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STOCKBROKERS SINCE 1880

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	1/1/13	**1/1/14**	**5/10/14**	**1/1/15**	**5/4/15**	**1/7/15**	**5/10/15**	**1/1/16**	**5/4/16**
FTSE 100	5898	6749	6528	6566	6834	6609	6299	6242	6091
FTSE All Share	3093	3610	3486	3533	3696	3616	3457	3444	3351
Dow Jones (US)	13104	16577	17010	17823	17763	17758	16776	17425	17603
S&P 500 (US)	1426	1848	1968	2059	2067	2077	1987	2044	2045
Nikkei 225 (Japan)	10395	16291	15709	17451	19435	20329	18005	19034	15733
WMA Balanced	3063	3395	3441	3549	3703	3582	3497	3531	3538

Growth Equities	**Higher Yield Equities**	**Mid-Cap Equities**	**Overseas Equities**	**Collective Investments**
Babcock Int.	AstraZeneca	Beazley	Becton Dickinson	Bankers IT
Diageo	BATS	Croda Intl.	Colgate-Palmolive	City of London IT
Dixons Carphone	BP	DS Smith	Ingenico	Finsbury Growth & Income IT
Experian	British Land	Essentra	Johnson & Johnson	Henderson Smaller Co's Trust
easyJet	HSBC	Galliford Try	Kimberly-Clark	JPM American IT
Prudential	Imperial Brands	NCC Group	Kone	Monks IT
Reckitt Benckiser	National Grid	Pennon	L'Oreal	Murray International IT
Sage	Severn Trent	Shaftesbury	Nestlé	Pacific Assets Trust
Shire	Sky	Sophos	Novartis	Perpetual Income & Growth Tst
Unilever	Vodafone	SSP Group	Wolters Kluwer	Worldwide Healthcare Trust

"The Perfect Storm"

As I sit back to reflect upon England's rugby grand slam; England's thrilling defeat in the T20 with Brathwaite's four consecutive sixes in the last over, Norwich's 93rd minute goal against Newcastle, my equine hero, Sprinter Sacre's famous victory at Cheltenham and of course the ecstasy scene in The Night Manager, I also pause to think of the absolute tragedy at Brussels airport and the chaos which will be caused by the possible closure of the Port Talbot steel works.

Tata cannot be reasonably expected to lose £1m a day but it would be a travesty if Port Talbot was forced to close. For once I believe there should be some kind of 'government intervention' to keep this established, modern and necessary steelworks operational, to give it time to find an investor.

China dumping its surplus of steel in the UK demonstrates the problems which exist in the Chinese economy (i.e. their lack of demand for this integral commodity for the building industry). This is not only causing devastation in the mining and ancillary industries, but is having an effect on other countries' economies.

Just as China is dumping steel on the UK, Saudi Arabia is flooding the world with oil, whilst interest rates in Europe are negative and inflation non-existent.

Who would have believed this introduction two years ago! We live in a 'funny old world', but I shall endeavour to make some sense of it. As an analogy I think of a brave Norfolk fisherman setting out into the North Sea, to hit a 'perfect storm'; in reality there will be calm and shoals of fish in due course. But, he must be responsible for his crew and put his faith in the seaworthiness of his vessel.

THE PERFECT STORM

As discussed in newsletters past, the focus is often on 'little England', particularly with Brexit approaching, but it is global events which dictate the FTSE100 more than events on our own shores.

Between 1st February 2016 and 11th February 2016, the FTSE100 fell:

From: 6060 to: 5533 down: 8.7%

on a cocktail of fact and rumour, creating 'the perfect storm'.

1. We have discussed global oil prices before, with Saudi Arabia flooding the world with oil to destroy the US shale industry. At the same time, Iran has come back into production whilst Russia and Venezuela need the revenues.

The 'supply' therefore outweighs 'demand', which caused the price of oil to fall to a 13 year low of US$28 a barrel.

Royal Dutch Shell (BG) and BP are major constituents of the FTSE100 (they have not cut dividends yet, but these dividends are not covered by earnings at current oil prices, so could be under threat).

2. Reports that the Chinese economy had slowed down even more than expected, where the communist government announced that the growth rate has 'officially' slipped back from 7.3% to 6.9% per annum, but nobody seems to believe the figures.

This slowdown in growth has led to catastrophic falls in commodity prices, affecting miners, who also carry great weight within the FTSE100 where even the quality names of BHP Billiton and Rio Tinto have announced dividend cuts.

3. On 16th December 2015 Janet Yellen, the Chair of the Board of Governors of the Federal Reserve System, increased US Federal Funds rates from 0.25% to 0.5%.

This rise was tiny, but highly significant, because it was the harbinger for higher interest rates across the world. Even Mark Carney, Governor of the Bank of England, announced that the next interest rate change would be upwards but that these rises would be small and gradual.

On 10th February 2016, due to a slowdown in the global economy and plunging stockmarkets, Yellen 'u-turned' and effectively put on hold further interest rate rises in the US (having previously been expected to raise rates again in March).

In Europe, Mario Draghi, President of the European Central Bank (ECB), went further and cut ECB rates to negative and increased European quantitative easing.

This proves that world economies are not in great shape and that the world really has become 'hooked' on low interest rates and quantitative easing; like an addict, how will they get off it without huge withdrawal symptoms?

4. Terrorism still provokes fear, as seen in Paris, Brussels, Lahore and Istanbul.

We are also still seeing the greatest exodus of population (from Syria) since the Second World War and all the concerns that go with it.

5. There were strong rumours that the world banking industry was in crisis, and this time that:

Deutsche Bank (Germany's largest investment bank)

was in serious trouble as its own 'precipice bonds' were about to fall over the 'precipice' (hence the expression), and if they did, it would bring down the whole European banking industry (and probably the US banking industry) with it.

This proved to be a rumour, and Deutsche Bank came out with a very strong denial (but I do remember HBOS making a similar denial 7 years ago, and memories are short lived).

And to top it all:

6. The US Director of National Intelligence James Clapper (what an unfortunate name) announced that North Korea had re-commissioned a plutonium production reactor that could provide a stockpile of nuclear weapons.

In other words, stockmarkets, and in particular the FTSE100 (which is heavily weighted to oil, miners and banks) sailed into a 'perfect storm', causing the index to fall to its low of 5533 on 11th February 2016.

REALITY

After Valentine's Day, reality dawned and so stockmarkets recovered.

Yes - China's economy is slowing down, but it is still growing. Other Far Eastern stockmarkets have recovered in the past few weeks, and on a long term view we remain confident on the outlook for these economies.

Yes – the increase in oil production has reduced the price of oil, although more recently there has been a modest recovery and the oil price has risen from US$28 to US$37 today. Furthermore, Royal Dutch Shell based its acquisition of BG Group on oil prices averaging over US$60 per barrel for the next 15 years.

Yes – indeed commodity prices are low and will recover one day as production of minerals slows down, but these things always take longer than expected, and in Port Talbot's case I hope it will not be terminal.

Low interest rates, low commodity prices and weak Sterling should actually help UK industry as input prices are cheaper and exporting becomes more competitive, which is why the UK is still the best performing economy in Europe.

It must be remembered that:

Oils	represent	11.5% of the FTSE100
Miners	represent	5.2% of the FTSE100
Banks	represent	11.6% of the FTSE100

and the falls in these and related sectors have had a major effect on the FTSE100, whereas most other sectors continue to perform well, particularly those with 'international brand names'.

RESPONSIBILITY

There will always be ups and downs in stockmarkets and the last three months have been more 'choppy' than most.

Investors are of course aware that returns are generated from both dividend / interest payments and capital appreciation and Barratt & Cooke are adopting a responsible strategy where:

a) income - this is very important, we endeavour to try not to fall into the trap of 'taking greater risk for greater dividend return'.
b) capital – we have slightly de-risked portfolios, selling down cyclical sectors in favour of more defensive asset classes such as gold, tobacco and infrastructure.

I must confess that these are three sectors I personally was not 'recommending' in the past for various reasons, but the merits have been highlighted by the present team of advisors, and how right they are. This 'foresight' and taking this action as a strategic move, is right and I just say to myself "thank god the present team has been responsible". Indeed to use one of my old expressions, this decision "helps me to sleep at night"!

Brexit

I enclose an insert regarding the Brexit referendum. At this stage I am a genuine 'floating voter' but shall make up my own mind having listened to debates nearer to the referendum.

Whatever happens, we have borne in mind the uncertainty and possible volatility of stockmarkets with our current relatively defensive investment policy, which we consider prepares us for each eventuality. Following the Brexit vote our investment policy may change.

Further housekeeping points

Corporate Actions

We shall keep clients informed on the takeover situations concerning:

SAB Miller
Syngenta
Home Retail
Cable & Wireless Communications

The last takeover bid for the:

London Stock Exchange

took six years between 2000 – 2006 to come to nothing. We shall therefore be reporting on Deutsche Börse's bid in the July Newsletter. History does repeat itself.

Dividends

Whilst there are dividend traps, in this low interest rate environment, dividends on equities are becoming more and more important to investors. Investors must be prepared for some dividend cuts from: mining, oil and supermarket shares, however financial services, property, consumer goods and international brand name shares have been increasing dividends.

It is a fact that in 2015 dividends (ex-special dividends) from the 'all-share' were actually up 6.8% with FTSE100 dividends 5.5% higher. It is also a fact that 40% of UK dividends are declared in US Dollars, and with the US Dollar stronger, this has boosted dividend receipts this year.

It is expected that there will be dividend cuts in 2016 of approximately 0.9%, but these should be outweighed by 'special dividends' such as the distributions recently announced from UBM, "Incontinent" Hotels, Croda etc.

In future all special dividends must be paid as income and not capital, making ISAs even more attractive for individuals.

Client Data Reports (CDRs)

We have now received approximately 2,400 Private Client CDRs with only 30 outstanding, all of which we are chasing (we shall be sending out CDRs for Trusts and Charities shortly).

Under FCA regulation, without completed CDR forms we cannot give clients advice and can only deal on an execution only basis.

These CDRs have revealed much important information to help us to continue to advise clients in an appropriate and suitable manner.

We endeavour to send clients the minimum paperwork necessary and are extremely grateful that they have complied, and returned the forms with very little fuss.

The Budget

Due to the length of this newsletter, this is a shortened statement on the budget.

1. The UK economy is the best performing economy in the western world, albeit being affected by global issues.

2. Surprisingly for 2016/17 capital gains tax has been reduced:

Personal Allowance	£11,100
Basic rate tax	10%
Higher rate tax	20%

We cannot see CGT falling lower and therefore clients who have 'large locked in capital gains' should now consider paying some tax to spread risk.

3. Income tax on corporate dividends will rise sharply which will affect:

    Higher rate tax payers with dividends over £21,667

    Additional rate tax payers with dividends over £25,250

4. Due to altering tax rates most investors should take advantage of the £15,240 ISA allowance rising to £20,000 on 6th April 2017.

There was of course mention of the 'Lifetime ISA' for people under the age of 40, which we will consider prior to 6th April 2017 when they will be launched.

5. The Chancellor clearly favours ISAs to pensions.

Conclusion

Stockmarkets are volatile and it is uncanny how similar recent market movements are compared to those in 2006:

	11/05/06	22/05/06	01/07/06
FTSE100	6042	5533	5837

This sharp fall (and recovery) was due to Ben Bernanke taking over as Chairman of the US Federal Reserve and increasing interest rates from 1% to 5¼%.

	01/02/16	11/02/16	15/02/16
FTSE100	6060	5537	5825

This sharp fall (and recovery) was due to 'the perfect storm' described above.

'History does repeat itself' and we have indeed seen it all before. However, during the very choppy last 3 months it proves how important it is to 'keep your head', await calmer waters, look after the crew in a responsible manner, and look forward to the shoals of fish for reward in due course.

CWLB
05/04/16

Martin Warren

Martin joined Barratt & Cooke on 11th July 1978 (JAL Barratt's 65th birthday!) as an 'office boy' and retired on 31st March 2016 38 years later.

By the age of 25 he had become a Partner, and during Mrs Thatcher's share-owning democracy he was advising the Government regarding selling Privatisation Issues to the public.

When he started we had a team of 8. There were no mobile telephones, internet or laptops, and you were only issued a calculator if you were very lucky. However, Martin has led the office through a technological and regulatory revolution whereby clients have never needed to worry about what is going on below the surface. Indeed, they have been able to take it for granted and in the meantime I was allowed to be 'the stockbroker'.

Sadly Martin's father died much too early and Martin's ambition has always been to retire at 55. Many people say it, and few do it, but like every ambition of Martin's, he has achieved it.

Though Barratt & Cooke is now a much larger firm and is more than the individual, I shall never forget what we have been through together, and what we have achieved together.

Thank you Martin, you packed more into those 55 years than most have done in 75 and I shall never forget:

> I could not have done it without you

and

> you could not have done it without me.

As I have done before (but promise not to do again), I leave the last words to Rudyard Kipling's poem 'IF', which says it all:

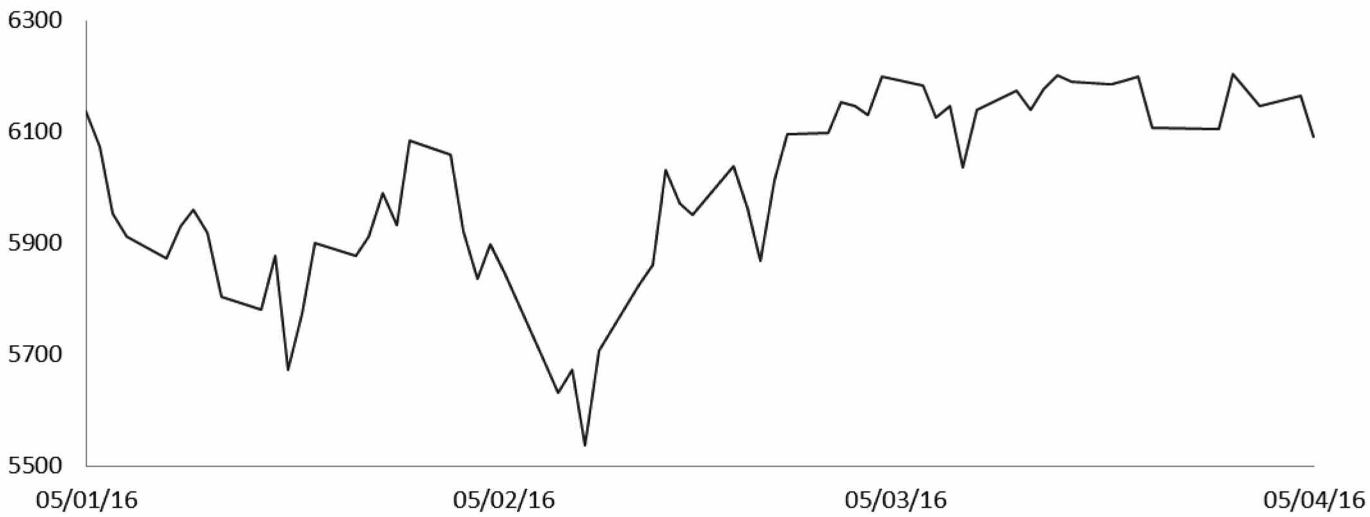
IF you can keep your head when all about you
Are losing theirs and blaming it on you,
If you can trust yourself when all men doubt you,
But make allowance for their doubting too;
If you can wait and not be tired by waiting,
Or being lied about, don't deal in lies,
Or being hated, don't give way to hating,
And yet don't look too good, nor talk too wise:

If you can dream - and not make dreams your master;
If you can think - and not make thoughts your aim;
If you can meet with Triumph and Disaster
And treat those two impostors just the same;
If you can bear to hear the truth you've spoken
Twisted by knaves to make a trap for fools,
Or watch the things you gave your life to, broken,
And stoop and build 'em up with worn-out tools:

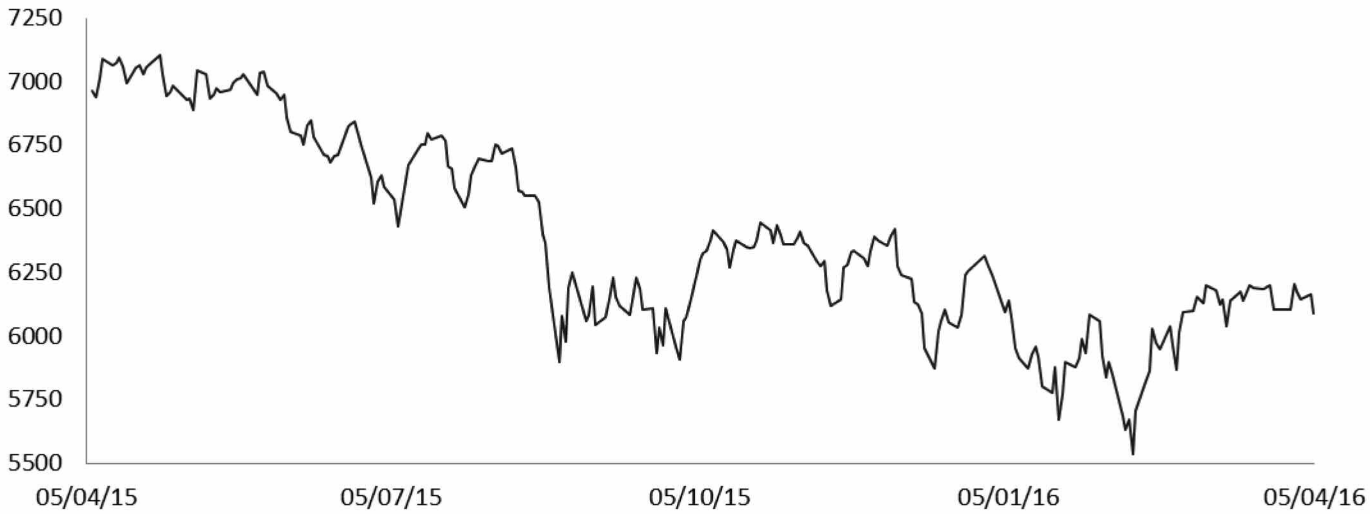
If you can make one heap of all your winnings
And risk it on one turn of pitch-and-toss,
And lose, and start again at your beginnings
And never breathe a word about your loss;
If you can force your heart and nerve and sinew
To serve your turn long after they are gone,
And so hold on when there is nothing in you
Except the Will which says to them: 'Hold on!'

If you can talk with crowds and keep your virtue,
'Or walk with Kings - nor lose the common touch,
if neither foes nor loving friends can hurt you,
If all men count with you, but none too much;
If you can fill the unforgiving minute
With sixty seconds' worth of distance run,
Yours is the Earth and everything that's in it,
And - which is more - you'll be a Man, my son!

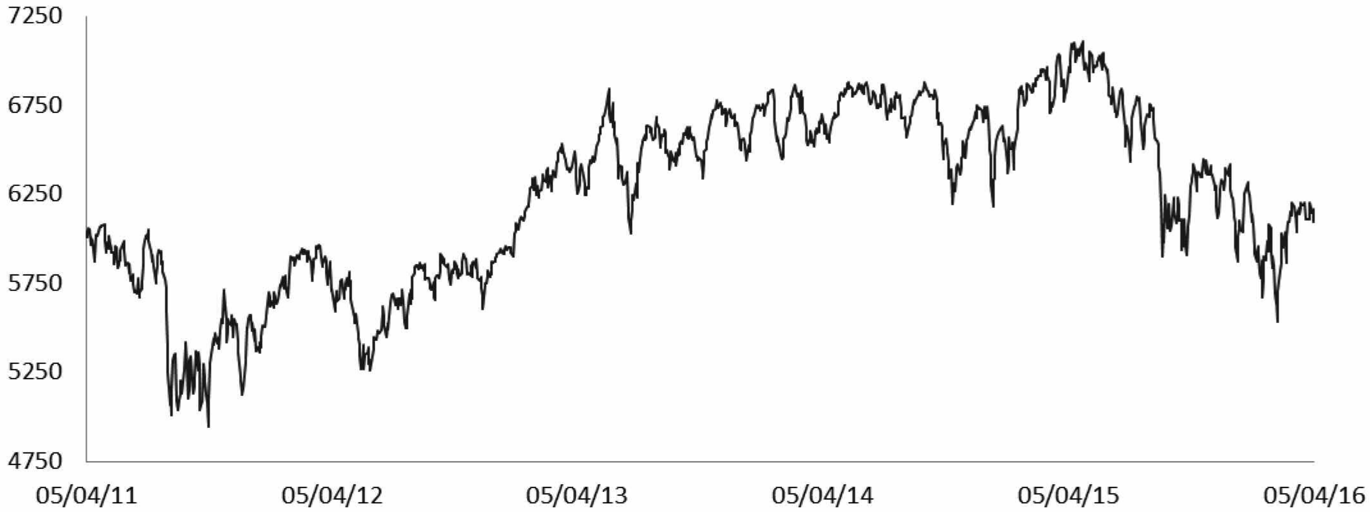
FTSE 100 – Previous Quarter



FTSE 100 – 1 Year



FTSE 100 – 5 Year



Source: Proquote