Whitechurch Securities Ltd
WEALTH MANAGERS

Quarterly Review

1st January 2019 - 31st March 2019

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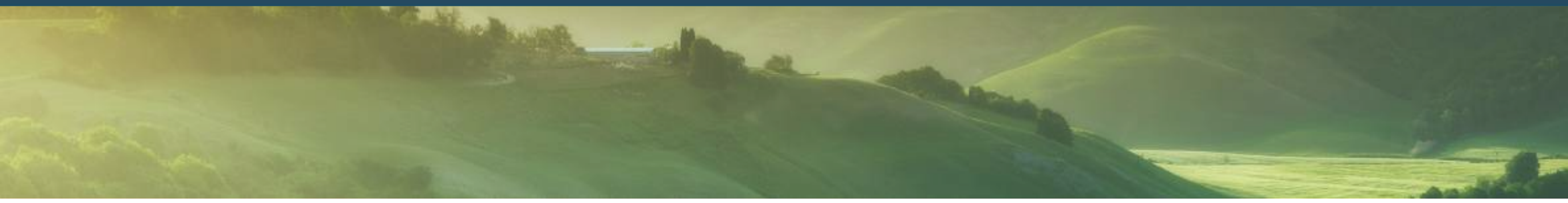


Welcome to the Whitechurch quarterly investment review. This review covers the key factors that have influenced investment markets over the past quarter and the Whitechurch Investment Team's current views and broad strategies being employed.

In a complete reversal of fortunes from the fourth quarter of 2018, global markets enjoyed a strong recovery across the board. Both equities and credit rallied as the new year brought with it a wave of optimism. Concerns over the trade war between the US and China and also concerns of slowing global growth and interest rate rises abated early in the quarter. Fears did however, start to resurface in the latter part of March.

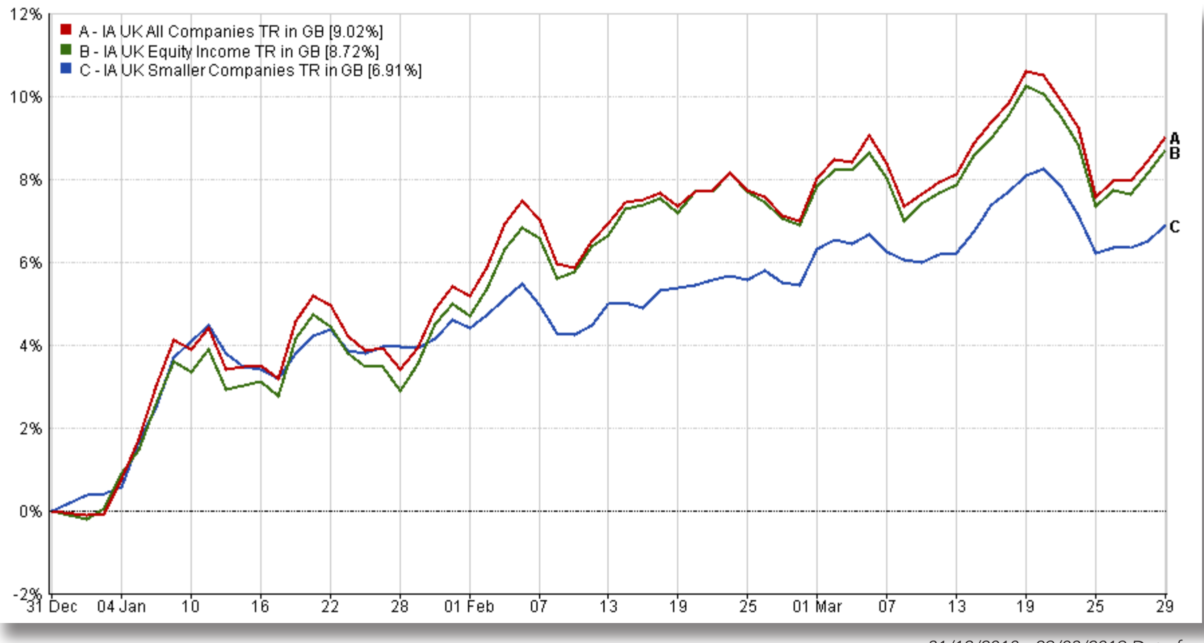
UK Equities	Three Month Total Return %
IA UK All Companies	9.02%
IA UK Equity Income	8.72%
IA UK Smaller Companies	6.91%

Following a poor Q4 2018, UK equities bounced back strongly in Q1 2019. Small caps lagged wider markets but still achieved a positive performance over the quarter showing gains of 6.9%. The more domestically focused FTSE 250 marginally outperformed the more globally diversified FTSE 100 as the threat of a no deal Brexit dissipated following the House of Commons vote to avoid a no deal scenario. Some of the upside was lost towards the end of March as fears over stalling global growth resurfaced. The best performing sectors over the period were Technology, Tobacco and Beverages.

UK employment growth remained robust. Wage growth continued to pick up as the UK labour market avoided a wider slowdown and real wages remained in positive territory as inflation was muted.

Q4 growth figures released over the quarter showed Brexit uncertainty continued to weigh on business investment. GDP growth declined from 0.7% in Q3 2018 to 0.2% in Q4. The economy grew 1.4% over the full year of 2018. Forecasts for 2019 were also reduced with the OECD predicting growth would decelerate to 0.8% in 2019, more bearish than the Bank of England forecast of 1.2%.

UK valuations are still at attractive levels and, despite rallying over the quarter, remain the most undervalued of all developed markets. The Brexit saga will continue to affect valuations until clarity is gained. We will hold a combination of carefully selected domestic businesses along with large cap businesses with overseas revenue streams. Dividend yields average 4.16% across the FTSE 350 and we continue to believe the extension to the Brexit leave date will keep UK interest rates close to historic lows which will in turn lead to demand from investors for income producing investments.



31/12/2018 - 29/03/2019 Data from FE 2019

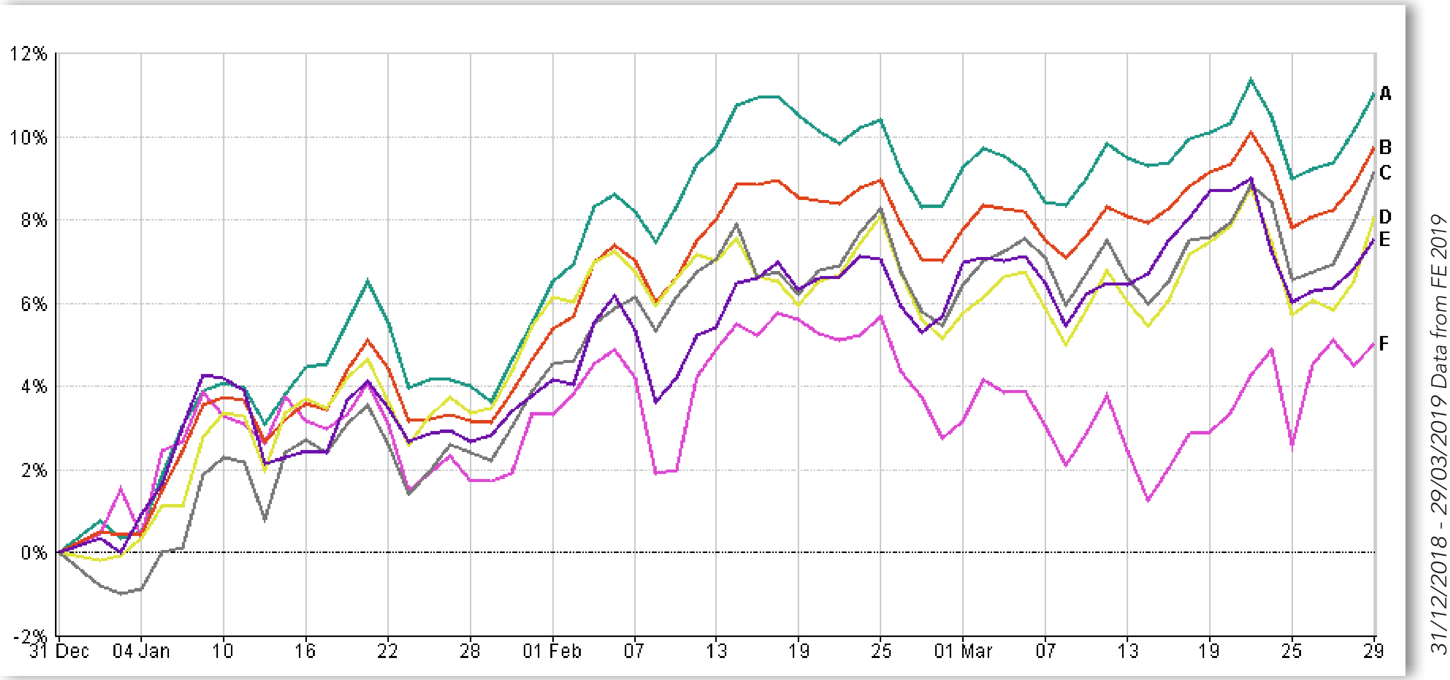
QUARTERLY REVIEW

Q1 2019: 1st January to 31st March

Source: Financial Express Analytics. Performance figures are calculated from 01/01/2019 to 31/03/2019 net of fees in ste
a mid to mid basis, with net income reinvested. The value of investments and any income will fluctuate and investors r

Global Equities	Three Month Total Return %
IA North America	11.05%
IA Global	9.75%
IA Asia Pacific, excluding Japan	9.18%
IA Global Emerging Markets	8.07%
IA Europe, excluding UK	7.57%
IA Japan	5.05%

Developed markets around the world participated in the global uptick, albeit at a slower pace than their emerging market counterparts, as the graph below illustrates.



US equities rebounded to post significant gains in Q1. The Federal Reserve confirmed it would adjust planned interest rate hikes to compensate for slowing economic growth. Sentiment also improved as a resolution to persistent US-China trade tensions also appeared more likely. There was also an end to the longest government shutdown in history as Trump unsuccessfully attempted to capture enough funding to build a wall on the Mexican border.

The Fed increased its dovish stance as the quarter progressed as certain economic indicators suggested forecast growth would slow. GDP was adjusted downwards to 2.2% from the initial 2.6% reading. IT performed particularly well following a torrid Q4. Healthcare struggled due to regulatory uncertainty and financials struggled following the Feds more cautious tone on future interest rate rises.

Out of all developed market gains over the quarter, the IA North American Index returned the most for sterling investors with an 11.05% increase.

Following the weakness seen in US markets in the final quarter of 2018, we took the opportunity to increase our US position after several months of being underweight.

European equities enjoyed strong gains in the first quarter, rebounding from weakness at the end of 2018. The upside achieved was muted in comparison to other developed market gains with the IA Europe ex UK index returning 7.57% for sterling investors. Alongside the Federal Reserve stepping away from monetary tightening, the European Central Bank said rates would remain at current levels, at least until the end of the year, after previously stating rates would stay on hold until the end of the summer.

There were however, growth concerns for the region. Data releases showed the eurozone economy grew by just 0.2% in the final three months of 2018. Germany saw zero growth while Italy slipped into recession. Concerns over manufacturing sectors continued with the manufacturing purchasing managers' index dipping to 47.6 in March from February's final reading of 49.3 (a reading below 50 indicates contraction).

We moved to an underweight position within our European exposure due to concerns of stalling growth in the region. This proved beneficial to portfolios over the quarter.

Japan participated in the global uplift but to a much lesser extent than other developed indexes. The return for the period was 7.7%. The corporate results season for the quarter ended in February and was generally interpreted negatively but share price reactions to bad earnings were minimal, suggesting markets had priced in the negative readings in advance of results. Japanese economic data released in March was generally in line with expectations. Headline inflation was slightly ahead of forecasts.

Asian and Emerging Market indexes enjoyed some recovery over the quarter. The Indian market was buoyed as euphoria around Prime Minister Modi's potential re-election carried Indian bourses higher. The region was also upgraded by a number of heavy weight investment banks including Morgan Stanley, Goldman Sachs and BNP Paribas, who all increased their end of year index targets by as much as 8%.

Chinese authorities are now stimulating domestic demand with a package of tax cuts, infrastructure investment and measures designed to support bank credit growth. The overall aim is to stabilise growth. Following a 30% drop in Chinese indexes over last year, we took advantage of weakness to add some Chinese exposure to riskier mandates. We are however closely monitoring the effectiveness of the stimulus package in light of weak manufacturing numbers that were released in the quarter.

Fixed Interest	Three Month Total Return %
IA Sterling High Yield	5.06%
IA Sterling Corporate Bond	3.91%
IA UK Gilts	3.65%

There was a strong rebound in Fixed Income markets following sharp declines at the end of last year. A dovish shift from central banks and mounting growth concerns combined to allow both riskier assets and government bonds to perform well in Q1. Stocks and high yield corporate bonds enjoyed their strongest quarter for several years.

The dovish stance from major central banks was particularly positive after markets had previously grown nervous over the prospect of monetary tightening in the US. The heads of both the Fed and the ECB indicated rates would not rise in 2019. Growth and inflation forecasts were also lowered.

US 10-year Treasury yields fell 30 basis points over the quarter reaching their lowest level since late-2017. The three-month Treasury yield rose higher than that on 10-year bonds in March. This yield curve inversion underlines the growing caution among investors around economic growth prospects.

In European bond markets, 10-year Bund yields were also more than 30bps lower and fell below zero toward the end of March for the first time since October 2016. European economic data weakened further through the quarter, particularly for the manufacturing sector.

Corporate bonds had a strong quarter. High yield credit outperformed investment grade, with both outperforming government bond markets. Emerging market bonds also had a positive quarter with US debt outperforming local currency bonds as certain EM currencies weakened.

We have built a very strong defensive spine to our fixed income exposure and will be looking to increase fixed income exposures funded by Absolute Return proceeds through 2019. US High Yield is an area Whitechurch once made very strong returns and yields once again look enticing.

Commercial Property	Three Month Total Return %
IA UK Property	11.2%

IA UK Direct Commercial property funds generated modest gains over the quarter, with the bulk of those gains coming from income. The asset class underperformed fixed income and equity investments over the quarter.

The outlook for commercial property funds within the UK remains uncertain on three counts; the ongoing Brexit negotiations provide uncertainty for activity within the market, the continued decline in the performance of retail and shopping centres continues to weigh on investor sentiment, and additional concerns over outflows from open ended property funds raises the threat of swings in pricing. For this reason, we have become very selective in our chosen property exposures.

We currently favour newer property funds that do not have large legacy retail portfolios, smaller funds that are more flexible, funds that are not experiencing outflows, and most importantly funds where we believe the managers are able to generate both a high income compared with fixed income, and an ability to generate rental growth over the medium term.

Commodities	Three Month Total Return %
WTI Oil Index	**32.7%**
Gold	**1.3%**

Oil rallied 32% in the first quarter as Saudi Arabia led the Organization of the Petroleum Exporting Countries and its allies in squeezing supplies to prevent a glut. The trade war between the world's two biggest economies and signs of slowing global economic growth limited further gains. Bullish sentiment on economic growth following good China data led oil in following equity markets. If there is a breakthrough in the trade talks, there is possibility of further upside.

Gold had a muted month following solid performance in Q4 2018. Although the precious metal is supported by falling bond yields, it continues to struggle against resilient strength in equity markets and the U.S. dollar. However, some analysts continue to look past near-term U.S. dollar strength as threats to the economy continue to build.

Cash	Three Month Total Return %
Bank of England Base Rate	**-0.18%**
MoneyFacts Instant Access	**-0.15%**

With bond yields falling significantly over the quarter, the relative appeal of cash has increased. However, with the latest inflation reading of 1.8%, cash deposits continue to offer investors negative real returns and remain unappealing for longer term investors.

We currently only hold Cash for shorter term tactical reasons, or within lower risk profile strategies where the risk profile dictates a need for a larger cash allocation.

Whitechurch Investment Team, Quarterly Review, Q1 2019
(Issued April 2019)

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