor Michael Flynn. The hearing could be as soon as the 24th May, next week, and has the potential to be politically explosive, given Comey's history of not shying away from making politically sensitive statements to lawmakers, such as those regarding Hillary Clinton's email investigation last year.

Trump remained defiant to the claims questioning the legitimacy of the investigation into Russian meddling in the US election, a day after his Justice Department appointed former FBI Director Robert Mueller as special counsel to oversee the Russia inquiry.

President Trump also came under lens, after it was alleged in a Washington Post article that Trump revealed to Russia's foreign minister and US ambassador highly classified details from a US intelligence partner about an Islamic State plot. Trump on Tuesday claimed an "absolute right" to share information about terrorism with Russian officials, even as some lawmakers in both parties expressed alarm over the reports.

On policy front, after House Republicans barely managed to pass their Obamacare repeal bill earlier this month, they now face the possibility of having to vote again on their controversial health measure as House Speaker Paul Ryan hasn't yet sent the bill to the Senate because there's a chance that parts of it may need to be

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redone, depending on how the Congressional Budget Office estimates its effects. Republicans had rushed to vote on the health bill so the Senate could get a quick start on it, even before the CBO had finished analyzing a series of last-minute changes. The CBO is expected to release an updated estimate next week.

In another update, it was revealed that President Trump will propose spending $200 billion in federal funds over 10 years to spur investment in the nation's infrastructure, a senior Office of Management and Budget official said. The administration's aim for the funds, which will be part of the budget proposal Trump plans to release on May 23, is to provide incentives for at least $800 billion of infrastructure investment by the private sector and state and local governments.

Also, the Trump administration took its first formal step toward renegotiating NAFTA, setting the stage for talks that could influence more than $1.2 trillion in annual trade and shake up corporate supply chains. US Trade Representative Robert Lighthizer gave official notice to Congress on Thursday of the government's intention to renegotiate the 23-year-old accord with Mexico and Canada. Lighthizer was required to do so under a law that enables the president to fast-track trade legislation through Congress. Over the next 90 days, Lighthizer will consult with lawmakers on the position the US will take in negotiations, which could begin as early as Aug. 16. The US administration hopes to wrap up negotiations this year before a final deal is presented to Congress for approval.

On international relations, President Donald Trump sought Tuesday to repair relations with Turkish President Recep Tayyip Erdogan, who is alarmed about a US plan to arm Kurdish fighters in Syria. Erdogan said the US shouldn't work with the YPG Kurdish militia, a group Turkey considers a terrorist organization, that Trump plans to arm.

Political crisis emanating in Brazil, where it was reported that President Michel Temer was embroiled in an alleged cover-up scheme indicating that Temer approved payoffs to buy the silence of Eduardo Cunha, the mastermind behind last year's ouster of former president Dilma Rousseff.

Meanwhile, North Korea remains in the spotlight, as CNN reported the US Navy is moving a second aircraft carrier to the Korean peninsula amid heightened tensions in the region and that Chinese jets intercepted a US Air Force plane.

Amid the political turmoil at home, Trump embarks on his first foreign trip to the Middle East nations.

On the economic front, US stocks rebounded from the worst selloff of the year and the dollar strengthened as data reinforced optimism in the economy even as political events continued to roil Washington. Measures of jobless claims and regional manufacturing beat forecasts, adding to signs economic growth is on firm footing.

The US labor market continues to show signs of tightening, with unemployment claims declining for the third straight week and benefit rolls matching the lowest level since 1973, Labor Department data showed. For the week ended May 13, initial benefit filings decreased by 4k to 232k (estimated 240k). Hiring managers remain more occupied with finding workers than trimming staff, with the headline jobless rate drifting below the Federal Reserve's estimate of full employment. The gauge contributes to Fed policy makers' case that the economy can withstand further increases in the benchmark interest rate this year.

US Industrial Production for April rose the most in more than 3 years, with gains particularly from mines and utilities though building permits and housing starts both contracted. Factory production rose 1 % (forecast called for a 0.4% gain) after a 0.4% drop in March. The jump in US manufacturing was broad-based and included the largest surge motor vehicles and parts production since July 2015, according to the Fed. Output also picked up for consumer goods and business equipment, two sources of strength for the economy. With brighter global growth prospects, signs that businesses are more open to investment, and a firm labor market that's underpinning consumer demand, output may stay strong in coming months.

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Fed is likely to go ahead with rate hikes, despite Trump turmoil, with odds of a June Fed rate hike settling around 60%, while full pricing of next hike shifted to November from September, per Fed-dated OIS rates.

Performance of companies globally

With the first-quarter earnings season coming to a close, a picture of strong earnings growth and positive surprises has emerged across both industries and geography, adding to evidence the world's major economies are increasingly running in lockstep. It's a reassuring development that should bolster confidence in the resiliency of the expansion at a time when economic data have painted a mixed picture. Hard data such as gross domestic product have been less convincing than the largely rosier consumer and business sentiment surveys worldwide.

Earnings growth is the strongest in years. According to Bloomberg Intelligence, the S&P 500 is on pace for 16.5% growth in earnings per share in the first quarter, versus initial expectations for 9.1%. More than 70% of S&P 500 companies had topped the earnings-per-share consensus. European earnings are set to rise 14%. More than halfway into Europe's earning season, 69% of companies had beaten earnings per-share estimates. Fuelled by the first-quarter results, analysts are forecasting earnings per share growth for the S&P 500 Index of 12.3% in 2017 and 10.8% in 2018, according to Bloomberg Intelligence data.

It's not just the bottom line. The strong earnings results reflect revenue gains that have been better than expected, a trend also consistent with a pick-up in growth. Half of S&P 500 companies beat first-quarter revenue estimates. Another barometer: Technology companies and industrials are surprising the most on growth, while defensive sectors like telecoms and discretionary stocks are trailing the pack. Higher oil prices have been central to the strong earnings season in the first quarter, and remain a necessary condition for a synchronized global recovery given its importance to commodity producing nations. Excluding energy, revenue gains for S&P 500 companies are a modest 2.5% in the first quarter, which is in line with expectations.

Currencies

The Bloomberg Dollar Spot Index resumed its rout after emerging-market currencies rebounded from a selloff sparked by calls for Brazil's leader to resign.

During the week, USD was on track for its steepest slide since July, as investors assessed political crises in Washington and Brazil. The gauge is 1.3% lower for the week. Bloomberg's US dollar index broke its six-session losing streak Thursday as the Federal Reserve is seen as continuing on its tightening course despite the turmoil emanating from Washington. The dollar also benefited from weakness in emerging-market currencies as political turmoil engulfed Brazil. The Ibovespa lost more than 8%.

The euro strengthened 0.7% to $1.1182, bringing its gain this week to 2.2%, the most since the five days ending June 3.

GBP stood 0.5% higher at $1.3002.

The yen was little changed at 111.45 per dollar after falling 0.6% on Thursday. The currency is up 1.8% for the week, its strongest performance in a month.

The South African rand climbed 0.9% after tumbling 2.6% over the previous two sessions. Russia's ruble strengthened 0.8% as oil prices rose.

Rupee plunged most in 11 months as risk off sentiment hit Indian markets. The currency weakened 1.1% to close at 64.8450 per dollar, prices from local banks compiled by Bloomberg show. It fell as much as 1.2% earlier, with some traders also citing dollar demand by oil importers and offshore arbitrage-related selling as the reason for its slide. The rupee is still up 4.8%this year and remains one of the best performers in Asia.

Equities

The S&P 500 Index rose a second day, after its biggest drop of the year, trimming its drop in the week to 0.4% at 2,382. The week started highly volatile with global equities experiencing a selloff. The Dow Jones Industrial Average tumbled more than 370 points. Nasdaq Composite registered a 2.6% slide. The MSCI All-Country World Index fell 1.2, and bank stocks were the worst performers. The CBOE Volatility Index jumped the most

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since the Brexit vote last June, shattering the calm that gripped markets in the past month as the crisis threatened to derail Trump administration's policy agenda.

The equity market volatility later eased after US President Donald Trump's administration sought to move past controversies surrounding Russia that have threatened to ensnare its plans for tax cuts and infrastructure spending. Risk sentiment was also helped by better-than-expected US jobless claims and regional manufacturing data Thursday.

FTSE 100 index rose to 7,471 gaining 0.5% this week ahead of June 8 vote. UK shares typically gain before predictable elections. Despite the initial mixed reaction, markets are bullish for now because such a win will also allow Prime Minister Theresa May to accept a long transition period after the formal withdrawal.

The Stoxx Europe 600 Index rose 0.4%, paring its weekly loss to 1.2%, still poised to be its worst since November. The benchmark tumbled 1.7% in the past three sessions as US President Donald Trump faced controversies surrounding Russia, heightening political risk sentiment.

Also effecting the stocks was the latest Brazil political crisis. A Japan-traded ETF tracking Brazil's Ibovespa Index dropped 6.5% after an even larger decline on Thursday, closing at the lowest level of the year.

Asian stocks ended a tumultuous week on a calm note with most markets advancing after the biggest decline in eight weeks. Overnight, the MSCI Asia-Pacific Index rose 0.2%, with Japan's Topix index adding 0.3%, and Indonesian stocks getting a lift when S&P Global Ratings raised the country to investment grade.

Shares in mainland China were flat, while those in Hong Kong rose. Japanese shares slid after the yen's biggest surge since November, even as the currency pulled back Thursday and data showed the nation's economy expanded.

Australian investors also looked past positive jobs data, with the ASX 200 dropping a third consecutive day, set for its worst week in more than six months.

Bonds

The yields on 10-year Treasury note slipped 8 basis points to 2.25%.

Benchmark yields in Germany rose two basis points to 0.37%, while those in the UK remained at same levels as last week at 1.09%.

However, Canada 10-year bond yields saw a 10 basis points fall to 1.47%.

Commodities

Crude Topped $50. West Texas Intermediate for June delivery closed at $50.23 a barrel. Futures touched $50.25, the highest since April 21. Prices are up 5% this week. Total volume traded was about 10 % above the 100-day average.

Brent for July settlement closed at $53.49 a barrel on the London-based ICE Futures Europe exchange. Prices are up 5.2% this week. The global benchmark crude traded at a $2.94 premium to July WTI.

Gains come in amid optimism OPEC will reaffirm efforts to drain a global glut at their upcoming meeting in Vienna on May 25. OPEC and its partners will meet to decide whether to prolong their supply cuts past June. Several members have voiced support for the proposal to extend curbs after Russia and Saudi Arabia said global inventories haven't yet fallen to targeted levels. Markets, this week, also got some encouragement from the US as supplies fell for a sixth week, a sign that OPEC-led production curbs are starting to be felt in the world's biggest oil-consuming nation.

Bullion climbed as investors cut back on risk, with President Donald Trump's administration embroiled in controversy after controversy and the dollar sinking to the lowest since November. Gold closed 2% higher at 1,252.6 per ounce, the biggest weekly gain in more than a month.

Copper rose 1.2% to $5,646 a ton, leading most industrial metals higher as sentiment steadied after strong US jobs data.

Lead fell to the lowest level since January as weak economic data from China added to worries about metals demand.

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Soybeans were stable after the biggest one-day drop since August as farmers in Brazil rushed to sell at a “once in a decade” pace as a deepening political crisis sent the nation’s currency tumbling. The commodity was 0.5% higher at $9.495 a bushel.

Major economies:

Euro area

The European Central Bank’s latest meeting minutes were released, and showed just how cautious the Governing Council felt it needed to be about communicating any change to its outlook. Left unsaid was the motive for this caution: a desire to avoid rapid and undue euro appreciation at the mention of a potential tapering of the Bank’s Quantitative Easing Programme.

The economic data from euro area included faster than expected growth in German Producer Prices, and a larger than expected Current Account surplus for the eurozone as a whole. German producer prices hit 2011 high hitting 3.4% in April, up from 3.1% in the previous month and ahead of forecasts. Prices climbed to their highest as inflation is on the march across the continent. Seen as an early gauge of inflationary pressures building in an economy, higher factory gate prices are often passed on to consumers. Revised Consumer Price Index data confirmed that euro inflation had risen sharply in April, bringing year on year CPI increases to 1.9%.

Again this week, the EU indicated a toughened stance on a future transitional arrangement that would help companies adapt to Britain’s new status, specified demands on citizens’ rights and clarified the role of European courts, according to the latest draft negotiating directives. Any transitional phase, from the time the UK formally exits the EU to the start of a possible trade deal, must be “clearly defined, limited in time and subject to effective enforcement mechanisms,” the draft, dated May 15, said. The draft directives became public a day after UK Brexit Secretary David Davis rejected the EU’s timetable for the talks and warned there would be a “row” over that as well as arguments over the Irish border and the European Court of Justice’s status in post-Brexit Britain. Davis’s hard line on the ECJ reflects May’s promise to voters that European judges will have no role in the UK after Brexit, and it reinforces her argument to voters ahead of the June 8 election.

The negotiating mandate forms the basis of the EU’s approach to the talks, which are scheduled to begin after the UK general election. The latest draft, which has undergone revisions by envoys from the EU’s 27 national governments and is scheduled to be approved by member states on Monday, adds that the ECJ should guarantee the implementation of the Brexit deal. It also emphasizes that discussions about future trade in services will not start until there’s been progress on the UK’s financial contributions, Ireland and the rights of EU citizens in the UK and British nationals living in the EU. The European Court of Justice said on Tuesday that Singapore’s free-trade pact with the EU must be voted on by all 28-member parliaments before it can become legal, erecting a potential obstacle to any future agreement between the UK and the EU.

Canada

The loonie continues to be effected by crude prices. Crude oil inventories in North America continued to contract, according to EIA data, but by less than expected, resulting in a mild rally for crude oil prices after declines early during the week.

On the economic front, Canadian inflation pressures remained subdued in April rising 1.6%, unchanged from previous month, even with a sharp increase in gasoline prices. Gasoline prices rose 9.5% in April, with Statistics Canada citing supply disruptions at oil refineries. Year-over-year, gasoline prices posted a 15.9% increase. Measures of annual core inflation fell, underlining Bank of Canada Governor Stephen Poloz’s concern that excess slack remains in the economy citing weakening core inflation figures, along with slow wage growth as evidence. The average of the central bank’s three core inflation measures, which exclude volatile items like energy and are considered a better indicator of trends in prices, declined to 1.4%, Statistics Canada, down from a March average of 1.5%.

Also, Canadian Manufacturing Sales recovered a healthy 1.0% in March, after a 0.6% contraction in February.

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China

With stocks and bonds in China under pressure amid the country's deleveraging campaign, policy makers there have turned to the daily yuan fixing to prevent jitters spreading to the foreign-exchange market. Officials have been guiding the currency higher against the dollar in a move that's caught market watchers by surprise. This comes as efforts from China rise to try to find a balance between tackling financial risks while avoiding a wider selloff that undermines faith in the markets and Beijing's regulatory powers. The yuan is playing a steadying role, too, with foreign investors citing the currency's stability in the face of spiking bond yields and equity-market whiplash as one of the reasons they're sanguine about the clampdown. Traders have been paring bets on yuan weakness, with odds of a drop beyond 7 per dollar by the end of June at 8 per cent, down from 38 %two months ago, according to options data compiled by Bloomberg. But strategists still see the currency, which traded at 6.8900 per dollar as of 6 p.m. local time on Friday, retreating to 7.05 per dollar by year-end.

In another effort to bring some stability to the economy, especially its commodities market, the government has decided to open up domestic exchanges to allow more foreign investors as it perceives it would help the economy transition from a commodity importer to a price-maker. China now imports more oil than the US and it's the biggest buyer of all sorts of items, including iron ore, copper, soybeans, hay and pork. The government considers making its markets more open an important step in negotiating better deals on imports, especially after the economy expanded to become second largest in the world.

Japan

Japan's gross domestic product grew 2.2 %on an annualized basis in the three months ended March 31, driven by continued strength in exports and firmer domestic demand. This comes as an advance for the fifth straight quarter, the longest expansion in a decade. While the growth rate may not be a blockbuster by many standards, it's more than twice the potential growth rate for an economy weighed by aging demographics and stagnant wages. The GDP gain comes amid support from exports with net exports adding 0.1 percentage point. Also, business spending beat expectations with a 0.2 %rise and private consumption rose 0.4 per cent. Inflation still remains weak and bigger wage increases are needed.

The last time Japan strung together this many quarters of growth was in 2006. Under the nation's current leader, Shinzo Abe, the economy is benefiting from a competitive currency and exporters are leading growth. The first-quarter rebound in private consumption, which accounts for about 60 %of GDP, comes after weakness the previous quarter. There is concern that spending may falter again, with stronger wage gains needed to support households and to allow retailers to raise prices.

Brazil

Brazil was plunged back into a political crisis reminiscent of last year's impeachment saga following reports that President Michel Temerwas embroiled in an alleged cover-up scheme involving the jailed former speaker of the lower house of Congress. This fresh political crisis ensnared President Michel Temer and threatened to derail an agenda designed to pull Latin America's largest economy out of its deepest recession on record. The crisis deepened as government allies began discussing scenarios for the replacement of Temer after federal police carried out search and arrest warrants throughout the capital. The operation came after O Globo newspaper reported on leaked testimony indicating that Temer approved payoffs to buy the silence of Eduardo Cunha, the mastermind behind last year's ouster of former president Dilma Rousseff. In a televised address, Temer denied the allegations and insisted he won't resign, saying a full investigation will prove his innocence.

The forces aligned against the president may result in Brazil facing its second impeachment in a year. As the events of last year proved, impeaching a Brazilian president is a tortuous affair. In order for Congress to initiate proceedings, Rodrigo Maia, the leader of the lower house and Temer's ally, would have to sign off on the move. Even then, it would trigger a lengthy process involving several rounds of voting in both houses that require two-thirds majorities to find Temer guilty of

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wrongdoing. Temer could also file appeals at the Supreme Court at any stage in the process. If Temer resigns or is impeached, Congress would elect an interim president until the next scheduled vote in October of 2018. An early election could only be held with a constitutional amendment approved by lawmakers.

Brazilian markets have soared over the past year as Temer's administration embarked on an ambitious reform program that cheered investors. Brazilians, however, are overwhelmingly opposed to his austerity measures and the president's approval rating hovers at around 10%. However the news hit emerging assets with Brazil's real, stocks and bonds tumbled. Trading on the Ibovespa briefly came to a halt, with state-owned companies from Petroleo Brasileiro SA to Banco do Brasil SA among the worst losses. The real posted its biggest slide since 2008 even after the central bank intervened to support the currency. The premium investors demand to own the nation's sovereign bonds rather than US Treasuries jumped the most since June 2013. The political crisis pushed the CBOE Brazil ETF Volatility Index up as much as 63%, heading for a record daily jump. The iShares MSCI Brazil Capped exchange-traded fund plunged 16%. The selloff also drove up the yield on the country's 1 billion euros ($1.1 billion) of bonds due 2021 by the most since they began trading three years ago.

However, a day after plummeting share prices triggered circuit breakers on Brazil's main exchange, investors are now looking beyond the political crisis and returning to Latin America's biggest economy. Investors are wagering that Thursday's slump in Brazilian assets was overdone and the risk of a constitutional crisis overstated. They see little chance that a changing of the guard in government would impede the main factors of the rally in the past 16 months, such as an improving economic outlook, lower borrowing costs and labor-market reforms.

Other major economies

Indonesia

S&P Global Ratings raised Indonesia's credit rating to investment grade, bringing it in line with the other two main rating companies and paving the way for more fund inflows. The sovereign rating was lifted to BBB- from BB+ with a stable outlook, citing an improvement in the budget. Both Moody's Investors Service and Fitch Ratings have a positive outlook on their assessments of the nation's debt. Goldman Sachs Group Inc. said in March an upgrade may help attract as much as $5 billion in funds. Stocks surged to a record and the rupiah advanced.

The S&P upgrade comes on the back of a successful tax amnesty that earned the government more than $11 billion in revenue, helping to ease pressure on the budget and pay for much-needed infrastructure projects. The economy is also being buoyed by a rebound in exports and strong consumer spending.

Australia

Australia's Jobless Rate unexpectedly dropped in April, adding to the previous month's strong employment gains, reinforcing expectations that the central bank won't cut interest rates further. Jobless rate fell to 5.7%, the lowest since January, vs 5.9% estimate. Aussie dollar climbed, buying 74.52 US cents, compared with 74.17 before the report.

The unexpectedly strong result bolsters the central bank's view that the labor market is starting to gather steam, even though the data series is volatile. The Reserve Bank of Australia is looking for improved jobs and wage growth to pull core inflation back into its 2-3 %target band, but is mindful of record high underemployment.

UK

On economic front, UK consumer prices rose 2.7% in April from a year earlier, the fastest pace of inflation since September 2013 and a bit higher than economists were expecting. This was boosted by the price of air fares, clothing and energy. GBP touched one week highs post the report, however, it later reversed gains as rising inflation is seen unlikely to prompt BOE to hike interest rate. The figures spell further misery for consumers as wages fail to keep pace with prices. Bank of England Governor Mark Carney last week warned of "challenging times," with officials now predicting inflation will reach almost 3% this year.

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The currency may also have been influenced by a European Court ruling on a Singapore trade deal that might set a precedent for the UK in Brexit negotiations. The ruling was seen as a sign that the Brexit process is unlikely to be smooth.

However, GBP later recovered its gains spurring break of $1.30 as UK Retail sales gained more than economists expected in April. The report showed the volume of goods sold in stores and online rose 2.3%, more than twice the median increase forecast by economists in a Bloomberg survey. The data suggest consumer spending, the mainstay of economic growth, is holding up in the face of rapidly increasing food and fuel costs. The nicer weather particularly drove demand for hardware and household goods, the ONS said.

Unemployment in the UK fell to 4.6%, the lowest level since 1975, according to data released by the Office for National Statistics. It wasn't all good news, however, as regular pay adjusted for inflation dropped 0.2% in the first quarter, with a 0.5% drop in March alone.

While economic data has proved mixed since the referendum, consumer spending, a key driver of growth, has largely held up in the face of rising prices and falling real wages. Even so, analysts are still largely bearish on sterling, with the median forecast compiled by Bloomberg calling for a decline to $1.25 by year end, bigger than the predicted loss of any other Group-of-10 currency.

Though Sterling strengthened in the immediate aftermath of strong retail sales data, but began to retreat almost immediately afterwards, and in a dramatic couple of minutes completely collapsed, erasing what was left of its gains.

Regarding real estate performance, modern office buildings are all the rage in central London, with a swath of companies including UBS Group AG moving into new premises in the last 12 months. A growing amount of unoccupied older properties caused the overall office vacancy rate to climb to 5.8% at the end of the first quarter from 3.9% a year earlier, according to data compiled by Deloitte LLP.

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Frenkel Topping Investment Management's ("FTIM's") Safety First performance

	2016 Performance	2017 Performance	Volatility* 04/01/16
FTIM Safety First 2	1.53%	-0.48%	2.26%
FTIM Safety First 3	3.26%	-0.22%	2.58%
FTIM Safety First 4	4.38%	0.10%	3.41%
FTIM Safety First 5	5.63%	0.38%	3.76%
FTIM Safety First 6	10.10%	1.28%	5.24%

Date: 19 May 2017
Source: FTIM / FE Analytics

Safety First Portfolio strategies were launched on 29/04/16. All figures are on a bid - bid, total return basis and are quoted net of underlying fund charges, our DFM fee of 0.6% including VAT and a platform fee of 0.2%. Advice charges would depend on the charges made by your independent financial adviser. The deduction of these charges would reduce the performance shown. Actual Past Performance Data is from 29/4/16 only as the models only launched on this date and therefore 5-year performance data is not available and 12-month performance figures are not able to be shown. Pre - launch performance from 4/1/16 – 29/4/16 is Simulated Past Performance. The figures represent performance of a model portfolio; individual account performance may differ if your account does not follow the model. Past performance is not a reliable indicator of future performance. Investment values can go down as well as up and may be affected by exchange rate variations.

*Volatility is a measure of the movement in the price of an asset around its average return. The higher the volatility the more risk involved in the investment.

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