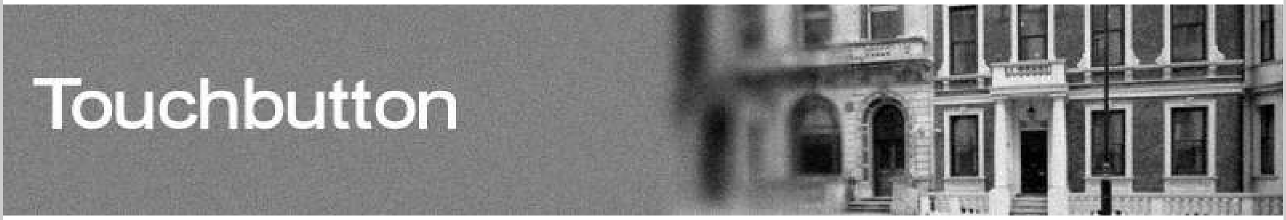
BERRY
ASSET MANAGEMENT PLC
A MEMBER OF THE BORDIER & CIE GROUP

+44 (0)20 7667 6600



No: 20, September 2013

Who's in charge?

As a very much sunnier summer draws to a close, markets have broadly survived what could quite easily have been a torrid August. Year to date (end August) performance remains respectable, with UK equities still registering a gain of 11.86%. The US S&P 500 is up 16.15%.

Progress from here until the end of the year looks less certain: at the beginning of the year it was clear to us that it was important and sensible for investors to have as full a weighting to stock markets as their risk tolerance would permit. This still remains the case, but the easy(ish) gains have probably been made. Value is no longer so easy to find, and mixed messages are appearing, especially from the interaction between professional investors and central banks.

Indeed, the new Bank of England governor must be somewhat bemused at how the markets's professional investors appear to have reacted to his early forward guidance. He has made it crystal clear that UK interest rates will not rise until unemployment falls below 7%, and that this is unlikely to be until 2015 at the earliest. However, foreign exchange markets don't believe him: sterling has strengthened in expectation of sooner than expected rate rises, and market interest rates have also spiked, with the 10 year Gilt Yield rising above 3% last week, for the first time since the summer of 2011. It is also interesting to see how the mortgage market is behaving. Five year fixed mortgage rates are edging up, and this time it may be permanent.

The autumn is almost always a challenging time for investors, and this year looks no different. However, well balanced portfolios that are sensibly diversified should cope well. The fact remains that there are very few places for long term investors to preserve their wealth: the cash alternatives remain unappealing, and whatever markets may think, the Bank of England probably has a firmer grasp of the timing of interest rate shifts than we do.

Berry Asset Management PLC
79 Pall Mall
London
SW1Y 5ES

t : +44 (0)20 7667 6600
f : +44 (0)20 3427 5400
w : www.berry.co.uk