28th October 2015

Our Ref: MK/RD/Q215

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Dear xxxxxxxxx

Re: MPL Portfolio Valuation – xxxxxx.xxxx

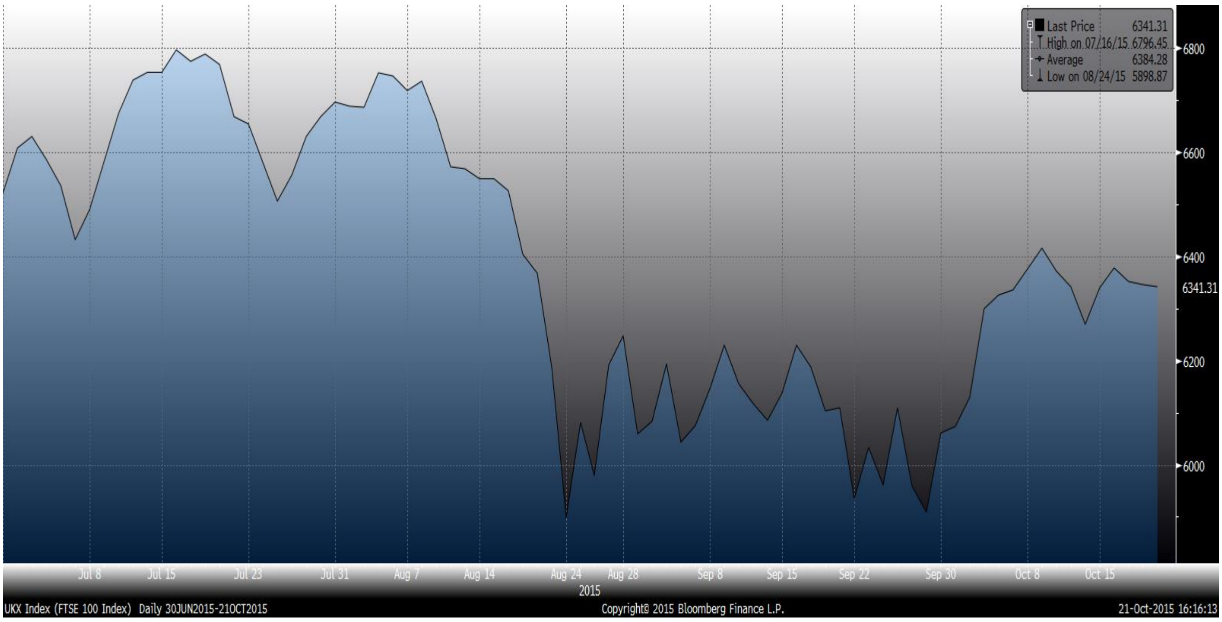
<u>Findings</u>

In the period from 1st July 2015 to 30th September 2015, the portfolio has fallen x.xx% in comparison to a decrease in the FTSE 100 Index* of 8.28% and an increase in the UK Gilt All Stocks Index* of 3.28%.

In the period from 1st October 2014 to the 30th September 2015, the portfolio has risen x.xx% in comparison to a fall in the FTSE 100 Index* of 7.56% and an increase in the UK Gilt All Stocks Index* of 7.98%.

Your current risk profile is xxxxxxx. Please contact your adviser if this is required to be amended to reflect your current circumstances.

FTSE 100 Index 30th June 2015 - Present



The value of investments and any income will fluctuate (this may partly be the result of foreign exchange rate fluctuations), and investors may not get back the full amount invested. Past performance is not a guide to future returns.

What happened in brief?

In volatile times, the best explanation of how a market has performed in general over a quarter can be shown in one picture.

The third quarter of the trading year seen on the previous page generally represents the summer break where trading volume is very thin, hence any movements in financial markets can be exacerbated greatly.

Two major factors contributed to the latest bout of volatility experienced in financial markets over the summer:

1) Uncertainty (which continues to the present) over when the US Federal Reserve will increase interest rates. Any comment made by any member for the Federal Open Market Committee (FOMC) in relation to this issue has been seized upon by market participants, sending markets higher or lower in the short term, depending upon the comment made.

2) But by far the biggest factor was concern over the slowing rate of growth in the Chinese economy, as this is a huge negative for global economic prospects owing to China's position as the world's second largest consumer.

On August 10th a report showed that China's July exports plunged more than five times the rate projected by analysts, while producer prices slid the most since 2009. This precipitated a sharp sell-off in global equity markets. In a ten day trading period between 10th and 24th August, the FTSE 100 fell over 12%. This fall was led by commodities and energy companies which are highly sensitive to any slowdown in the global economy. As the FTSE-100 Index has a large exposure to companies in this area, the hardest falls were felt here.

What we did

As noted in previous reports to you, back in March we reduced our overweight stance in the equity market, as we felt that valuations of equities in UK and US equity markets reflected or had already priced in earnings expectations to the end of 2015.

Subsequently, we fed a portion of these proceeds into the UK commercial property market and took an overweight stance in the UK corporate bond market. Not only was there some value to be found in these areas at that point, these increased positions also acted as a hedge to our remaining equity holdings.

The sharp fall in global equity markets in August gave us a good opportunity to put the remainder of these proceeds to work, as we felt that with the FTSE-100 under the 6,000 mark, equity earnings expectations not only to the end of 2015 but also to end 2016, were significantly underpriced at this stage.

The summer thus saw much fear evident in global equity markets, and while some of our peers advised their clients to sit on their hands and ride out the current bout of volatility, the MPL investment team initiated an overweight stance in equity markets once more, utilising the remainder of the cash that had been raised in February. At the same time the overweight hedge in UK corporate bonds was reduced.

Where are we now?

As we write, the concerns over the decline in the rate of growth of the Chinese economy has abated somewhat. Chinese economic growth in the third quarter was recorded at 6.9%, which is broadly in line with expectations that it will achieve the full year growth target of 7.0% set by Chinese policy makers earlier this year.

MPL portfolios have also been helped by the prospect of further financial stimulus measures, which may be enacted by the European Central Bank in order to tackle falling prices in the Eurozone. We continue to maintain an overweight stance to European equities, which will benefit not only from any further stimulus but also from a general recovery in the Eurozone over the medium to long term.

It should be noted at this point that financial markets will most likely continue to be subject to the volatile movements we have recently experienced as we move forward. We are minded to note that any change in the interest rate environment either here or in the US will prove to be a major factor in determining these movements. This period of probable volatility and change can best be managed we feel, by investing in less interest rate-sensitive securities within all of the asset classes currently utilised by the MPL investment team.

Our efforts in March enabled us to negate a large portion of the fall in equity markets experienced since May this year, and indeed we have been able to take some advantage of this weakened market position.

We anticipate that current investing conditions will become tougher as we move closer towards an inevitable environment of higher interest rates, but we remain vigilant to any opportunities which may arise as a result.

With kind regards

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*figures courtesy of Bloomberg