OAM Global Income Portfolio[1]

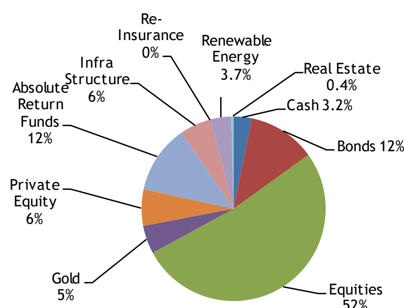
Technical Details

- Base currency: GB Pounds
- Benchmark: FTSE Global 100 and FTSE 100
  - FTSE Global 100 is the top 100 companies deriving < 70% of revenue domestically
- Asset Allocation: Flexible mix of closed-end funds, bonds and cash

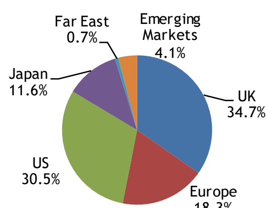
Investment Objective

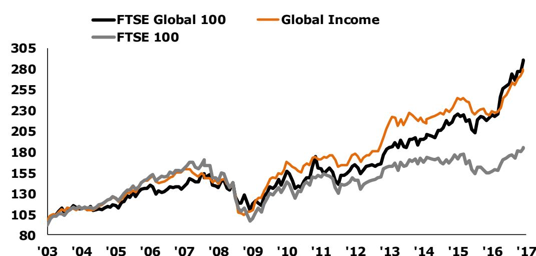
- conservative growth using medium risk strategy
- consistent annual returns
- low volatility

ASSET ALLOCATION
(see through basis)



GLOBAL ALLOCATION
(see through basis)





1) Individual portfolio representing Global Income investment style

March 2017

	Global Income %	FTSE Global 100 %	FTSE 100 %
Annualised Total Return	7.48	**7.77**	**4.44**
2003	11.89	15.13	13.62
2004	8.64	-0.98	7.54
2005	18.00	18.22	16.71
2006	8.49	2.21	10.71
2007	-4.40	11.35	3.80
2008	-30.30	-16.24	-31.33
2009	49.11	14.76	22.07
2010	11.92	9.92	9.00
2011	-4.96	-5.00	-5.55
2012	14.00	7.62	5.84
2013	18.20	19.01	14.43
2014	3.19	7.95	-2.71
2015	1.66	4.22	-4.93
2016	15.47	25.00	14.43
2017 YTD	4.14	4.79	2.52
Return over	3yr: 8.94	5yr: 9.47	7yr: 7.52

*Since March 2005: All performance figures include income and are net of fees and expenses

Growth 2017	Global Income %	FTSE Global 100 %	FTSE 100 %
January	1.04	-0.25	-0.61
February	2.33	4.75	2.31
March	0.72	0.29	0.82
April			
May			
June			
July			
August			
September			
October			
November			
December			

Annualised Income Yield	1.77%
Best 3 Months	10.40 6.78 6.54
Worst 3 Months	-15.41 -8.73 -4.79

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Disclosure: There is a risk associated with investing in our financial products. The value of the investments and income may rise as well as fall, and there is a risk that the client may suffer financial losses. Returns are dependent on the performance of the underlying assets and other variable market factors. Past performance are not necessarily indicative of future performances.

Market Review

Global equity markets maintained a strong upward bias during the first quarter (Q1) as more evidence emerged of a return to synchronised global growth. Optimism over reflationary economic policy pushed US equity markets to successive record highs with the improving outlook spreading across developed markets. There were also signs of recovery in the major emerging markets. Increased global risk appetite and rising world commodity prices led to an outperformance by emerging markets. The FTSE All-World Emerging Market dollar index dollar returned +10.1% during Q1 versus +6.4% in the FTSE All-World index. India's Sensex index was the second best performing index during the quarter, behind Chile, with a return of +11.2% although China's Shanghai index fared less well with a return of +3.9%. Among the developed markets the US S&P 500 index returned +5.5% outshone by the tech-laden Nasdaq index at +9.9%. European markets also fared well, the Spanish, Italian and German equity indices rising by +11.7%, +7.8% and +7.2%. The UK FTSE 100 was a relative laggard with a gain of +2.5% while Japan's Nikkei 225 lost -1.1%.

The US economy strengthened in Q1. The unemployment rate fell to just 4.5%, wage growth accelerated and consumer confidence rose to a 13-year high. Manufacturing activity also finally picked up in response to rising domestic and export demand. Housing market conditions remained buoyant with the construction of single family homes rising to a 9½-year high. Amid buoyant economic demand and a tightening labour market headline inflation jumped in February to 2.7% and core inflation excluding energy and food prices remained above the Fed's 2% target at 2.2%. In March the Fed hiked its benchmark fed funds rate for the third time in the current tightening cycle to a range of 0.75-1.0%. Financial markets reacted positively interpreting the gradual normalisation in monetary policy as a signal of economic health. The Fed is expected to implement two further 25 basis point rate hikes during 2017. Some of the market's enthusiasm for Trump's reflationary policy tempered towards the end of the quarter as realisation dawned that implementation of deregulation, tax cuts and infrastructure spending may take longer than previously expected. Treasury Secretary Steven Mnuchin stressed that the positive impact from tax policies will only be felt in 2018. Despite potential delays to economic policy implementation the outlook for company earnings growth is positive and chief executives have become more optimistic. The S&P 500 index trades on a price-earnings multiple of 18.5x but this should decline to more reasonable levels based on the robust 10% earnings growth forecast.

The UK gave official notice of its intention to leave the EU under article 50 of the Lisbon Treaty, giving the country two years to finalise the terms of the separation before it comes into effect in late March 2019. Uncertainty over EU negotiations and rising inflation have tempered business and consumer confidence. Wage growth has slowed to 2.3% which combined with rising inflation has caused retail sales to decline. Purchasing manager surveys point to some slippage in both manufacturing and service sectors. Inflation surged to 2.3% in February and is set to hit 3% by year-end well above the Bank of England's (BOE) 2% target. The BOE will be under pressure to follow the Fed and start hiking interest rates although no rate hikes are expected until 2018. A feature of the UK equity market in Q1 was an increase in corporate takeover activity with the fall in sterling encouraging overseas bids. A weaker sterling is also positive for company earnings growth. Earnings are forecast to grow by a substantial 18% in 2017 placing the UK equity market on a relatively undemanding 14.6x forward price-earnings multiple.

In Q1, the FTSE Europe (ex-UK) index rose by 8.0% in dollar terms. The Eurozone economy surprised to the upside. Retail sales and industrial production grew at a steady pace in January and February while forward-looking purchasing managers' indices (PMIs) for manufacturing and services increased to their highest in six years. Amid improving economic growth and increased loan growth inflation accelerated to 2.0% in February although the key rate excluding volatile food and energy prices remained unchanged at 0.9%. Nonetheless, financial markets are looking beyond the ECB's €60 billion per month quantitative easing programme which is due to expire in December. Futures markets raised the probability of a December rate hike to 30% from just 15% three months ago. Bond yields have risen on the back of higher inflation and increased political uncertainty. However, election results in the

Netherlands showed declining support for the anti-establishment movement and in France National Front leader Marine Le Pen is faring badly in the polls. Former economy minister Emmanuel Macron is expected to beat Le Pen in the final election round in May. Eurozone corporate earnings have been helped by the weaker euro which fell to a 14-year low versus the dollar. Earnings are expected to grow by a solid 12% in 2017 placing equites on an estimated 15.5x price-earnings multiple. There could be some relief in equity markets If political populism in Europe loses momentum.

Japan's GDP growth forecast for 2017 has been upgraded from 0.4% to 1.4% and for 2018 from 0.2% to 1.5% amid rising business and consumer confidence. Retail spending has shown a steady increase while forward-looking PMIs point to a steady cyclical upturn. However, consumer price inflation remains stubbornly low with the headline rate at 0.4% and the core rate excluding food and energy prices at just 0.1%. This is far off the Bank of Japan's 2% target which suggests the central bank will maintain its extraordinarily stimulatory monetary policy keeping the benchmark interest rate at -0.1% and 10-year government bond yield capped at zero through continued quantitative easing. Although a strengthening yen caused the Nikkei index to underperform during Q1 with a -1.1% loss the outlook remains positive. Earnings are expected to rise by a respectable 10% in 2017 placing the Nikkei index on an estimated 14x forward price-earnings multiple. The index also trades on an undemanding price-book ratio of just 1.4x less than half that of US markets and almost half the Eurozone. Improving corporate governance and the prospects of rising dividend payments should ensure a re-rating of Japanese equity markets.

There were signs of economic recovery in emerging markets in response to rising global trade and increased international commodity prices. In most emerging markets inflation also subsided from relatively high levels as the base effect subsided from previous sharp currency depreciation and drought-induced food increases. Relief that the Federal Reserve will be more gradual than initially expected in hiking interest rates helped currency stability in emerging markets. Brazil's economy appears to be past the worst following its 3.6% contraction in 2016. In Q1 Brazil inflation fell to 6.2% enabling the central bank to cut the Selic interest rate to 12.25%. Industrial production increased in January for the first time in 34 months and the PMIs suggest the gradual improvement continued into February and March. The Indian government expects its economy to grow 7.1% in 2017 boosted by growing political support for Prime Minister Modi's economic policy mix of deregulation, fiscal stimulus and infrastructure spending. The economy has recovered rapidly from the short-term impact of last year's ban of high denomination banknotes. China's authorities reduced the GDP growth target from a range of 6.5-7.0% in 2016 to 6.5% in 2017. Although rising inflation and excessive leverage in the housing market will prompt the People's Bank of China to halt its monetary easing policy the government is expected to maintain targeted fiscal stimulus. The launch of the Xiogan New Area, modelled on the successful Shenzhen special economic zone near Hong Kong should provide an added boost to China's manufacturing demand and general economic activity. Chinese imports soared by 38% in February driven by stronger demand for commodities.

Clients' portfolios are well positioned for the cyclical upturn in the world economy. There is significant exposure to Japanese and Eurozone equity markets which tend to outperform in global cyclical recoveries and a greater weighting towards more cyclical sectors such as emerging markets, banks, financials, materials and mining. As global economic momentum gathers pace over 2017 and into 2018 portfolios will benefit from the expected rotation into cyclical stocks out of defensive equities, which have become excessively valued following the weak economic growth environment of the past few years. Portfolios are also well positioned for the anticipated increase in inflation and normalisation in US interest rates with a heavy weighting to the dollar and floating rate bonds which will outperform in a rising interest rate environment. An exposure to inflation linked infrastructure and renewable energy as well as gold bullion will provide protection against inflationary pressures.