30th April 2015

Our Ref: MK/RD/Q115

XXXXXXXXXX
XXXXXXXX
XXXXXXXX
XXXXXXXX
XXXXXX

Dear

Re: MPL Portfolio Valuation – XXXXXX.XXXX

Findings

In the period from 1st January 2015 to 31st March 2015, the portfolio has risen x.xx% in comparison to an increase in the FTSE 100 Index* of 3.15% and a rise in the UK Gilt All Stocks Index* of 2.26%.

In the period from 1st April 2014 to the 31st March 2015, the portfolio has risen x.xx% in comparison to a rise in the FTSE 100 Index* of 1.82% and an increase in the UK Gilt All Stocks Index* of 13.97%.

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

With European Central Bank (ECB) President Mario Draghi finally unveiling bigger than expected quantitative easing (QE) measures in January, the €1.1 trillion QE liquidity package has buoyed European equity markets, with the German DAX 30 equity index in particular rising by over 10% (at the point of writing) since this announcement was made.

This has been a major factor behind the increase in the FTSE 100 and FTSE 250 indexes this quarter. When the earnings expectations (to the end of 2015) of companies within these indices are considered, these indices are currently trading close to a valuation which factors this in.

The obvious factor we now have to consider, is the UK General Election which takes place next week. The uncertainty of the outcome of the forthcoming election, will lead to a greater level of volatility in UK equity markets in the coming weeks if a decisive outcome is not reached.

Without adding too much detail to the ongoing debate currently underway on this topic, a lot of attention is being given to the composition of what the "next?" coalition government will look like. However, there has been a distinct lack of commentary on which party will most likely be given the first opportunity to form the next government, and subsequent to this, whether the result may actually be that a minority government is actually formed?

It is our opinion that if the next UK government is a coalition, there is a strong possibility that this collective may consist of more than two political parties. Initially this may not be to the liking of participants within the UK equity market, especially if the next government consists of entities who are currently perceived to be non-business friendly.

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.

This negative effect may be lessened to an extent if a minority government is formed by a party who is perceived to be business friendly by the UK equity market. In this scenario, you may in a sense have more of the same policy direction we have become accustomed to over the past five years.

The second potential outcome will also be viewed as a negative in the short term however, as a minority government's ability to pass legislation will foster uncertainty regarding the stability and effectiveness of this form of government.

In tune with our last investment letter we have taken a neutral stance on the UK market, banking profits made on the overweight stance taken in this market back in October 2014.

With an eye on current collective earnings expectations for companies within these markets, if the uncertainty caused by the general election results in market participants treating these companies with a broad brush, then thinking with our longer term investment hats on, this will create opportunities to redeploy the profits taken.

Perversely, whilst a negative impact of the election and its uncertain outcome may have a further negative impact upon the UK pound versus other currencies such as the US dollar, this could be a positive.

Companies who generate revenue in foreign currencies such as the US dollar are already benefitting from US dollar strength when they convert these revenues back into their reporting currency, the Pound.

Since July 2014 the pound has weakened significantly against the US dollar. But as of yet, the effects of the weakness in the pound have not filtered through to the quarterly earnings reports of UK companies exposed to this factor.

We believe that in the second half of this year, we will begin to see evidence of this factor filtering through to company's earnings reports. This will be an extremely positive effect, which in the event of a negative short term reaction to the UK election, could be a significant factor behind the UK market recovering from such an event.

We have increased our cash allocation ahead of this event occurring, and are in position to act quickly if the events outlined above occur.

With kind regards

AIDAN VAUGHAN
MANAGING DIRECTOR
aidan@mplltd.co.uk

MARK KITSON
INVESTMENT DIRECTOR
mark@mplltd.co.uk

RICHARD DAWES
INVESTMENT MANAGER
richard@mplltd.co.uk

*figures courtesy of Bloomberg

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.