

Update on global and US equities after the Brexit

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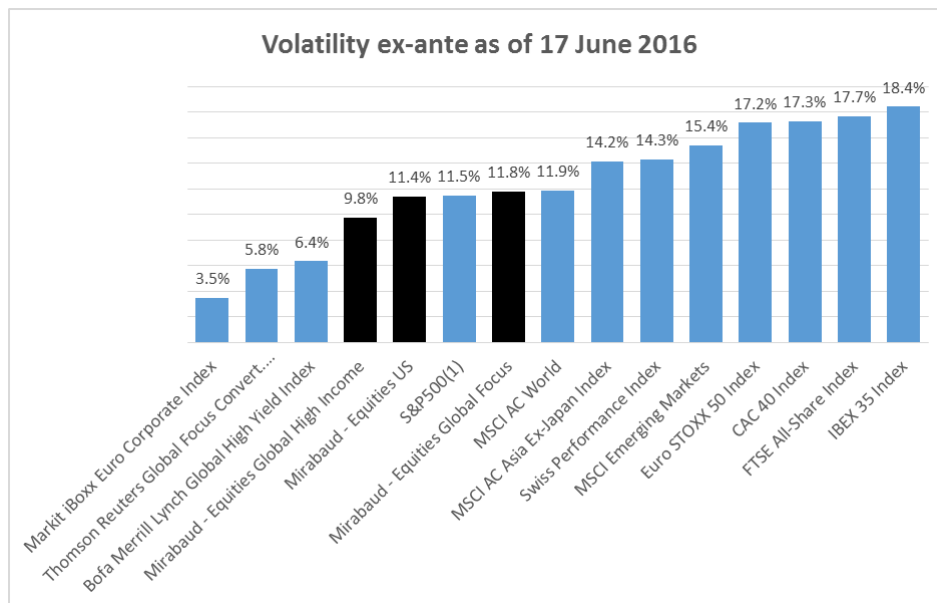
UK Referendum Result

The UK vote for EU exit is shocking and incomprehensible personally to us as well as most of our colleagues and friends in London. This is the case when emotions have taken over common sense. As we wrote to our clients before the referendum we believed that we were facing a binary outcome with respect to market reaction – expecting a relief rally on Remain, and a plunge down on Exit – and we were positioning the funds to work regardless of the outcome with defensive stock selection with preference for quality high-ROIC names, underweight UK, some index puts, yet fully invested. This defensive positioning is helping us now and all our funds are moderately outperforming on a relative basis, however this is a Pyrrhic victory, we would have rather seen a different referendum outcome!

Defensive profile and low volatility

We run some of the most defensive funds at Mirabaud, and our volatility are at the lower end of all equity markets bordering volatility of fixed income:

- Volatility of the global equity high income fund is 9.8% vs ACWI 11.9%
- US fund 11.4% vs 11.5% S&P
- Focus fund 11.8% vs ACWI 11.9%



Sources: Mirabaud asset management as per 17.06.2016

We are overweight US in the global funds.

US remains the strongest economy and the US stock market outperforms all other developed markets (flat in USD ytd). We expect US equities to continue to outperform the rest of the world as they have all year because the US market is traditionally more defensive.

US Exposure	Fund US exposure %	Index US exposure %
Mirabaud Global High Income	56%	53%
Mirabaud Global Focus	67%	53%
Mirabaud US Equities	100%	100%

Sources: Mirabaud asset management , Bloomberg as per 27.06.2016



Little impact from the UK.

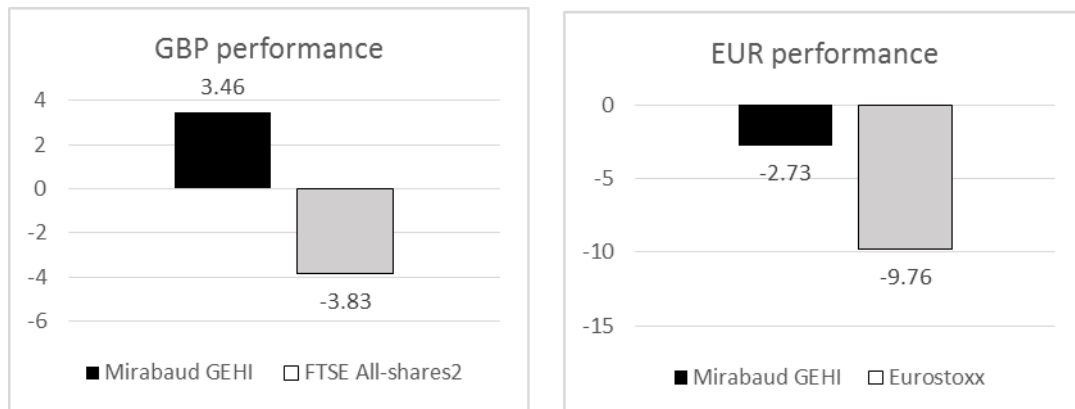
The US economy continues to expand and growth of around 2% will be little affected by the UK's decision to leave the EU. US trade exposure to the UK accounted for under 4% of US exports in 2015, which is approximately 0.4% of GDP. US stock market exposure is also surprisingly small, with aggregate revenue exposure of the S&P 500 to the UK at just 2.9%. Likewise in our funds we have very little direct exposure to the UK:

UK Exposure	Fund UK exposure %	Index UK exposure %
Mirabaud Global High Income	3.7%	5.7%
Mirabaud Global Focus	3.5%	5.7%
Mirabaud US Equities	0%	0%

Sources: Mirabaud asset management , Bloomberg as per 27.06.2016

Outperform local markets in GBP and EUR.

As a result we have a large proportion of USD exposure, as the funds are unhedged. USD currency is also a defensive trade. Given the large proportion of USD exposure, our local currency funds significantly outperform local indices in those currencies. For example on Friday our estimated performance was:



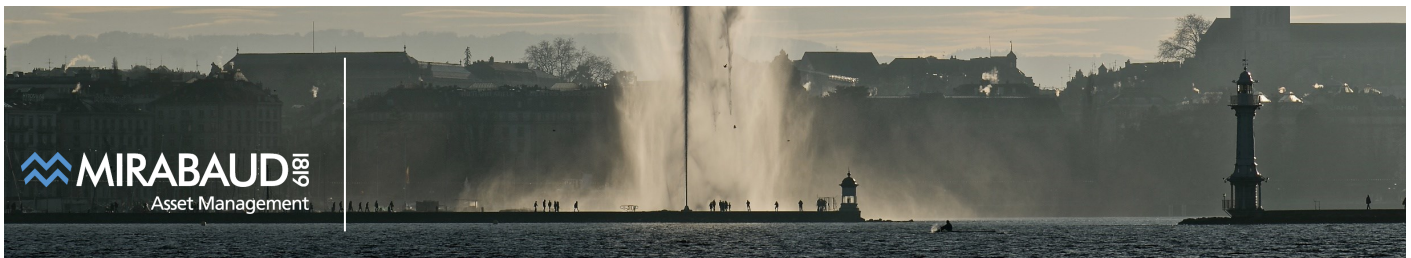
Sources: Mirabaud asset management , Bloomberg as per 27.06.2016

Invest in high quality and structural growth themes.

Across all the funds we invest in high quality names as expressed by high ROIC and high operating margin. We follow Castle, Moat and Goldmine philosophy and invest in global leaders. Our funds are focused on structural themes and the portfolio is a combination of companies with earnings growth and those with dividend growth. Both attributes will continue to be re-rated as global growth expectations and interest rate expectations take another hit.

Quality measures	ROIC (10% average global)	Operating margin (17% av.gl.)
Mirabaud Global High Income	14%	21%
Mirabaud Global Focus	16%	21%
Mirabaud US Equities	13%	18%

Sources: Mirabaud asset management , Bloomberg as per 27.06.2016



Low exposure to commodities and banks.

Many of the cyclical areas of the market that have driven performance year to date including commodities and will now come under pressure as the dollar strengthens. We have no exposure to metals & mining and are benefitting from the change in short term trend.

Financials are the worst performing sector globally, and European banks specifically are under extreme selling pressure since the referendum. We have no exposure.

Exposure	Metals & Mining	European Banks
Mirabaud Global High Income	0%	0%
Mirabaud Global Focus	0%	0%
Mirabaud US Equities	0%	0%

Sources: Mirabaud asset management , Bloomberg as per 27.06.2016

High conviction investing.

We remain stock pickers with one of the highest active share at Mirabaud. Our stock selection drives the performance, not macro or political developments. We also have some of the highest concentration with 40 names in the income fund and only 25 in each Focus and US funds.

Conviction	Active share (100% max)	Positions
Mirabaud Global High Income	92%	40
Mirabaud Global Focus	96%	25
Mirabaud US Equities	90%	25

Sources: Mirabaud asset management , Bloomberg as per 27.06.2016

This is undoubtedly the time to be buying and topping up on our funds.

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