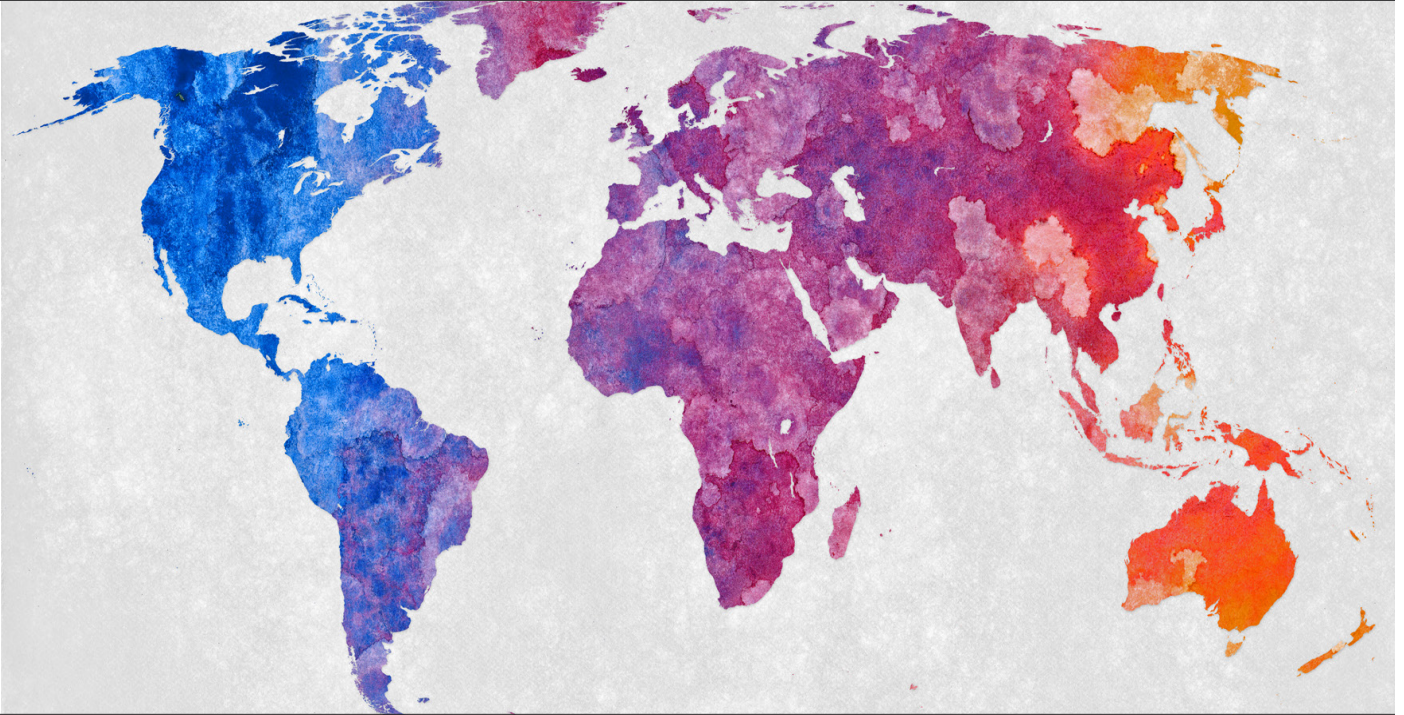


The Tortoise and the hare

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Q3 2016 - Market Overview

Summary

Q3 was a relatively benign quarter for investors, particularly after the tumultuous 2nd quarter. The Pound finished in September only slightly below the level reached at the end of June, at 1.30 versus the Dollar. The Euro even managed a small gain of 1.2% vs USD over the same time period. Risky assets could book some significant gains, while defensive assets largely maintained their value.

Earlier in the quarter the biggest news, arguably, was that Mark Carney announced that the Bank of England was reducing its interest rate from 0.5% to 0.25%. He told markets at the same time, that quantitative easing was going to be expanded, both in terms of size (additional £60bn) but also in terms of bond issuers (corporate bonds). Neither the FED nor the European Central Bank (ECB) made any interest rate move, but the ECB confirmed that monthly asset purchases of €80bn will continue for at least the next 6 months.

The Bank of Japan (BoJ) also gripped headlines in its relentless effort to stimulate growth and push up inflation, by introducing a new and unconventional measure, as they are now directly targeting a specific level of yield (0%) for their 10 year government bonds. US inflation remained at about 1%, but in the UK the last reading of the CPI measure increased to 0.6%. In the Eurozone inflation crawled back into positive territory, though the HICP reading at 0.24% is still very mute. Japan, so far, continues to be

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in a deflationary environment with inflation at a negative 0.5%. Annual GDP Growth numbers for Q2, released in late September, show the US economy grew 1.3% versus the same quarter a year earlier, the lowest growth reading in the last 3 years. Over the same timeframe, the Euro area as a whole grew 1.6%, while the UK achieved growth of 2.1% and Japan still lags achieving 0.8%.

Fixed Income

The high level of risk aversion that pushed up prices in the previous quarter seems to have ebbed out. Investors in Treasuries actually experienced small losses. For example, the Barclays US Treasury 1-3 Year Index returned -0.11%, reducing 2016 gains to 1.33%. The risky end of the fixed income spectrum was the place to be in Q3. Emerging market government bonds (JPM EMBI Global Diversified Index) gained about 4% in USD terms and US High Yield (Barclays US Corporate High Yield Index) almost 5%.

Equities

As risky assets enjoyed a good quarter, returns were positive for equities across the globe. Developed markets (MSCI World) gained about 5% in local currency terms but emerging markets were the sweet spot. While prices for US equities (S&P 500 Index) only increased by 3.85%, equity prices in the emerging nations (MSCI EM Index) went up by 7.59%. Adding currency effects, they gained over 9%, moving the needle for 2016 to over 16%, the best performing region so far this year. Last quarter most value based indices beat their broad market brethren, particularly in emerging markets. Investors in small cap stocks had a similarly positive experience. For example, US Small Cap (Russell 2000 Index) gained a staggering 9.03% last quarter.

Real Assets

Price actions for commodities were relatively unexciting in Q3. The gold price dropped 1.64% in USD terms, now at \$1317 an ounce, while oil prices pretty much ended where they began the quarter, at about \$48 for a barrel of WTI. The broad Bloomberg Commodity index lost 3.86% in USD. REITs returns were equally uneventful. Globally, (S&P Global REIT Index) prices dropped by 0.23% in USD, dragged down by US based REITs (S&P US REIT Index), which lost 1.58% in value.

Quarterly Indicators

Economic Indicators				
Index	Unemployment rate (%)	Current A/C Balance*	Budget Balance*	Industrial Production (%)**
US	4.9	-2.6	-3.2	-1.1
UK	4.9	-5.6	-3.9	0.8
Euro Area	10.1	3.2	-1.9	-0.5
Japan	3.1	3.6	-5.1	4.6

* % of GDP 2016 estimate change on 1 year ago ** Source: Economist (7th Oct 2016)

GDP growth (%) Projections			
	2015	2016	2017
US	2.4	2.2	2.5
UK	2.2	1.7	1.3
Eurozone	1.7	1.6	1.4
Japan	0.5	0.3	0.1

Source: IMF, World Economic Outlook, July 2016

Interest rates (%) - Government bonds				
	1 month	3 month	2 years	10 years
US	0.3	0.3	0.9	1.8
UK	0.2	0.2	0.2	1.0
Euro Area (DE)	-0.9	-0.8	-0.7	0.0
Japan	-	-0.3	-0.3	-0.1

Source: FT.com as of 6th October 2016

Inflation (%) Projections			
	2015	2016	2017
US	0.1	0.8	1.5
UK	0.1	0.8	1.9
Eurozone	0.0	0.4	1.1
Japan	0.8	-0.2	1.2

Source: IMF, World Economic Outlook, April 2016

Foreign exchange					
	31/12/2015	30/06/2016	30/09/2016	Qtr % change*	YTD % change**
USD/JPY	120.30	102.59	101.27	-1.29%	-15.8%
GBP/USD	1.47	1.34	1.30	-2.83%	-11.9%
GBP/JPY	177.30	137.14	131.54	-4.08%	-25.8%
GBP/EUR	1.36	1.20	1.16	-3.94%	-14.8%
EUR/USD	1.09	1.11	1.12	0.81%	3.1%
USD/CHF	1.00	0.97	0.97	-0.49%	-3.2%

Source: FT.com as of 30th September 2016

*Quarter % Change from 30/06/2016 to 30/09/2016

**YTD % Change from 31/12/2015 to 30/09/2016

Volatility Index (%)				
Index	Current	1 year change	52 week high	52 week low
VIX	13.0	-48.6%	27.4	11.6
VDAX	16.7	-36.3%	42.2	14.5

Source: FT.com as of 6th October 2016

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Having spent a combined total of over twenty years at one of the largest US banks looking after the needs of expatriate American clients, the MASECO partners identified a gap in the provision of sound, practical and creative advice for US expatriate and in-patriate clients from the UK.

We decided to use the expertise we gained at large institutions to create a partnership that bridges this gap and provides a first class service within a wealth management firm – without the often conflicting demands of ownership by a large institution.

With this philosophy at its core, MASECO Private Wealth is focused, forward-thinking and, most importantly, puts its clients first.

Asset Class Indices

Fixed Income Summary (%)							
Index	Q3 2016	2016 YTD	2015	2014	2013	3 Yr (Annualised)	5 Yr (Annualised)
Citi World Government Bond Index LCL	-0.2	6.2	1.3	8.5	0.2	5.3	4.2
Citi World Government Bond Index USD	0.3	11.1	-3.6	-0.5	-4.0	1.8	0.8
Markit iBoxx Liquid Investment Grade TR USD	1.3	10.5	-0.7	8.7	-2.4	6.6	5.9
BofAML Global High Yield TR USD	5.3	14.2	-4.2	-0.1	8.0	4.3	8.2
JPM Emerging Market Bond Index GD TR USD	4.0	14.8	1.2	7.4	-5.3	8.2	7.8

Source: Morningstar as of 30th September 2016

Equity summary (%)							
Index	Q3 2016	2016 YTD	2015	2014	2013	3 Yr (Annualised)	5 Yr (Annualised)
S&P 500 TR USD	3.9	7.8	1.4	13.7	32.4	11.2	16.4
Russell 3000 Value TR USD	3.9	10.4	-4.1	12.7	32.7	9.5	16.1
Russell 2000 TR USD	9.0	11.5	-4.4	4.9	38.8	6.7	15.8
MSCI EAFE NR LCL	6.0	-1.6	5.3	5.9	26.9	5.3	11.2
MSCI EAFE NR USD	6.4	1.7	-0.8	-4.9	22.8	0.5	7.4
MSCI EAFE Value NR USD	8.0	0.8	-5.7	-5.4	23.0	-1.5	6.0
MSCI EAFE Small Cap NR USD	8.6	5.2	9.6	-4.9	29.3	5.1	11.1
MSCI EM NR LCL	7.6	11.3	-5.8	5.2	3.4	4.3	7.0
MSCI EM NR USD	9.0	16.0	-14.9	-2.2	-2.6	-0.6	3.0
MSCI ACWI NR LCL	5.1	4.8	1.3	9.3	25.5	7.7	12.6
MSCI ACWI NR USD	5.3	6.6	-2.4	4.2	22.8	5.2	10.6
STOXX Europe 600 NR EUR	4.4	-3.8	9.6	7.2	20.8	6.2	11.9
FTSE AllSh TR GBP	7.8	12.4	1.0	1.2	20.8	6.6	11.0

Source: Morningstar as of 30th September 2016

Real Assets (%)							
Index	Q3 2016	2016 YTD	2015	2014	2013	3 Yr (Annualised)	5 Yr (Annualised)
S&P Global REIT TR USD	0.0	12.3	0.6	22.8	2.8	11.3	14.1
Bloomberg Commodity TR USD	-3.9	8.9	-24.7	-17.0	-9.5	-12.3	-9.4
LBMA Gold Price PM USD	0.1	24.8	-12.1	0.1	-27.3	-0.1	-4.0
Bloomberg Sub WTI Crude Oil TR USD	-4.9	-0.1	-44.3	-41.7	6.8	-32.1	-17.6

Source: Morningstar as of 30th September 2016

Risk Warnings

Past performance is not a reliable indicator of future results.

The illustrations are in US Dollars unless otherwise stated. Currency fluctuations may increase or decrease the returns of any investment.

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Bonds are affected by a number of risks, including fluctuations in interest rates, credit risk and prepayment risk. In general, as prevailing interest rates rise, fixed income securities prices will fall. Bonds face credit risk if a decline in an issuer's credit rating, or creditworthiness, causes a bond's price to decline. High yield bonds are subject to additional risks such as increased risk of default and greater volatility because of the lower credit quality of the issues.

Bonds rated below investment grade may have speculative characteristics and present significant risks beyond those of other securities, including greater credit risk and price volatility in the secondary market. Investors should be careful to consider these risks alongside their individual circumstances, objectives and risk tolerance before investing in high yield bonds. High yield bonds should comprise only a limited portion of a balanced portfolio.

Finally, bonds can be subject to prepayment risk. When interest rates fall, an issuer may choose to borrow money at a lower interest rate, while paying off its previously issued bonds. As a consequence, underlying bonds will lose the interest payments from the investment and will be forced to reinvest in a market where prevailing interest rates are lower than when the initial investment was made.

Alternative investments referenced in this report are speculative and entail significant risks that can include losses due to leveraging or other speculative investment practices, lack of liquidity, volatility of returns on transferring interests in the fund, potential lack of diversification, absence of information regarding valuations and pricing, complex tax structures and delays in tax reporting, less regulation and higher fees than mutual funds and advisor risk.

Investing in commodities entails significant risks. Commodity prices may be affected by a variety of factors at any time, including but not limited to (i) changes in supply and demand relationships, (ii) governmental programs and policies, (iii) national and international political and economic events, war and terrorist events, (iv) changes in interest and exchange rates, (v) trading activities in commodities and related contracts, (vi) pestilence, technological change and weather, and (vii) the price volatility of a commodity. In addition, the commodities markets are subject to temporary

distortions or other disruptions due to various factors, including lack of liquidity, participation of speculators and government intervention.

The prices of real assets (for example, precious metals) tend to fluctuate widely and unpredictably, and have historically experienced periods of flat or declining prices. Prices are affected by global supply and demand, investors' expectations with respect to the rate of inflation, currency exchange rates, interest rates, investment and trading activities of hedge funds and commodity funds, and global or regional political, economic or financial events and situations.

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Interest on municipal bonds is generally exempt from US federal income tax; however, some bonds may be subject to the alternative minimum tax (AMT). Typically, state tax exemption applies if securities are issued within one's state of residence; if applicable, local exemption applies for issues within one's city of residence.

The initial interest rate on an inflation-linked security may be lower than that of a fixed rate security of the same maturity because investors expect to receive additional income due to future increases in CPI. However, there can be no assurance that these increases in CPI will occur.

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