INVESTMENT MARKETS IN OCTOBER

October saw a recovery in global equity markets following significant weakness over the previous two months. European equities saw the biggest rally, gaining over 10% in the month as the ECB indicated that it would expand its quantitative easing programme. Gains in non-euro assets were added to by foreign exchange gains as the euro weakened against the US dollar and sterling. Bonds also gained on the back of the ECB guidance while oil also rallied somewhat from its recent lows.

Investment Market Performance

	Year to Date		October - 2015	
Index	**In local Currency (%)**	**In € %**	**In local Currency (%)**	**In € %**
ISEQ Index	23.0%	23.0%	4.2%	4.2%
FTSE 100	-3.1%	5.5%	4.9%	8.7%
Eurostoxx 50 Index	8.6%	8.6%	10.2%	10.2%
S&P 500	1.0%	11.0%	8.3%	10.0%
Nikkei 225	9.4%	19.5%	9.7%	10.6%
FTSE All-World	-1.3%	8.6%	7.7%	9.4%
Oil	-12.5%	-3.8%	3.3%	5.0%
Eurozone Government Bonds		2.6%		1.1%
USD / Euro		10.0%		1.6%
GBP / Euro		8.9%		3.6%

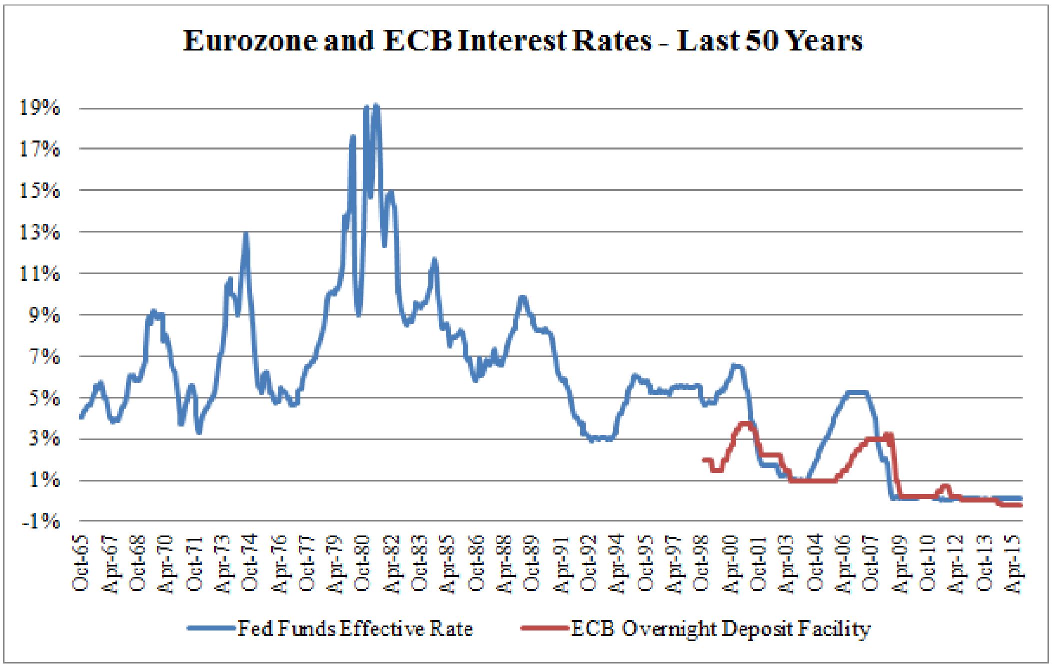
FTSE World Global Equity Index - Two Years to end October

Source: Bloomberg

INTEREST RATE OUTLOOK BECOMING EVEN MORE BENIGN FOR EQUITIES

October saw important updates from both the ECB and the US Federal Reserve with regard to the near and medium term outlook for monetary policy. While neither the ECB meeting on 22 October nor the Federal Reserve meeting on the 28th of the month were expected to announce immediate actions, they were expected to clarify the direction of policy over the coming months. In the case of the ECB meeting, Mario Draghi did not disappoint markets as he strongly hinted at an expansion of the current €60 billion per month quantitative easing programme. The announcement saw European equities and bonds rally further into the end of the month while the euro fell sharply against the US dollar. Recent ECB rhetoric suggests that Eurozone interest rates will remain at current levels for a significant period of time with the market not anticipating any upward movement in rates in 2016.

The Federal Reserve met on 28 October with a very different background and set of expectations from that facing their peers in Frankfurt. US employment and housing data has been strong for over two years now, yet the Fed have appeared to be using every and any excuse available to postpone their first interest rate increase in over nine years. References to external factors, an oblique reference to China and the strength of the US dollar, were used to justify pushing back an expected rate announcement in September. These references were dropped, however, in the end-October statement; opening the door for an interest rate increase in December. Markets, however, remain uncertain and following previous disappointments have not moved to fully price in a December rate hike. Furthermore, market estimates regarding the extent to which US interest rates will increase over the next year have continued to fall back suggesting that the historically benign borrowing environment for corporates will continue for the foreseeable future.



Source: Bloomberg

OIL UPDATE

In the latest short-term energy outlook from the U.S. Energy Information Administration (EIA) released on 7 October, the forecast rate of growth of global supply to the end of December 2016 is 0.82% or 0.78 million barrels per day (b/d) compared with the forecast growth in consumption of 0.92% or 0.86m b/d. While the revised numbers suggest a faster erosion of the current surplus of

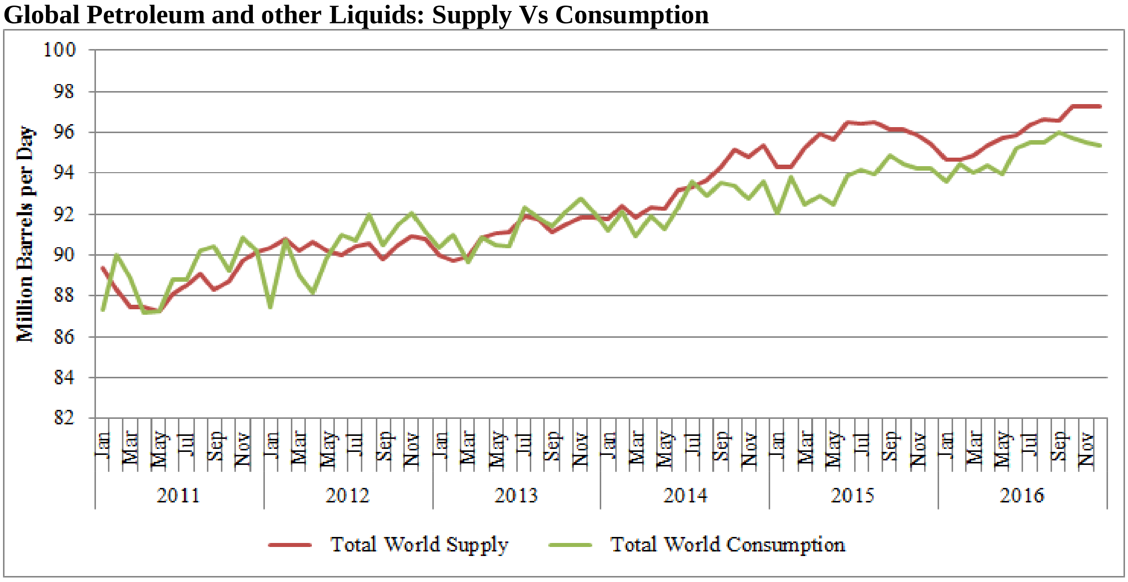
1.48m b/d, the pace at which the gap is closing remains slow. While some uncertainty exists around demand, mainly due to uncertainty regarding the growth of the Chinese economy, it is supply side uncertainty that has driven most of the recent volatility in the oil price.

Oil and Gas Services & Equipment Sector ETF 1-year Price Performance

Source: Bloomberg

Having bounced sharply earlier in the month, news of record-high production in Russia saw prices retest their recent lows. The Baker Hughes World Oil and Gas Rotary Rig count, however, suggests a 40% decline in the number of operational rigs drilling since the start of 2015. This, however, hasn't yet translated to any significant drop in barrel per day production, suggesting that the rigs closing down are marginal producers in terms of supply volumes.

Global Petroleum and other Liquids: Supply Vs Consumption



Source: EIA STEO Report & Wellesley

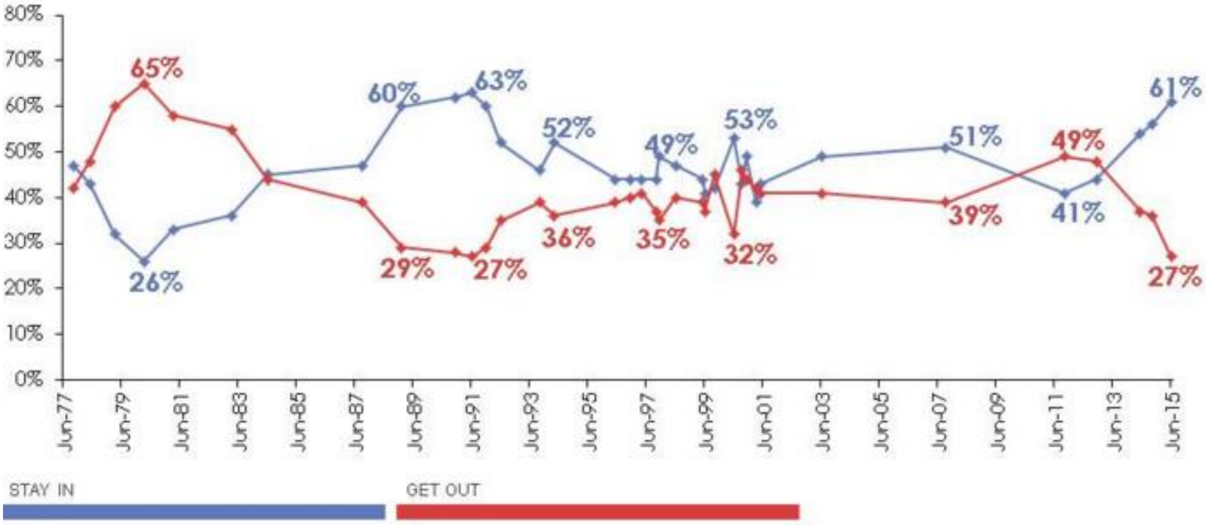
In the short term, the EIA are forecasting a marginal reduction in supplies in the 4th quarter of 2015 and early 2016, despite the assumption that OPEC will maintain current supply levels. This should continue to reduce the current oversupply and be supportive of prices. Uncertainty remains, however, around the extent to which Iranian oil supply will increase true global supplies. The OPEC meeting on 4 December will provide some clarity around this and the overall OPEC stance into 2016.

BRITAIN AND EU MEMBERSHIP REFERENDUM

The idea of Britain leaving the European Union was first proposed by Prime Minister David Cameron in January 2013 when he promised to renegotiate more favourable terms of their EU membership before holding a referendum on whether or not Britain should remain in the Union. Mr Cameron is proposing reform of the current EU treaty, introducing fundamental changes in areas such as regulation and a more complete single market, which would see significant changes to Britain's relationship with the EU and contribution to the EU budget. Once his specific proposals are met as part of these negotiations, Mr Cameron hopes voters will want the UK to remain a member of the EU.

Mr Cameron will be presenting his proposals during the Conservative Party's annual conference in Manchester beginning on 1 November with previous suggestions from the Government that the Referendum would take place before the next general election in 2017. Recent polls suggest UK voters remain supportive of EU membership. A poll by Ipsos MORI has posed this question since 1977 and the majority of respondents are in favour of staying in the EU while the latest reading (June 2015) showed the weakest support for so called "Brexit". More recent forecasts have given a slightly higher likelihood to an exit with Citigroup estimating a 30% probability while Societe Generale SA suggest a 45% prospect of departure from the European Union.

IPSOS MORI Opinion Polls: Should Britain stay in or get out of the EU



Source: Ipsos MORI

While recent opinion polls should provide a significant amount of comfort for investors in either British equities, bonds or any other Sterling denominated assets, volatility may increase in these asset classes as the referendum comes closer. Already, however, British industry groups have been mobilising to support EU membership in any vote while pressure is also likely to build from Britain's strategic and trading allies overseas, including the U.S. We would expect that the support for membership would increase as the vote comes closer and as influential lobby groups bring their resources to bear on the campaign.

INVESTMENT OUTLOOK

With approximately one quarter of the S&P 500 companies having reported third quarter earnings, results have so far been ahead of expectations. Relatively robust corporate profits, the increasingly benign outlook for interest rate policy and the lower valuations as a result of the falls in markets over the summer, make us more optimistic about equities looking out over the next six months. Despite the recent rally, we still see value in European equities in particular with an expanded QE programme likely to continue to boost asset prices in 2016.