R.C. BROWN
investment management plc

AUTUMN 2015 NEWSLETTER

(For Professional Advisers only)

News Update

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Welcome to the Autumn edition of our market commentary newsletter, make sure you read Glenn's thought provoking view of the world on page 2.

During 2015 we have continued to see an increased demand for our services from Financial Advisers, and over the summer we have welcomed two new members of staff, **Wayne Sawyers & Paul King.** Wayne is our Sales Director for the South West & South Wales, and Paul has joined our Administration Team. You can find out more about them on the **'Our People'** page of our website.

It's not just our existing introducers and clients that know how good our service is, we have also been recognised with two industry awards (one of them for the second year running). We are delighted to have won

"Private Client Portfolio Manager of the Year – UK" in the Wealth & Money Management Awards, and
"Discretionary Fund Management Firm of the Year – UK" in the CorporateLiveWire Global Fund Awards

We have also been nominated for a couple more awards, so hopefully we will be able to tell you more in the next issue.

wealth&money managementawards
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R C Brown Investment Management Plc
Private Client Portfolio Manager of the Year - UK

GLOBAL FUND Awards 2015
CORPORATE LiveWire
- WINNER -

Our services – why do Financial Advisers & clients trust us?

- Our portfolios are managed on an 'individual client' basis, and our minimum is only £15,000
- Our team has a depth of experience and expertise derived from working in some of the City of London's leading investment houses.
- Each Adviser and client has direct access to the Investment Manager who makes the decisions on how the portfolio is managed.
- We have an innovative and highly competitive 'all inclusive' clean fee structure, with a performance linked option. We do not levy additional transaction, compliance or custody charges.
- We have our own ISA, at no additional costs, and we can also manage portfolios within SIPP, SSAS & Bond wrappers

Market Commentary

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Sometimes we see things with greater clarity when observed from an oblique perspective. And so, in wanting to write to you about the "slings and arrows of outrageous fortune" that is the set of risks and rewards contained by market volatility, I began to draw analogies between stock markets and sporting performance and the noble pursuit of winning, but not at any cost. The Rugby World Cup is an obvious contender for a piece of parody on playing the stock market to win, but when Wales defeated England "in a fast and open game" (Max Boyce – Live at Treorchy 1974) the ground shifted from under my feet. Never before had a host nation faced the challenge of being an observer at their own tournament at such an early stage of the contest. As a Welshman I was elated by a lucky win but as an economist I counted the cost of victory in terms of the hit to GDP from the expected boost to spending that now won't happen when fans stay home instead of going to the pub in droves to watch England play.

With sport off the agenda I looked elsewhere for ideas and became inspired by the BBC's poetry day, and my thoughts turned to Shelley's poem Ozymandias (well why wouldn't they). This everyday story of hubris and megalomania tells of a traveller in the desert who comes across a plinth on which is carved an inscription of the words of the once great hero whose tomb this was. "My name is Ozymandias King of Kings, Look on my works ye mighty and despair". But the effigy of this great conquering hero lies broken in the sands and he is forgotten, defeated and humiliated by words that bear witness to arrogance and unwarranted self belief long after the empire had fallen. Hopefully our awareness of risk will help us to avoid the risks associated with not building effectively diversified portfolios.

At the risk of being turned to stone for paraphrasing the poetry of the King James bible, and with market movements in mind, it may be worth recalling that "to everything there is a season"...a time to mourn and a time to dance. A time to sow, a time to reap, a time to take risk and a time to store up gains for future benefit.

At present world economic growth appears to be slowing and current valuations are high, so we need to secure a goodly portion of what has already been earned. But growth will recover and the deflationary factors which are dragging down consumer prices are not the major risks associated with general price deflation, as the year on year comparisons of the fall in energy and materials prices will fairly soon wash through the system (possibly just ahead of prices rising again) and also at a time when full employment in the US starts to push up wages and interest rates. This extract from a briefing paper written ahead of our recent report to clients, while neither poetic nor drawing on sporting metaphor, is worth quoting at length as it sets out why we have come to our current opinion.

"Our view remains that future returns are likely to be more modest than those earned on equities over the past few years and that stock market volatility will continue to be a feature for some time. We will seek to make use of this volatility to take profit from areas of relative outperformance and add to areas of relative under performers so long as the fundamental outlook remains fair.

While not exactly holding our collective breath in anticipation of a rise in interest rates we do expect rates to go up fairly soon. The US came close to raising interest rates in September but the slowdown in China was cited as a reason not to raise rates despite US unemployment having fallen to a level comparable to that from which rates were raised in the last cycle, which was all the way back in 2004.

However, despite us not having changed our view we are not acting like ostriches with our heads buried in the sand and we recognise that central bankers (and world stock markets) are beginning to worry that waning growth momentum is becoming more of a concern than the withdrawal of policy stimulus. We are also concerned that despite the combined impact of QE and domestic austerity measures aimed at bringing down the level of government debt the UK government plans to raise £127bn from gilt sales this year (compared with around £10bn a year before the financial crisis). With a low bid to cover ratio of only 1.19 times for a 10 year gilt auction in June the Debt Management Office will be raising concerns at the increased risk of a failed gilt auction and may well be lobbying for higher interest rates in order to support planned government borrowing. But whatever goes on behind the scenes we cannot get away from the fundamental position that there is too much debt already and a need to raise more debt to fund (even reduced) spending plans. Inour view this makes both government and corporate debt unattractive investments where capital values are at risk and we maintain very low exposure to debt investments in order to keep some diversification benefit and to reduce overall portfolio volatility.

The slowdown in global growth expectations is also a negative for the UK equity market, but here at least good stock pickers have an advantage from their indepth research on individual companies to help identify companies with strong balance sheets, positive cash flow sufficient to fund all planned capital expenditure and pay a reasonable (and preferably growing) dividend. Above all, at this stage of the cycle, the value added by a strong management team who can hold their nerve and invest or even make acquisitions when others are struggling is something that is likely to be highly sought after.

Our view on investing in commercial

property remains pretty much unchanged in that we consider the growing rental yield to be the main attraction, but after big inflows to many property funds we will be keeping a careful watch for signs of liquidity problems which in the past have restricted sellers from getting access to their capital. Although we are always concerned to be able to sell investments quickly we do not currently see a problem in the sector and indeed it is likely that if stock market volatility continues that additional funds may flow in the property investments, which would make the task of selling, should we need to, relatively easy.

With regard to alternative asset classes we still have no current intention of introducing total return funds or commodity investments, not for any inherent bias against these investments but simply because we continue to believe that better returns for the risk taken can be earned elsewhere. Indeed the fall in price of oil and industrial commodities has made life tough for investors in this area and because supply is not falling back particularly quickly we do not see a rapid reversal in prices, which would be needed to make the sector attractive. But the other side of the fall in commodity prices is that input costs have fallen for industry and distribution. This should be a positive for corporate margins and helps support our long term preference for equity investing."

This benign outlook may be wishful thinking but the evidence is that there is more likely to be a boost to equity markets from upgrades to forecasts, than a fall from downgrades. We are long term investors, in it for the long term, and we are playing the long game. So on that basis; Japan for the cup in 2019 – probably the best dividend market in the world.

Historic Performance

Private Client portfolio past performance data to end September 2015

Risk Category		3mths RCBIM*	3mths Benchmark	6mths RCBIM*	6mths Benchmark	12mths RCBIM*	12mths Benchmark	24mths RCBIM*	24mths Benchmark	36mths RCBIM*	36mths Benchmark	48mths RCBIM*	48mths Benchmark
Cautious (WMA Conservative)	Managed Funds	-1.62%	-0.32%	-2.10%	-2.82%	5.41%	4.68%	12.26%	11.70%	26.99%	16.83%	43.52%	28.64%
	Direct	-1.73%		-3.26%		3.43%		10.74%		25.04%		40.44%	
Cautious Balanced (WMA Income)	Managed Funds	-2.92%	-1.90%	-3.45%	-4.35%	4.33%	2.98%	11.92%	10.24%	30.64%	20.22%	48.80%	35.37%
	Direct	-3.27%		-5.36%		1.49%		8.68%		26.60%		43.29%	
Balanced (WMA Balanced)	Managed Funds	-3.68%	-3.06%	-4.26%	-5.66%	3.54%	1.89%	10.05%	9.99%	28.53%	23.75%	47.34%	40.65%
	Direct	-3.70%		-5.52%		1.47%		8.62%		27.87%		44.42%	
Balanced Growth (WMA Balanced)	Managed Funds	-3.95%	-3.06%	-4.24%	-5.66%	3.52%	1.89%	10.82%	9.99%	32.38%	23.75%	51.64%	40.65%
	Direct	-4.42%		-6.47%		0.36%		7.00%		27.43%		43.14%	
Growth (WMA Growth)	Managed Funds	-4.45%	-4.14%	-4.88%	-6.82%	3.08%	0.86%	10.49%	9.23%	33.50%	25.52%	53.20%	43.80%
	Direct	-4.85%		-6.88%		-0.15%		6.26%		27.49%		44.03%	

(* After all underlying fund charges, but before RCBIM fees)
(The benchmark is the relevant corresponding WMA Index)

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Product partners list

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Over the past few months we have developed connections with a number of additional SIPP, SSAS and Bond providers, the up to date list is shown below. For those of you who use Offshore Bonds, we can now manage money within the Dublin based Offshore Bonds for both AXA and Canada Life, which has the added client benefit of our fees being VAT exempt.

SIPP / SSAS

Cabot Trustees	**Lifetime SIPP Company**
Curtis Banks	**London & Colonial**
DA Phillips & Co	**LV=**
Dentons Pensions	**Pointon York**
DP Pensions	**Sanlam Investment & Pensions**
Hartley SAS	**SippCentre**
Hornbuckle Mitchell	**Suffolk Life**
Intelligent Money	**Talbot Muir**
IPM SIPP	**The Company SSAS Ltd**
IPS Pension Trustees	**Tower Pension Trustees**
James Hay	**Xafinity**

OFFSHORE BOND

AXA (IoM & Dublin)	**Friends Provident International** *(existing policies only)*
Canada Life (IoM & Dublin)	**Sanlam Investment & Pensions**

ONSHORE BOND

Sanlam Investment & Pensions

If you use any product providers not listed above, we are happy to establish a link to them.

CONTACT US

- **For more information, or to discuss how we might assist you, please contact:**

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