Dear Client and Investors

During any period of market re-adjustment, we can always rely on our good friends in the press to pile on the hyperbole and stoke the fires of doubt and uncertainty.

In the interest of balance therefore, we felt it right to give you the chance to see a possibly more measured and considered view of the current situation through the analysis of our colleagues at WH Ireland, who have a long and distinguished background in Global Wealth Management.

Here below then are the thoughts of Christopher Saunders, a Chartered Investment Manager with their team.

"**Subject: New Horizon Market Update: Market Momentum Mania**

Amid the continued equity rout, it's perhaps worth re-visiting the fundamental investment landscape. Judging by the headlines being generated across the financial media, we are now firmly in 'fear' territory, with every half-full glass being perceived as (at least) half empty.

The Current Earnings Season is Largely Delivering. We are currently some 45% of the way through the earnings season in the US. Thus far, reported earnings have exceeded expectations by a weighted average of over 6%. In the UK and Europe we are some 40% of the way through the earnings season and the corresponding performance versus expectations is +2.6% and -1.6% respectively. While some companies have sounded caution on the near-term outlook, (perhaps most notably by WPP in the UK) there is little to no evidence this is causing analysts to roll back their market earnings forecasts for 2018 or 2019 as a whole. This is on top of the earnings forecast upgrades we have seen during the course of 2018.

We are Not a 'Peak Earnings' Yet. Despite a lot of chatter in the press recently , we are not yet at peak earnings. While the US tax-cut fuelled earnings growth of over 20% this year was never going to be replicated in 2019, growth is still expected at a solid 10%. Likewise a 10% growth rate is expected for earnings in the UK and Europe in 2019. While the market will move to discount ahead of a anticipated earnings 'peak' and analysts' forecasts of 8-10% growth in 2020, should be treated with appropriate caution, there is little evidence that 'peak' earnings is behind the recent market downturn.

Economic Momentum has Slowed, but Growth Remains Very Reasonable. A number of survey and economic indicators suggest that global economic momentum peaked in February-March this year and has since moderated. Moreover, the growth has become less synchronised, almost certainly prompted by the smouldering US-China trade war. That said, economic growth estimates for this year and next are still marginally higher than they were at the start of the year. As before, a moderate slowdown in global growth of the order of 0.25% is expected. Hardly a recession.

Markets are starting to price in a more moderate rates and inflation. Despite continued hawkish rhetoric from the US Federal Reserve, the market has started to price in a more moderate rate outlook, while on some measures US inflation expectations have fallen to the lowest this year. In the UK, no doubt prompted by continued Brexit uncertainties, the rates markets have pretty much halved the probability of a Bank of England rate rise by May next year to under 40%.

Nothing to fear but fear itself? Not quite. Although fundamentals remain solid, as I highlighted a couple of weeks ago, geopolitics remain problematic and a source of near-term downside risk. While central banks might indeed moderate monetary tightening, the age of 'free money' is clearly closing. That said there seems more than a whiff of mania in recent market activity. This has not been a narrow market decline where arguably overvalued tech growth has been hit; traditional 'value' has also suffered, with cyclical exposure being particularly punished as if we were seeing a dramatic slowdown in economic activity. At the global level 'growth' equities are down over 9% from their recent peak, but 'value' is also down over 6% over the same period. The danger in this environment is that weakness in financial markets spills over into consumer confidence, spending and on to employment and business investment. From where we are now though, that would be little more than a self-fulfilling prophecy. As we've seen most recently in 2011 and 2015, sentiment can shift pretty quickly and in hindsight these retracements offered very good buying opportunities if you ignored the media noise and short term volatility. "

Happy Investing