19th May 2017

Our Ref: MK/RD/Q12017

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Dear xxxxxxxxx

Re: MPL Portfolio Valuation – xxxxxx.xxxx

Findings

In the period from 1st January 2017 to 31st March 2017, the portfolio has risen by x.xx% in comparison to an increase of 2.52% in the FTSE 100 Index* and a rise in the UK Gilt All Stocks Index* of 1.59%.

In the period from 1st April 2016 to the 31st March 2017, the portfolio has risen x.xx% in comparison to an increase in the FTSE 100 Index* of 18.59% and a rise in the UK Gilt All Stocks Index* of 7.16%.

Your current risk profile is xxxxxxx, Should you wish to discuss further then please don't hesitate to contact your adviser.

Third Platform Services – MPL Investment Portal

Further to our communication to you in February, we are pleased to confirm the details of the link to the new MPL Investment Portal. This will enable you to access your quarterly portfolio valuation reports and your current daily valuations online.

Also listed below is confirmation of your username. Your password and phrase / access code will follow in a separate communication.

Web link - **https://mplonline.thirdplatformservices.co.uk/login**

Username - xxxxxxxxxxxxxxx

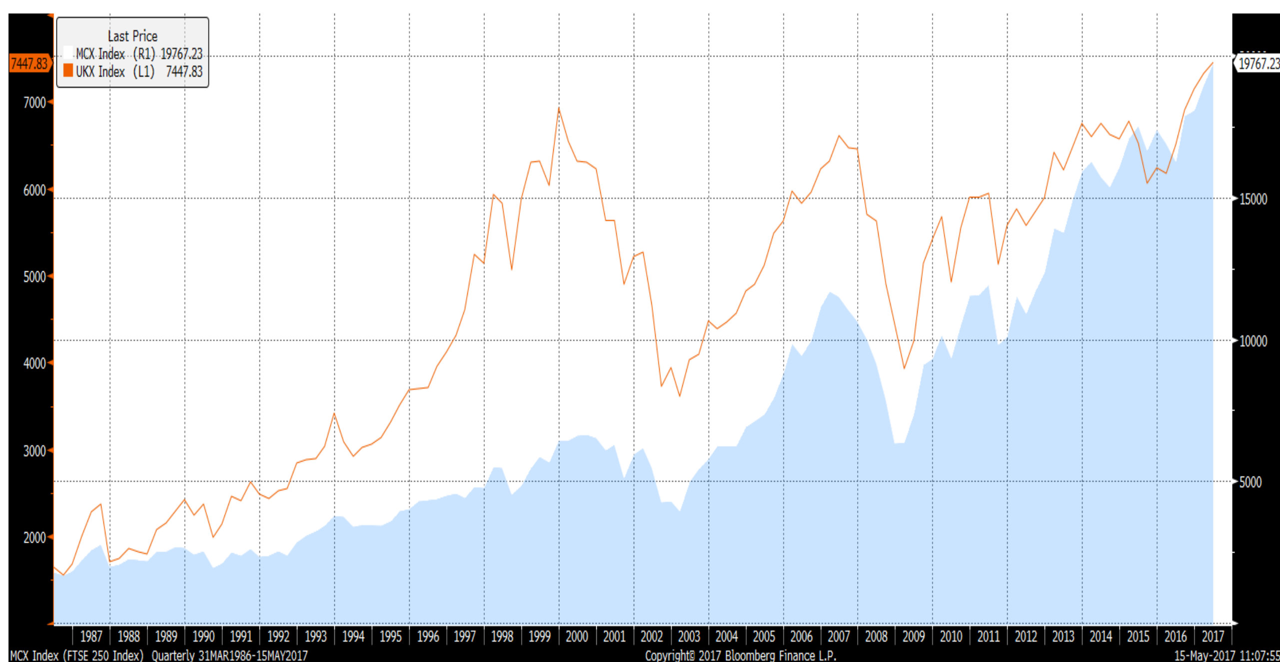
Should you have any problems in accessing the portal then please email us at - invdept@mplltd.co.uk for further assistance.

Market review - *The UK*

As briefly highlighted in our last letter in February, the macro-economic picture in cyclical areas of the UK manufacturing industry continues to improve.

Rates of expansion in industrial output, total new orders, and in new export work have all increased, supported in turn by robust business confidence measures, all of which together have driven further job creation. This early cyclical growth picture has primarily boosted the FTSE 250 Index (comprised of medium to large market-capitalised companies with exposure to the UK) which has risen to all-time highs. And now the larger capitalisation focus FTSE-100 Index of leading stocks is similarly benefitting from solid confidence figures and has also stated making new highs.

FTSE 250 and FTSE 100 indices 31st March 1986 to the Present



Source: Bloomberg

The predominantly benign outlook for UK wage growth - which is most often the main driver of inflation – is prompting the Bank of England's Monetary Policy Committee to maintain the current low interest rate environment, possibly for some time to come. Consequently cyclical expansion in the UK's industrial base may well continue for some time, particularly as Sterling has been trading recently at not too far off historical exchange rate lows caused by fears over the forthcoming 'Brexit' negotiations; this will continue to benefit UK manufacturers and particularly the FTSE-250 Index which benefits from a strong base of exporter companies within its ranks. Currently foreign buyers keen to take advantage of both weaker Sterling and stronger global market conditions are driving further export orders for the UK, these coming particularly from North America, Europe, Africa and Brazil.

Typically at this early-to-mid stage of the business cycle, one would expect cyclical industries such as manufacturing to outperform non-cyclical industries such as utilities, especially in respect of reported company earnings growth.

Whilst the unexpected call by Theresa May for a snap UK general election has somewhat strengthened Sterling in the short term (due to the perceived political stability likely to follow the probability of a large Conservative Party majority), we expect Sterling's general weakness to persist over the medium term, which will be of continued benefit to these cyclical companies. We remain mindful however that continued weak wage growth coupled with circa 2.5-3.0% inflation will likely cause a downturn in overall consumer confidence and hence spending, which could eventually have an impact upon UK manufacturers' forward earnings growth - given the importance of the UK consumer to the domestic economy. However we intend to maintain exposure to this area as we believe that increased earnings for these companies, driven in large part by the above-mentioned increase in export orders, will propel them to higher valuations.

Continental Europe

Ahead of the French Presidential election, we allocated the cash held in discretionary client portfolios to European equity markets, again primarily in early-cycle sectors which are currently benefiting from macro-economic conditions similar to those being experienced in the UK.

Leading economic indicators now show that the Eurozone continues to experience improvement in

manufacturing operating conditions, with the single exception of Greece.
Indeed the Netherlands, Germany and Italy have all recently registered accelerating rates of expansion in this area.

Recorded 'New Orders' measures in the Eurozone region have risen at their quickest pace since April 2011, with companies indicating that domestic demand remained solid in a number of key areas, whilst furthermore the weak Euro - relative to most of its main trading partners - contributed to the fastest growth of new export business for almost six years.

Whilst the weak Euro was a spur for export competitiveness, it was also a major factor driving up purchase prices of foreign-produced raw materials and components. Average manufacturing input prices rose at their quickest pace since May 2011, with companies reporting that many commodities were higher in price. Whilst we are aware of the potential inflationary impact of these higher input prices, we also note that many of the industrialised world's key central banks, and most definitely including the European Central Bank have spent the past several years fending off deflationary forces, thus the advent of some more robust inflationary figures should not be construed as wholly negative or as a negative at all. On the contrary, renewed inflationary pressures are symptomatic of the ongoing normalisation of the Eurozone economy.

This acceleration in European growth, employment and prices signalled by these leading indicator surveys suggests, (a) that the Eurozone is in the early stages of a new economic and business cycle which favours cyclical companies such as intermediate goods and capital goods manufacturers; (b) that the weaker Euro favours exporters and European companies whose revenues are exposed to various foreign currencies such as the US Dollar; and, (c) that analysts will begin to pull forward their expectations of when the ECB could begin tapering its substantial set of monetary stimulus measures - this in turn will prove beneficial to interest rate-sensitive sectors such as the insurance and banking industries.

We must add to this the fact that most, but not all, Eurozone sector banks have now managed to deal with much of the bad loan and over-leverage problems that have beset them since 2008 meaning that normalised lending practises can resume, in turn suggesting the commencement of a more normal economic cycle after almost a decade of near stagnation or even deflation.

In order to obtain exposure to these themes, we have acquired on your behalf an overweight stance in the European equity sector, this focused upon funds which give us exposure to small, mid and large-cap European equities mainly in the export-driven, globally-focused and interest rate-sensitive cyclical sectors.

US

Whilst the recent bout of strength of Sterling against the US Dollar has resulted in a reduced capital value of our clients' US holdings, the recent passing of the Republican-proposed Obamacare (The American Health Care Act) Repeal Bill by the US House of Representatives, has given us renewed hope that the Trump Administration will now be able to push through its proposed and highly ambitious tax reform program.

Whilst the US Administration's assertion that the successful implementation of its tax reform agenda could push US economic growth above 3% per annum (currently forecast at 2.1% per annum up-to July 2017) has been met with scepticism in some quarters, the sectors that are most likely to benefit from successful reform measures include financials, consumers staples, and industrials.

Companies operating in these sectors frequently have higher effective tax rates, particularly those with high levels of domestic as opposed to foreign production operations, and/or a specific export focus. Companies competing with large importers of goods into the US may also start to see a competitive advantage from significantly lowered US tax rates.

A successfully implemented and extensive package of tax reform is likely to be greatly positive for the US equity market, as company earnings and cash flows increase as a result. This should in turn result in increased levels of corporate spending domestically and also increased flows of foreign direct investment into an expanding US economy, which will help engender economic growth overall.

We are thus maintaining exposure within client portfolios to US equities in light of the possibility of further such positive developments in the US market, and also on the grounds that the continued exposure to the US Dollar that these holdings will bring, could further benefit portfolios. This is likely to be particularly so as an ongoing weak Sterling will likely persist throughout the 'Brexit' negotiations, which may well prove both painful and protracted.

With kind regards

*figures courtesy of Bloomberg

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