



Canterbury Consulting: Webcast

June 2016

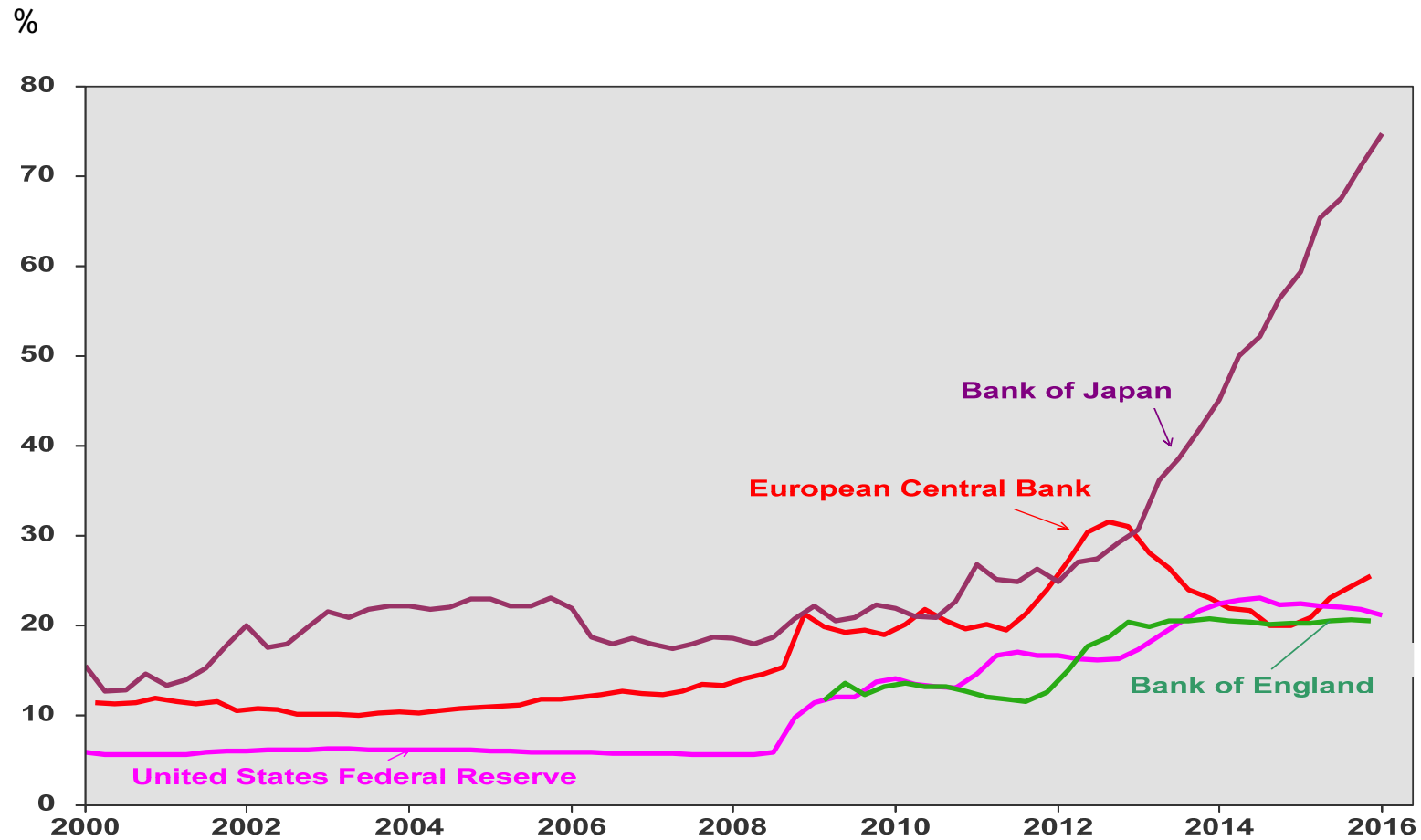
Presented by:



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Central Bank Balance Sheet Expansion (Total Liabilities to GDP%)

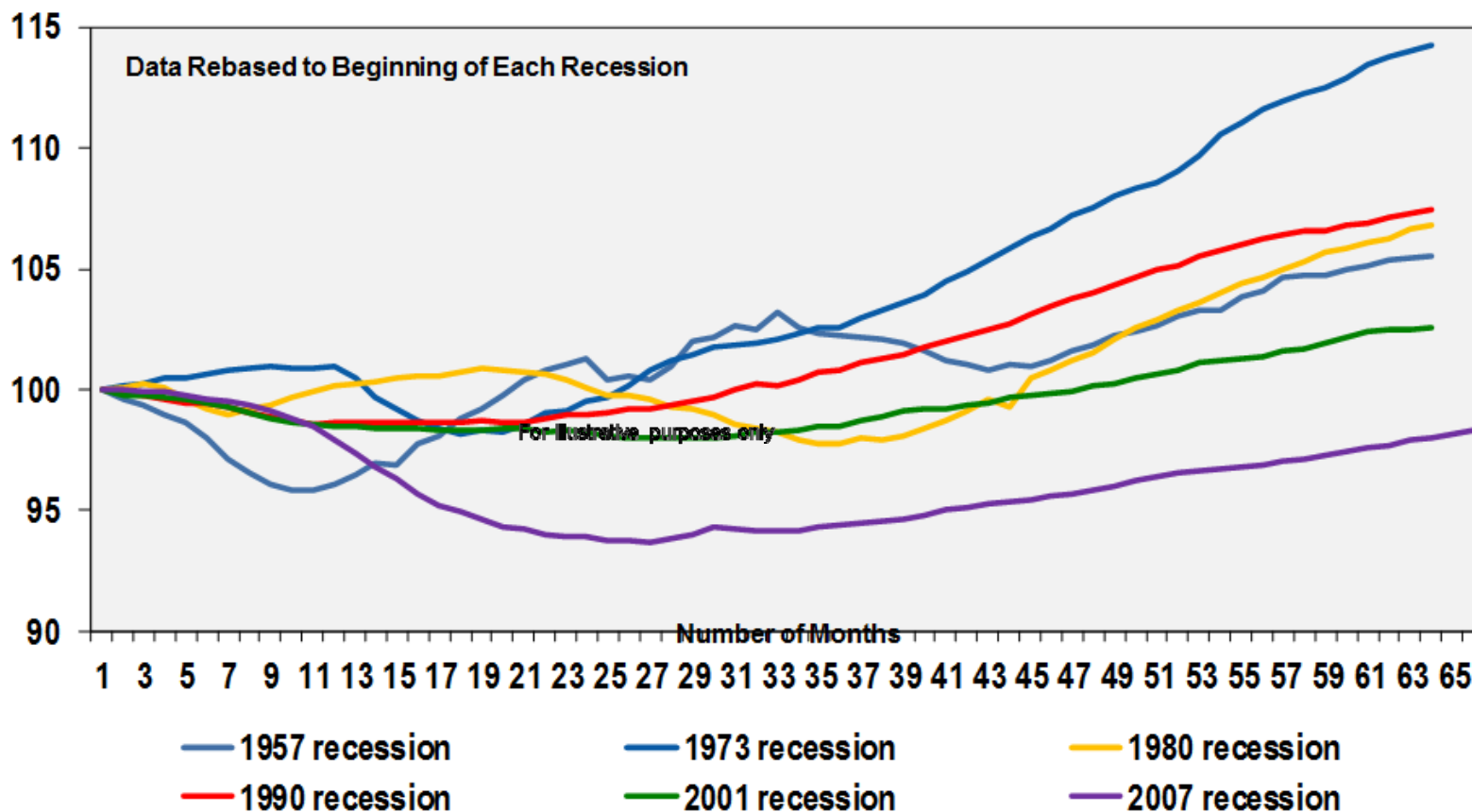


Source: Thomson Reuters Datastream

For illustrative purposes only



Employment During & After Recessions



Source: Thomson Reuters Datastream

For illustrative purposes only

The Importance of Dividends

Data from 1900 – 2015 (% per annum)

	Mean Dividend Yield %	Real Dividend Growth %	Change in Valuation	Total Real Return (Annualised)
Australia	5.2	1.1	0.3	6.7
Belgium	3.8	-1.2	0.3	2.8
Canada	4.3	0.8	0.4	5.6
France	3.8	-0.6	0.1	3.2
Germany	3.6	-1.0	0.7	3.3
Ireland	4.5	-0.3	0.2	4.4
Italy	4.0	-2.2	0.3	2.0
Japan	5.1	-1.9	1.0	4.2
Netherlands	4.9	-0.5	0.6	5.0
New Zealand	5.4	1.5	-0.7	6.2
Norway	4.0	-0.1	0.2	4.2
Portugal	4.0	-0.5	0.0	3.5
South Africa	5.7	1.3	0.2	7.3
Spain	4.3	-0.8	0.2	3.6
Sweden	3.9	1.8	0.1	5.9
Switzerland	3.5	0.8	0.2	4.5
UK	4.6	0.7	0.1	5.4
USA	4.2	1.7	0.4	6.4
World (USD)	4.1	0.5	0.5	5.0

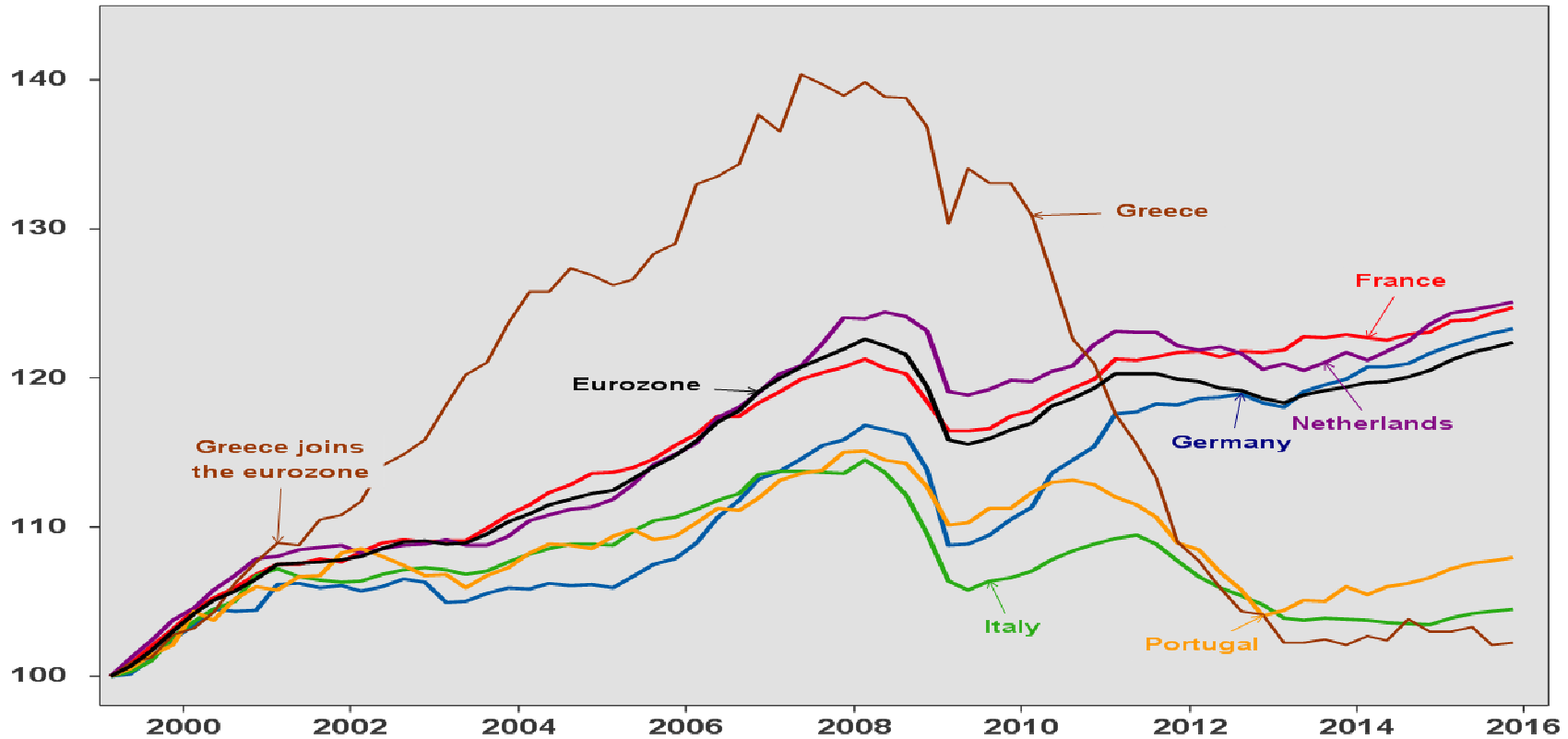
Source: Credit Suisse Global Investment Returns Sourcebook 2016; Elroy Dimson, Paul Marsh and Mike Staunton, Triumph of the Optimists: 101 Years of Global Investment Returns, Princeton University Press; 2002 Copyright © 2016 Elroy Dimson, Paul Marsh and Mike Staunton. Data excludes 1922-1923 for Germany. **Past Performance does not guarantee of future results.** For illustrative purposes only



Selected Countries: Real GDP Growth

Indexed to 100 on 01 January 1999 (start of the euro)

Index



Source: Thomson Reuters Datastream

For illustrative purposes only



Unit Labour Costs (based on persons) Total Percentage Change

Seasonally adjusted and working day adjusted- unless otherwise indicated

	Q1 2001 – Q4 2009 %	Q4 2009 – Q3 2015 %
Slovenia	45.0	-1.8
Spain	32.0	-6.1
Italy	33.0**	4.1**
Portugal	21.8*	-7.1*
Slovakia	29.2*	4.0*
France	21.9*	6.7*
Ireland	27.0*	-15.6*
Belgium	19.3	8.0
Eurozone	20.0	5.0
Germany	7.1*	9.8*

Source: European Central Bank, SDW, Economic Concepts, Prices, Output, Demand & Labour Market, Costs; (*seasonally adjusted but not working day adjusted; ** based on hours worked); Pyrford International.

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Pre-euro Currency Depreciations vs. German Deutschmark

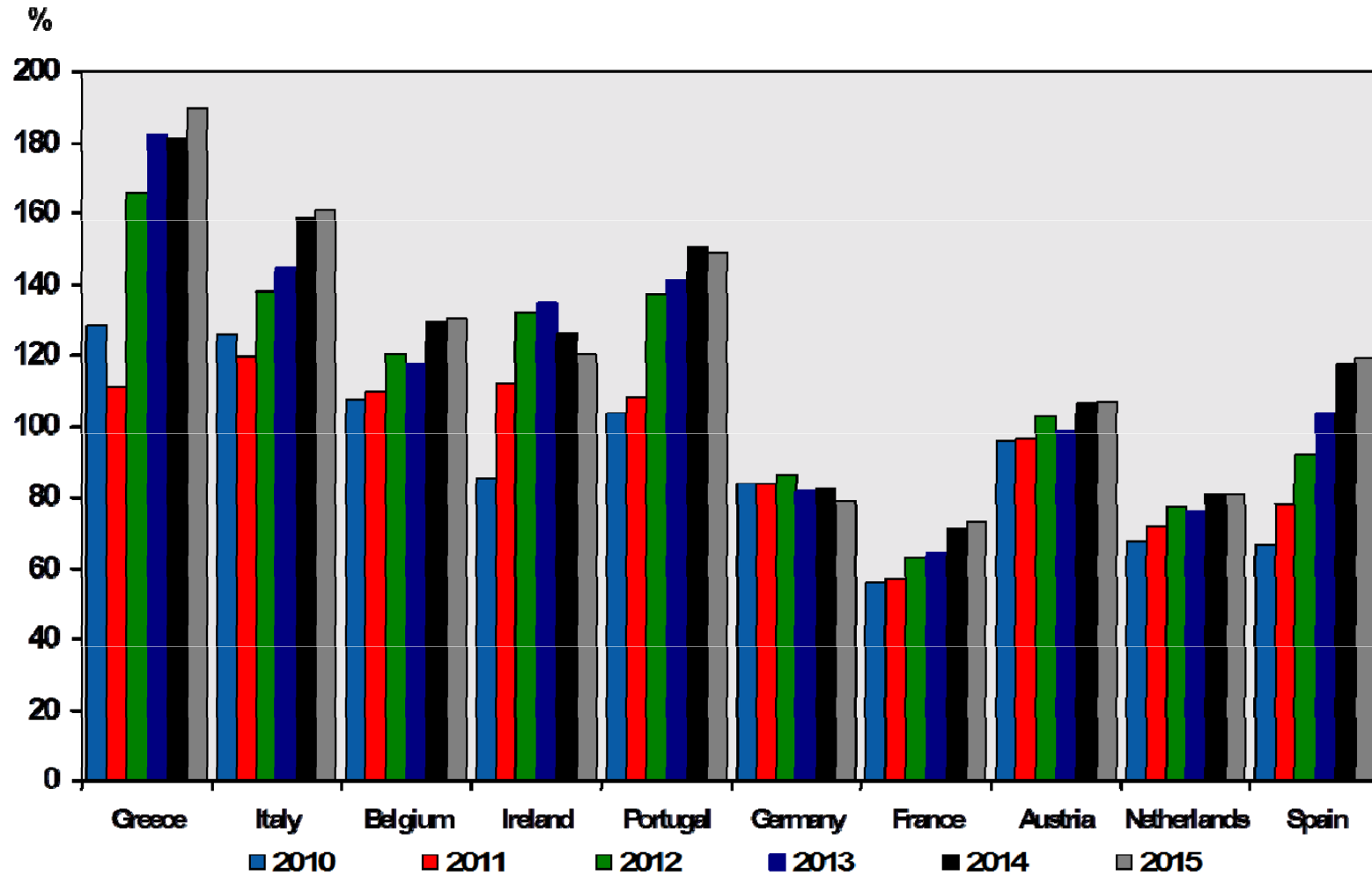
Period	Currency	Depreciation %
1978 – 1999	Spanish peseta	54.6%
1978 – 1999	French franc	33.1%
1979 – 1999	Irish punt	33.3%
1981 – 1999	Greek drachma	85.5%
1978 – 1999	Dutch gilder	4.4%
1986 – 1999	Italian lira	30.9%
1988 - 1999	Portuguese escudo	19.3%

Source: Thomson Reuters Datastream

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General Government Gross Financial Liabilities to Nominal GDP Ratios %



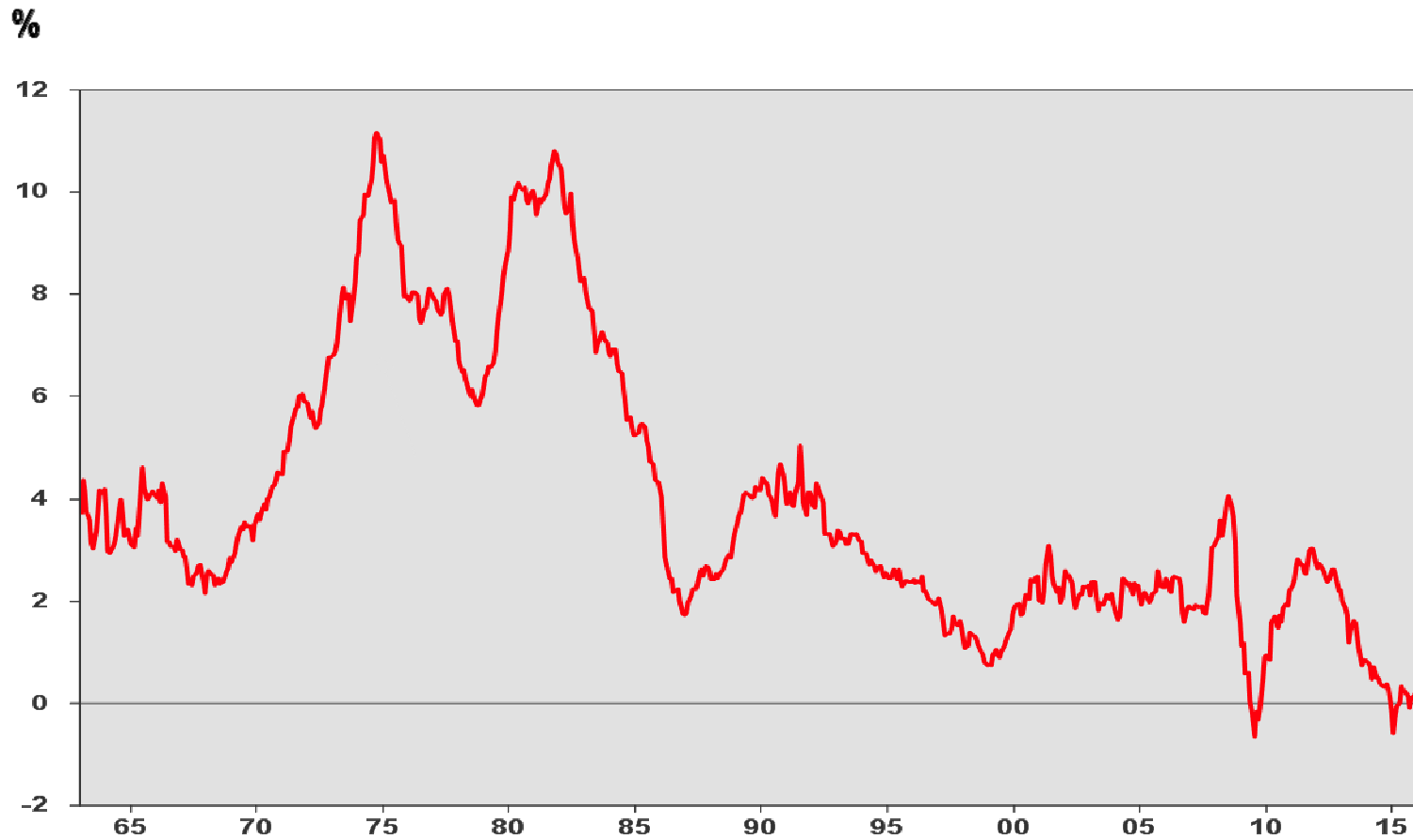
Source: OECD Economic Outlook, November 2015

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Inflation

(Annual % change)



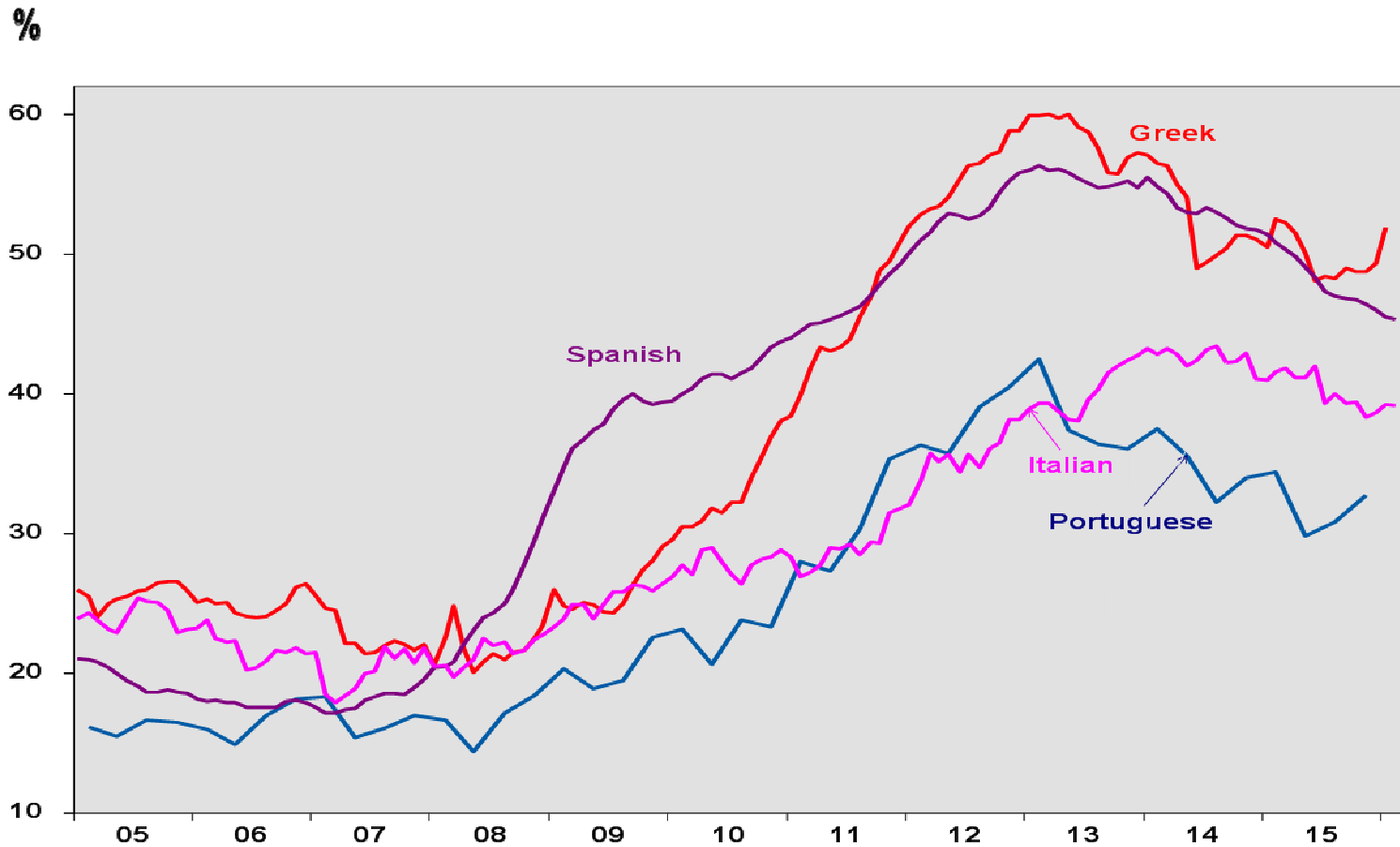
Source: Thomson Reuters Datastream

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Greek, Italian, Portuguese & Spanish Youth Unemployment Rates

(Aged under 25 - %)



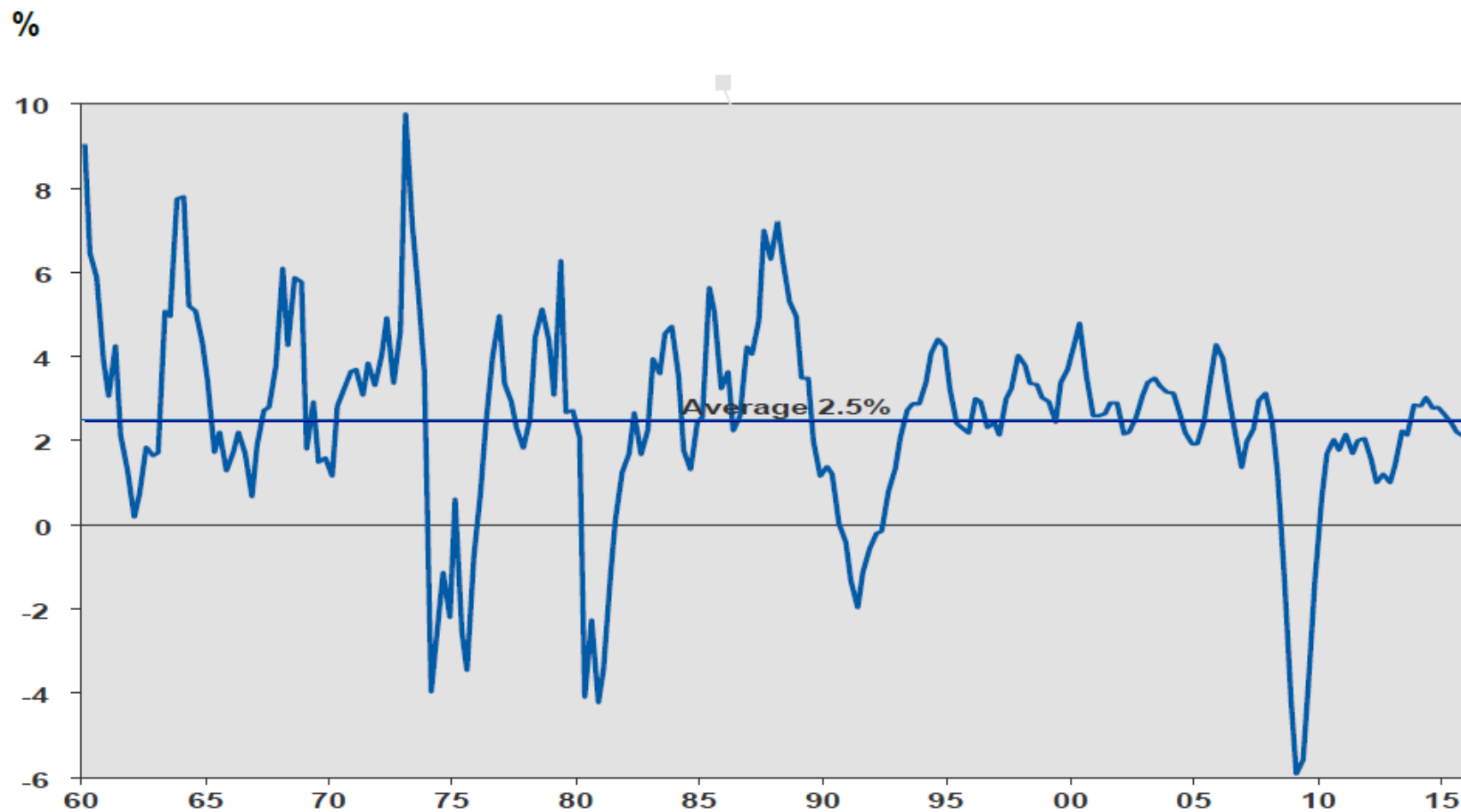
Source: Thomson Reuters Datastream

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Real GDP Growth

Annual % Change



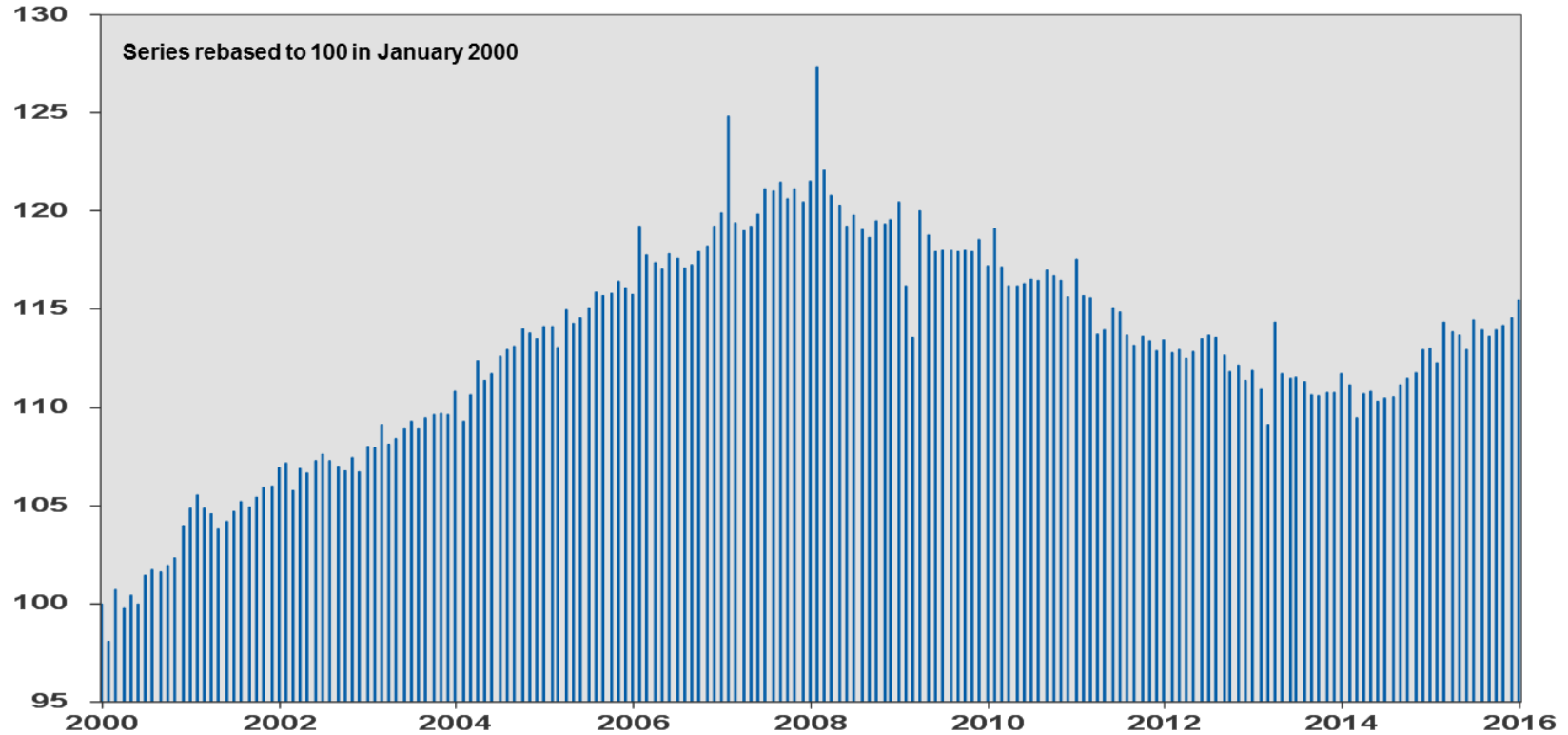
Source: Thomson Reuters Datastream

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Index of Real Wages

(Nominal wages deflated by the CPI, all items)

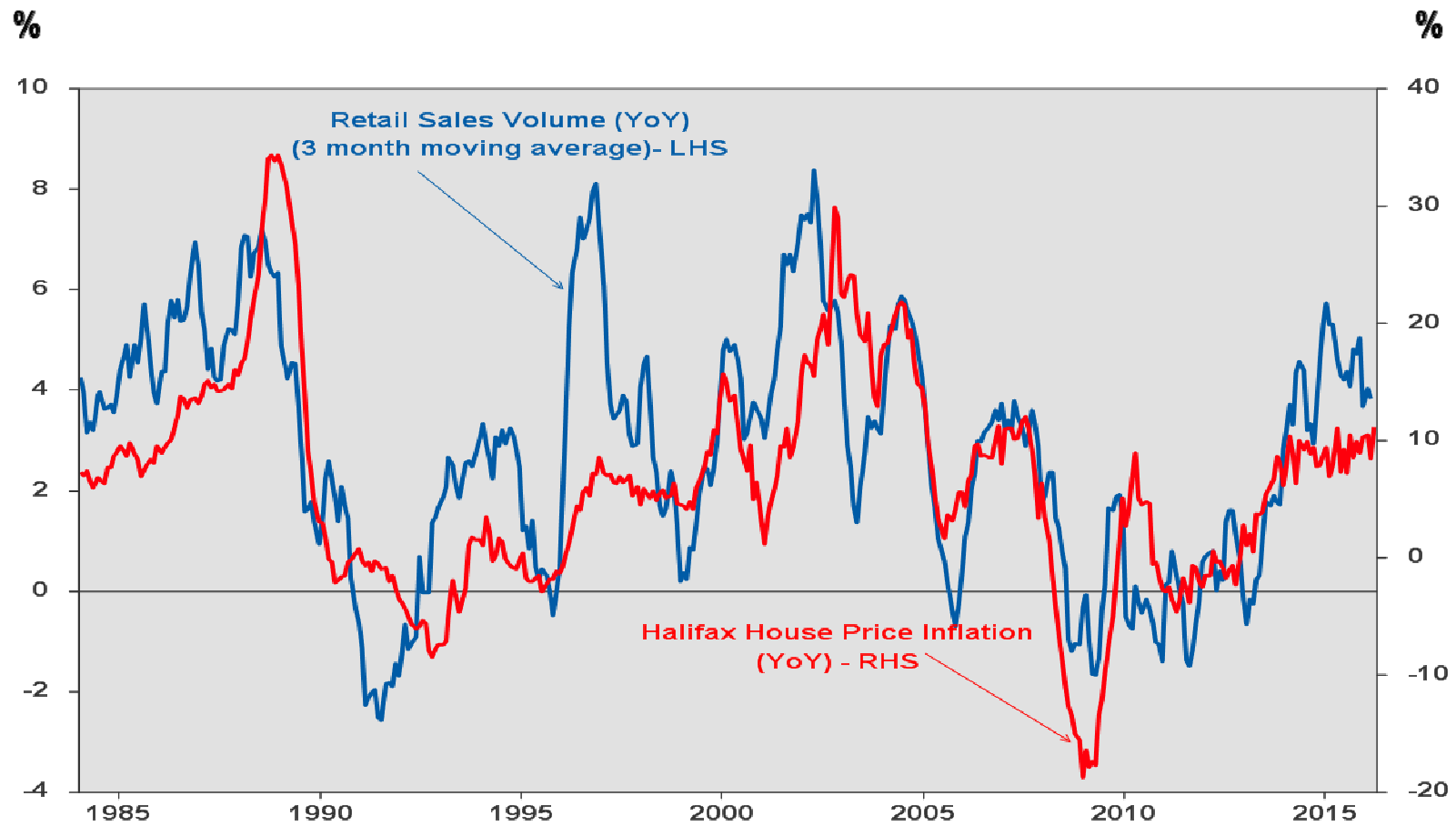


Source: Thomson Reuters Datastream

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Retail Sales Volume and House Price Inflation



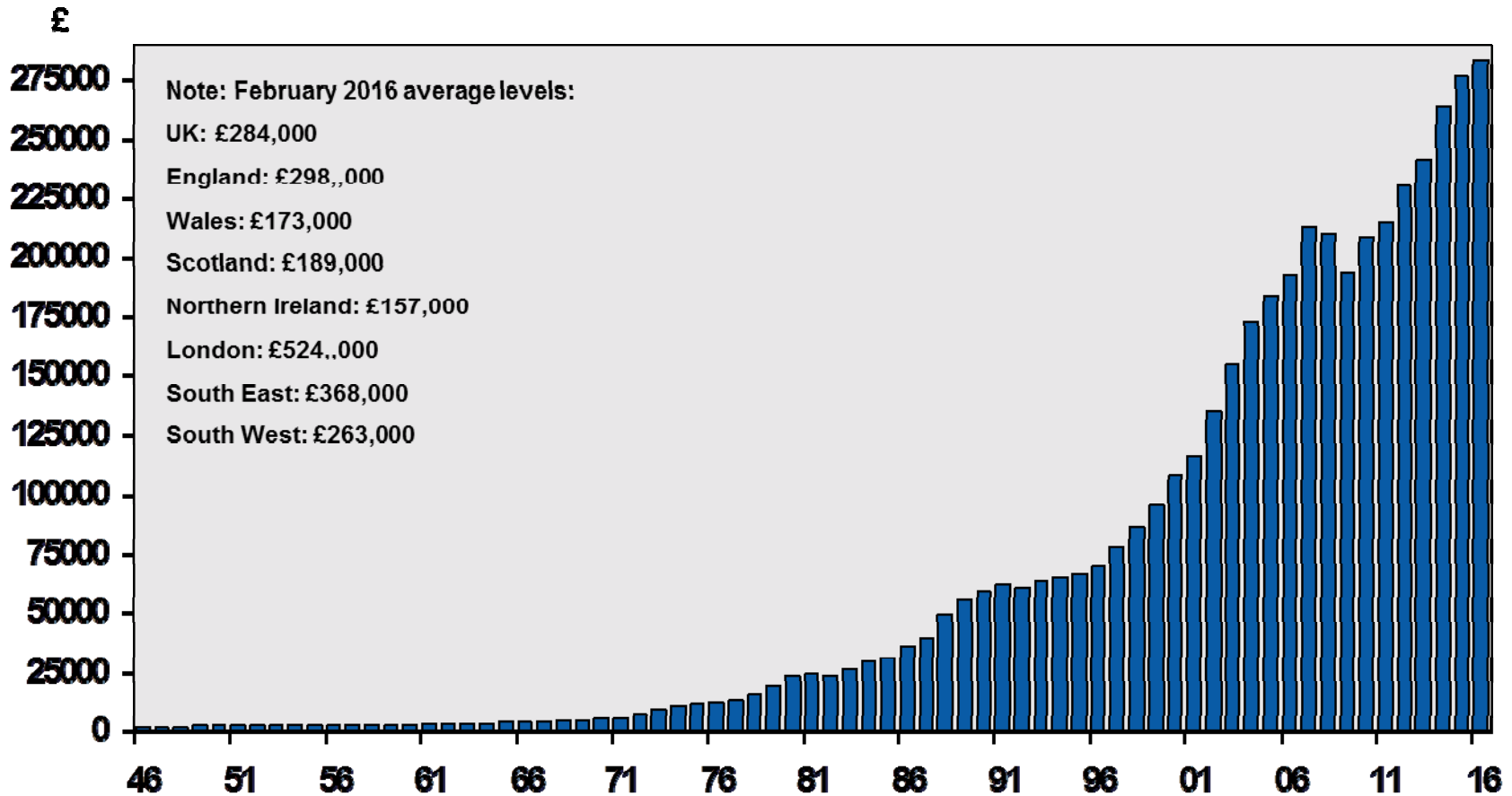
Source: Thomson Reuters Datastream

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Mix - Adjusted Average House Prices – all UK

(annual average)



Source: UK Office for National Statistics

For illustrative purposes only.



Potential consequences of Brexit

Sterling weakness

- Brexit is not ideal news for a current account deficit

UK equity market weakness

- Equity markets will dislike the lack of clarity on the structure of the post-exit landscape

Gilt market weakness

- If Brexit hits government finances through lost trade, investment and employment, a sovereign credit outlook downgrade is a possibility

Change in Prime Minister

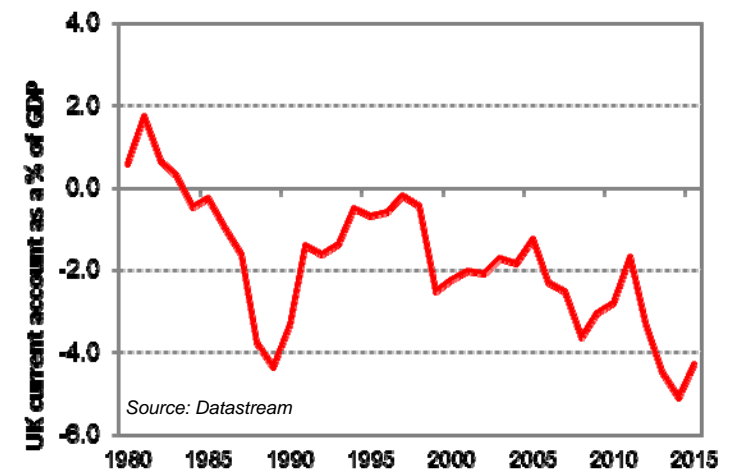
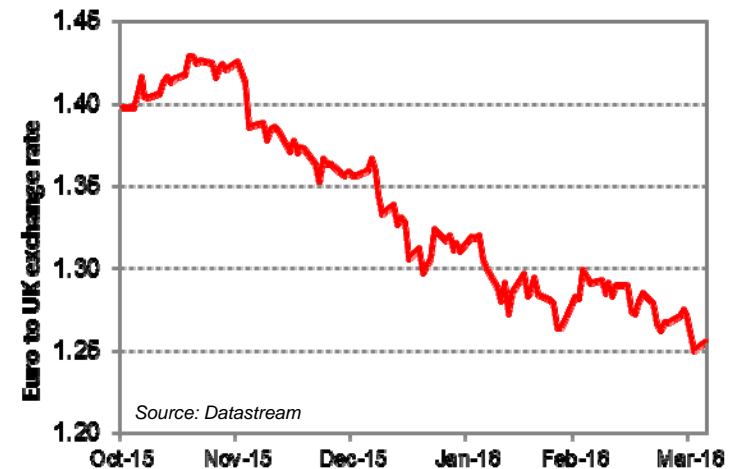
- David Cameron is not obliged to resign if he loses but a challenge would be likely

Scottish referendum on independence

- Scotland is pro-Europe but the current oil price may be a barrier to victory

Contagion risk

- A successful Brexit could emboldened Euro-sceptic parties across the Continent.

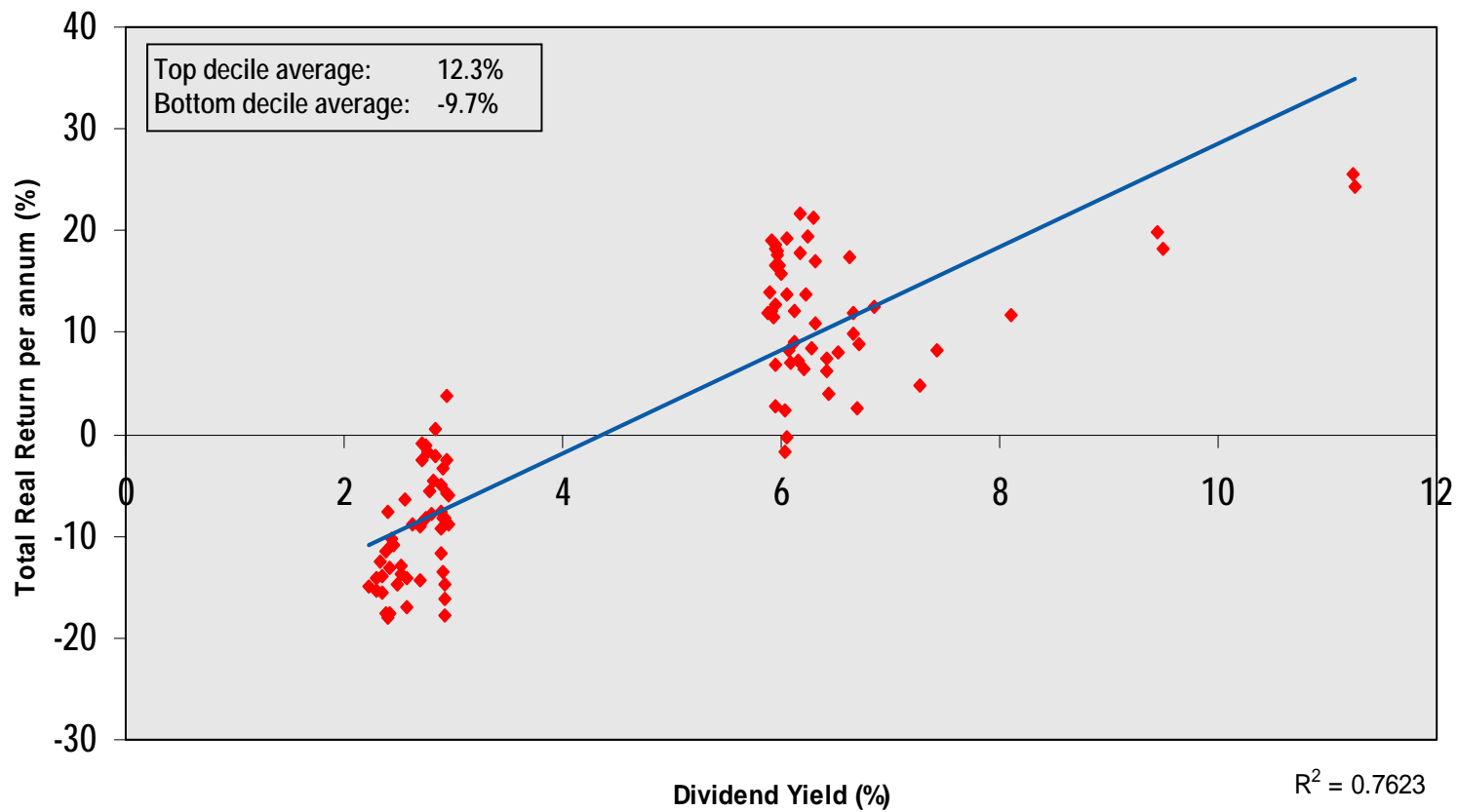


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UK - Buy Low, Sell High

Annualised real returns over 3 year periods for UK equities purchased at top decile and bottom decile dividend yields.
Data since 1965

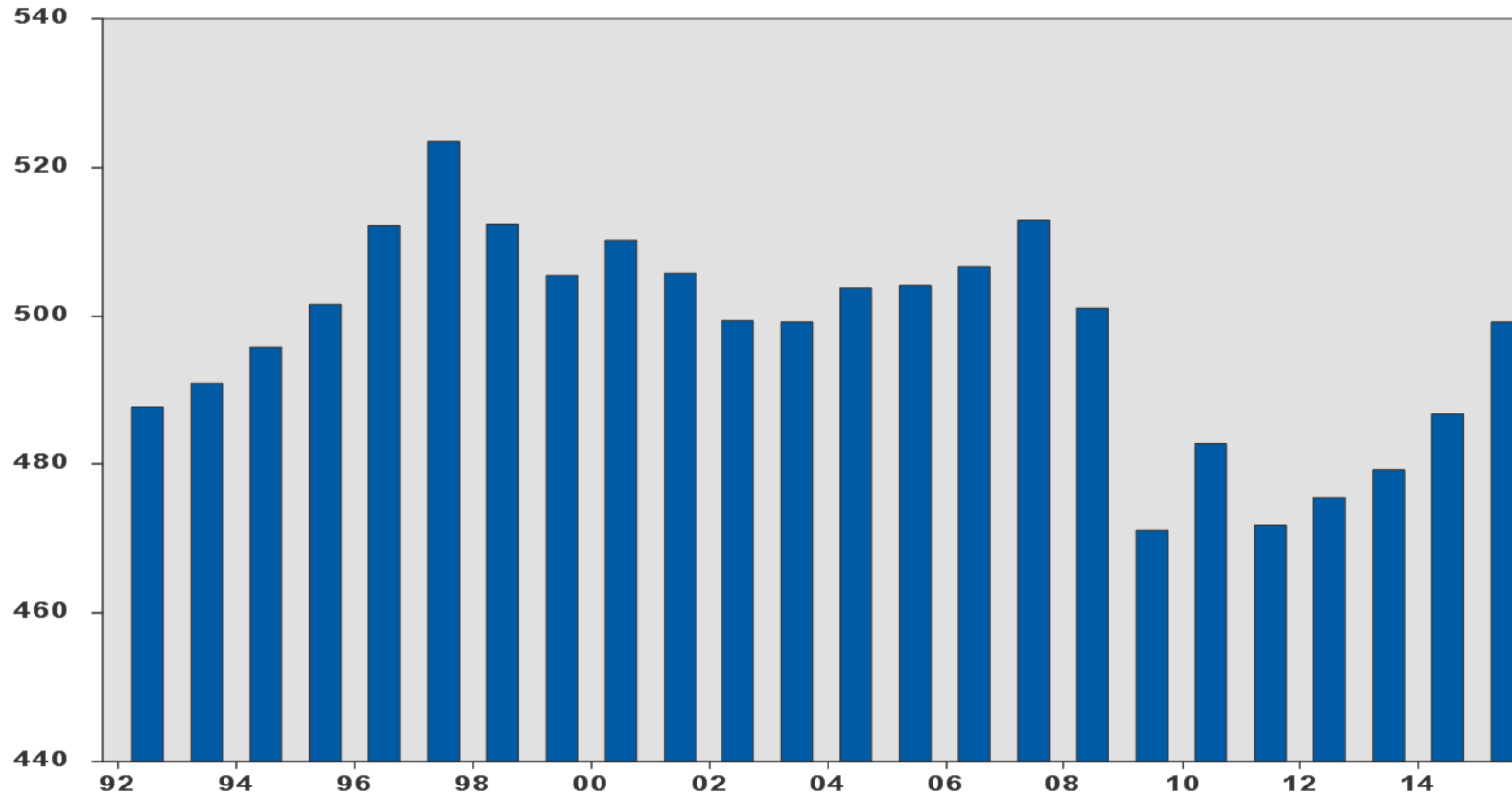


Source: Thomson Reuters Datastream
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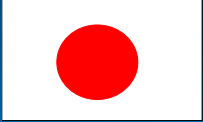
Nominal GDP

Yen Billions



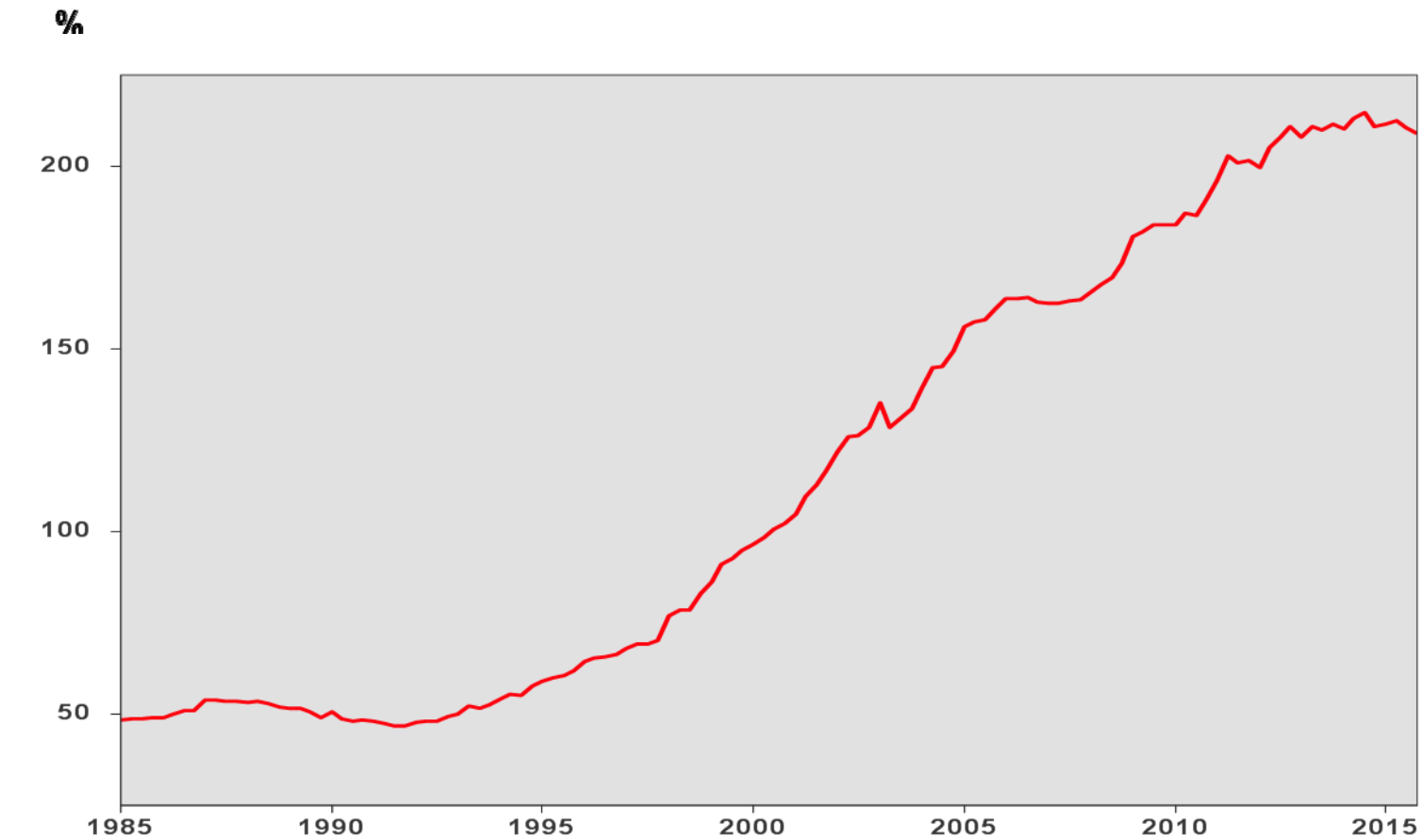
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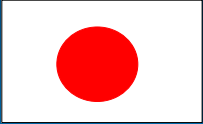
National Government Debt

(to GDP %)



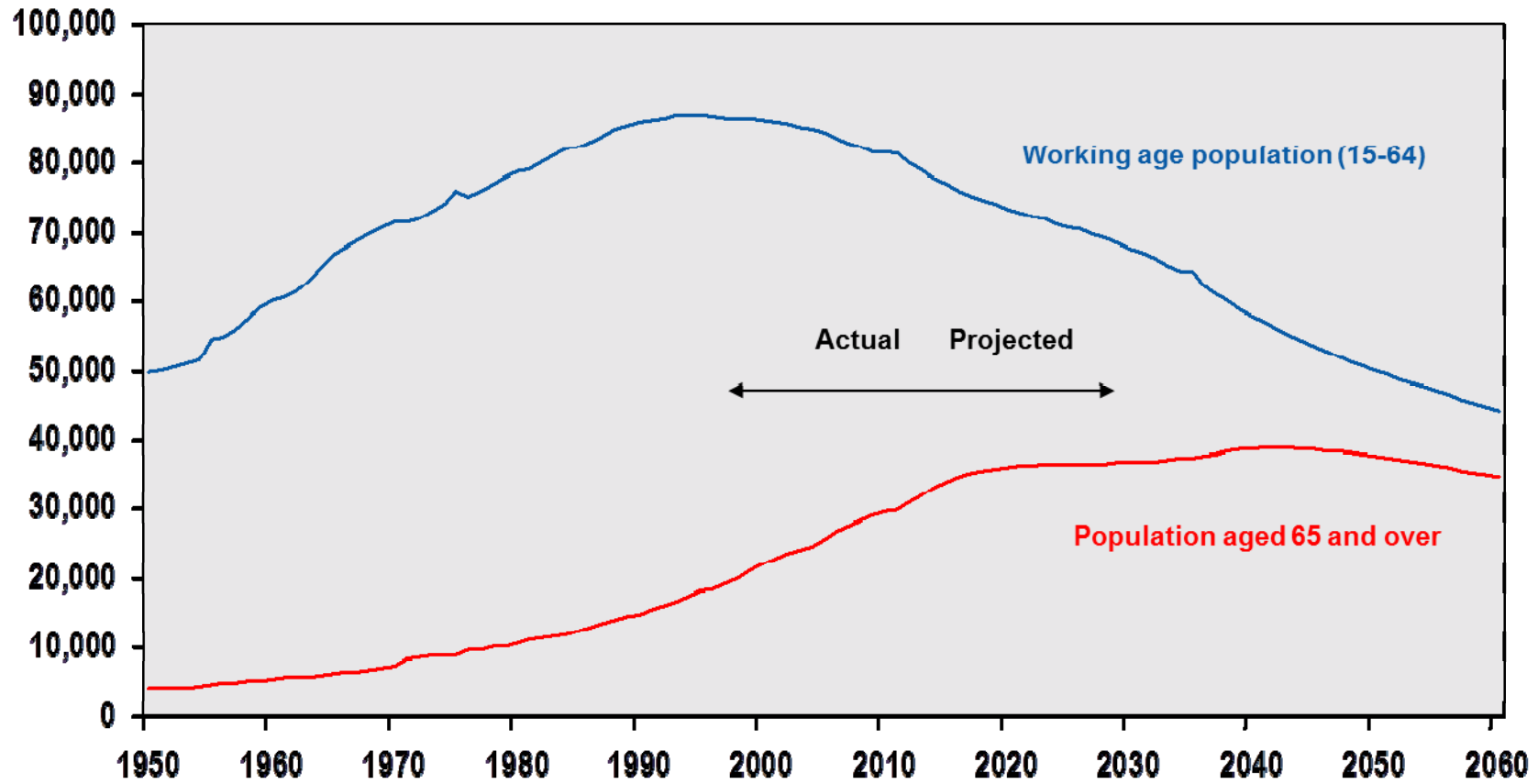
Source: Thomson Reuters Datastream

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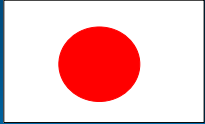
Major Age Group Projections

Thousands

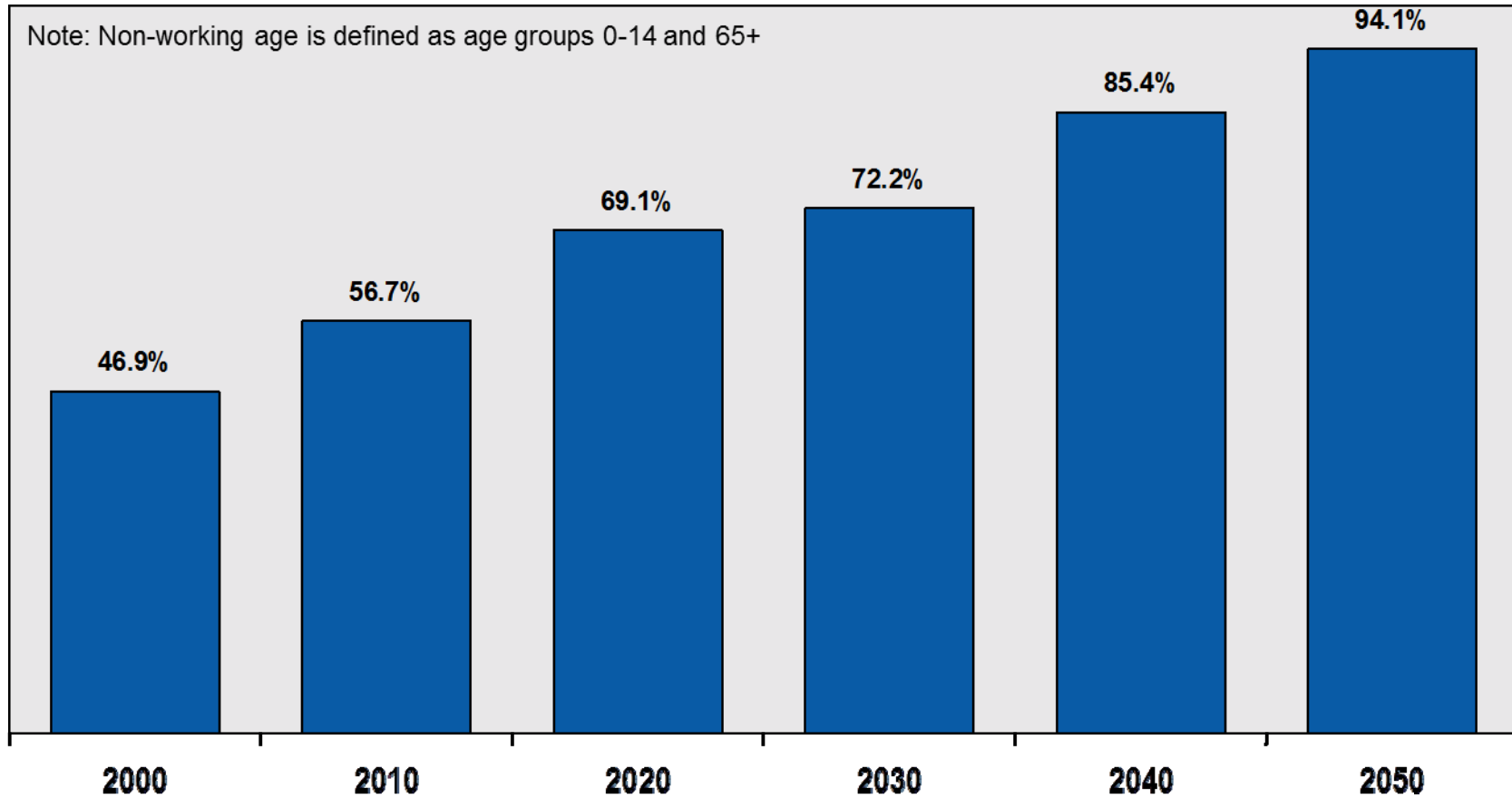


Source: National Institute of Population and Social Security Research (medium fertility and medium mortality projection)

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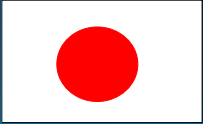


Ratio of Non-Working Age Population to Working Age Population (Dependency Ratio)



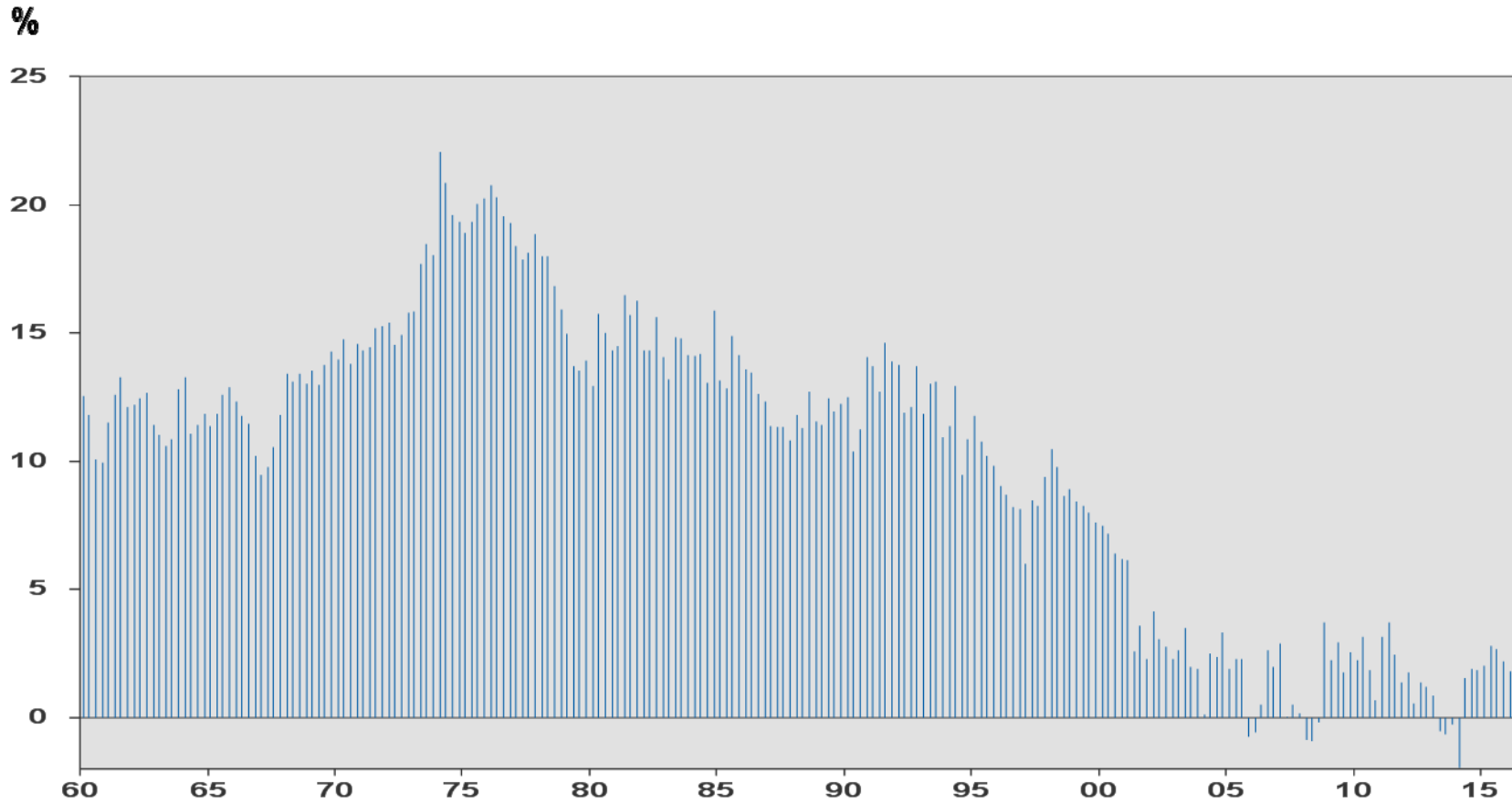
Source: National Institute of Population and Social Security Research (medium fertility and medium mortality projection)

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Household Savings Ratio

(% of disposable income)



Source: Thomson Reuters Datastream

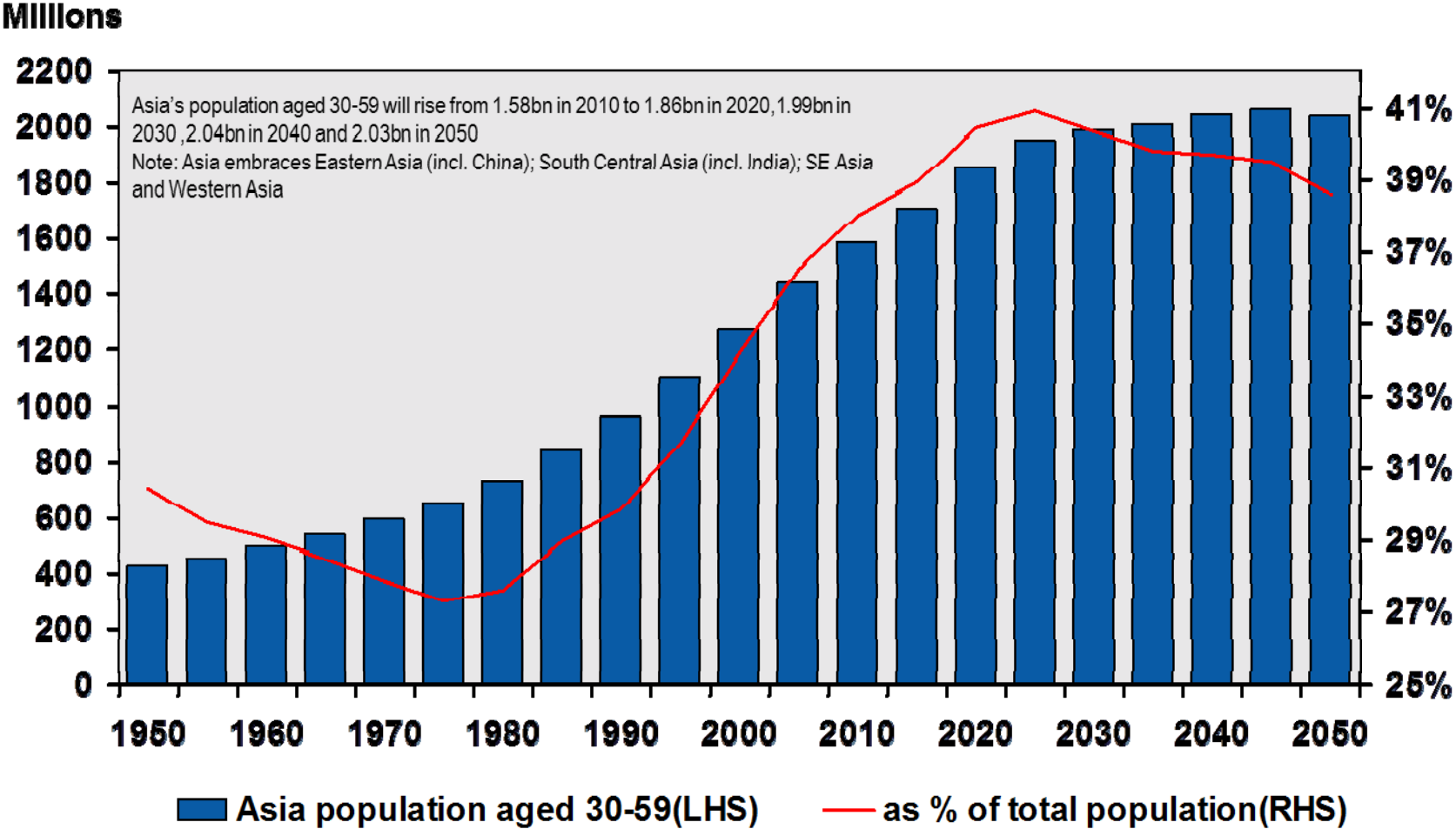
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Asia ex Japan: share of world GDP

	MSCI AC World Index (September 2015)	Share of world population (2014)	Share of world GDP (2014)
World	100.0%	100.0%	100.0%
US	52.8%	4.3%	22.4%
Europe	23.0%	10.2%	29.2%
Japan	7.8%	1.7%	5.9%
Asia ex Japan	8.2%	58.1%	25.4%
Other	8.3%	25.7%	17.1%

Source: MSCI, United Nations
For illustrative purposes only

Asia's Population Aged 30-59

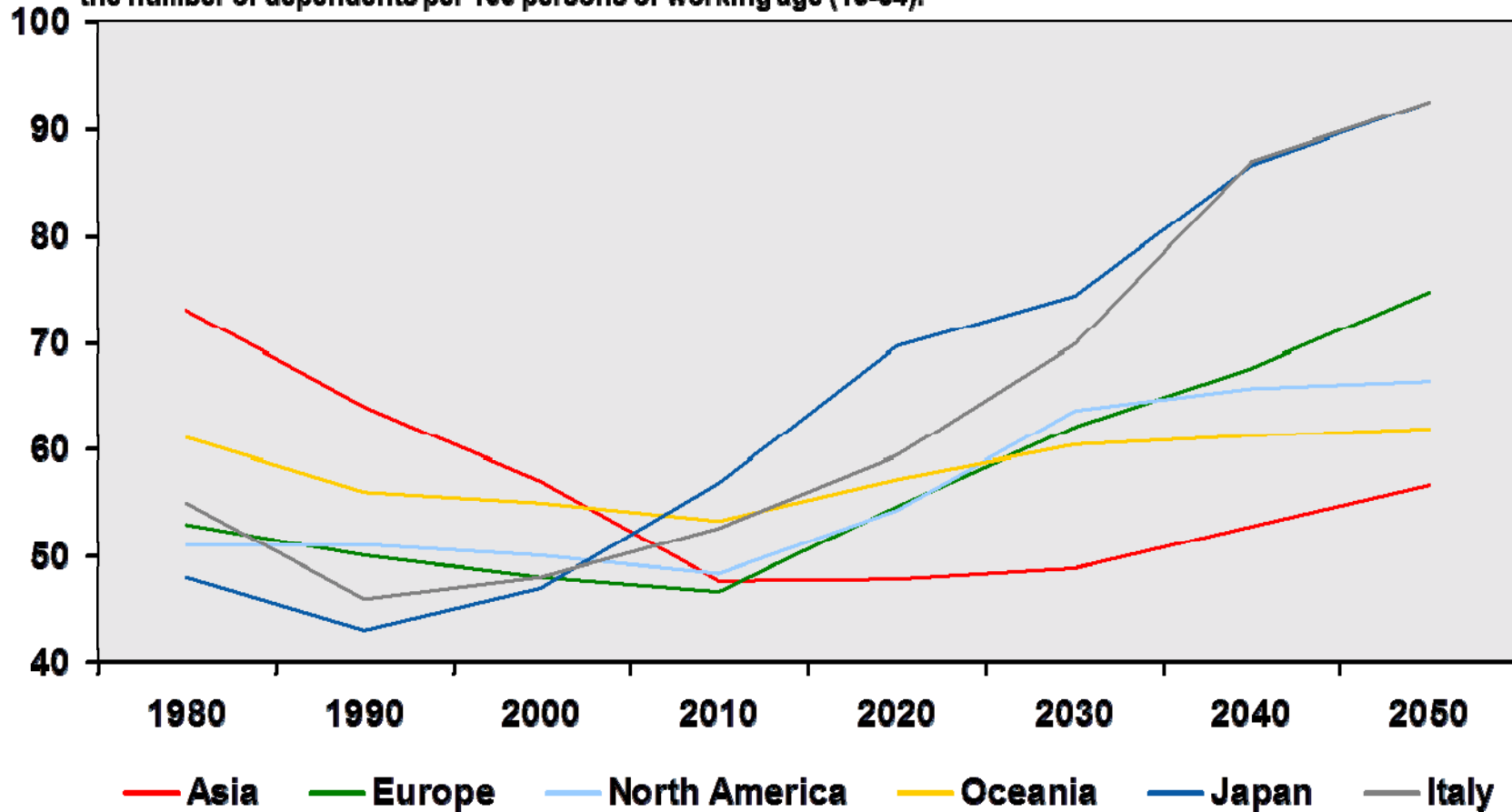


Source: United Nations ,Department of Economic and Social Affairs, Population Division (2015). World Population Prospects: The 2015 Revision.

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Dependency Ratios*

*The ratio of the sum of the population aged 0-14 and that aged 65+ to the population aged 15-64. Expressed as the number of dependents per 100 persons of working age (15-64).

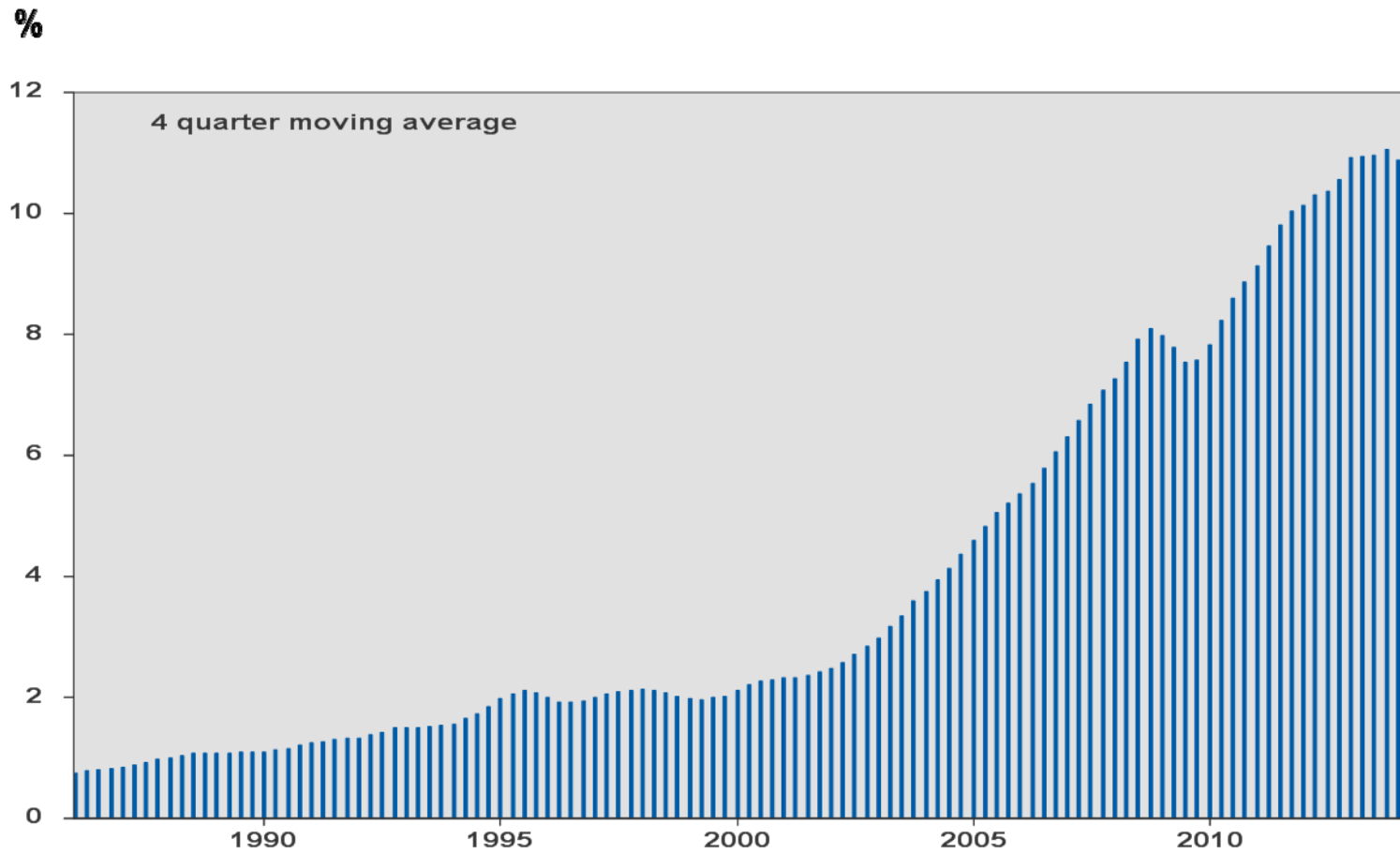


Source: United Nations, Department of Economic and Social Affairs, Population Division (2015). World Population Prospects: The 2015 Revision.

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Share of World Trade



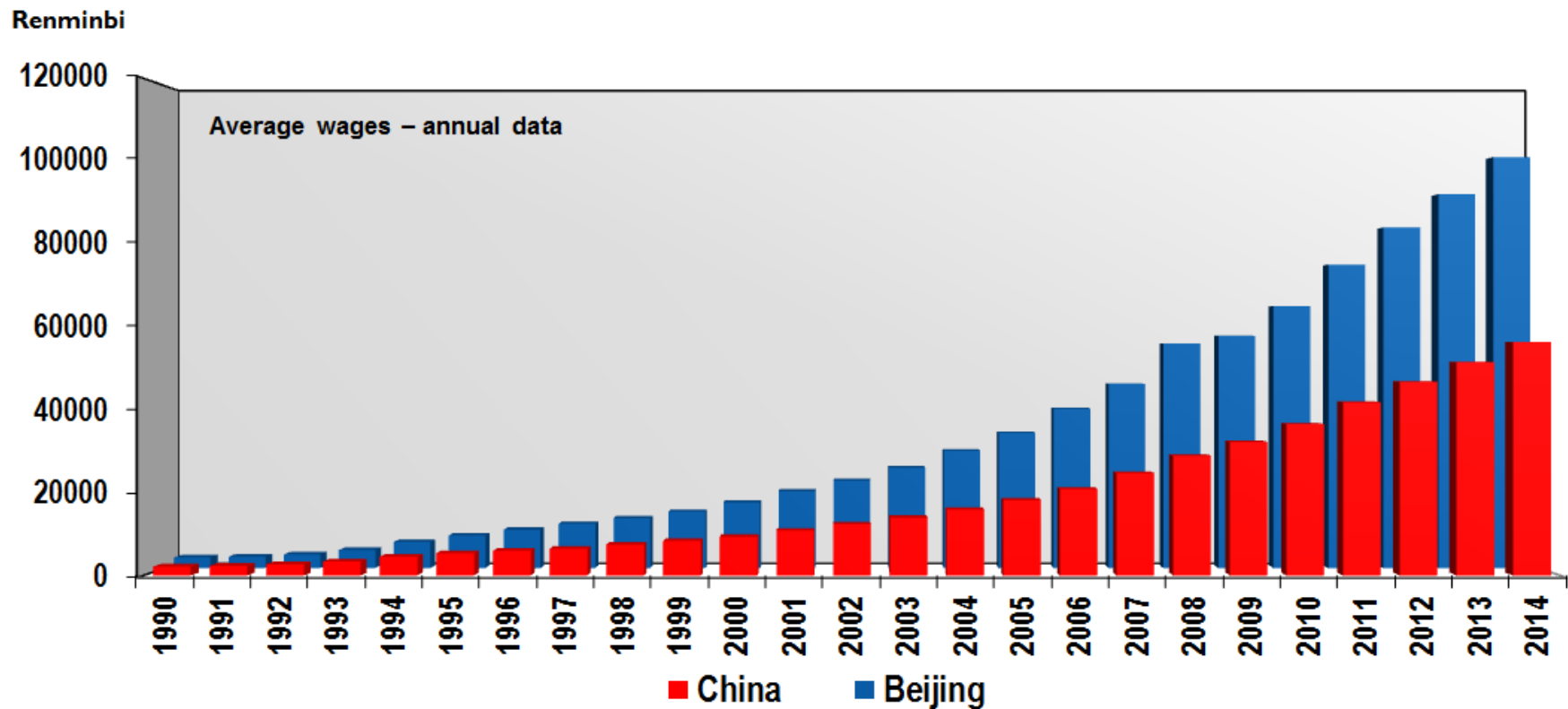
Source: Thomson Reuters Datastream

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China & Beijing Wage Growth

1990 - 2014



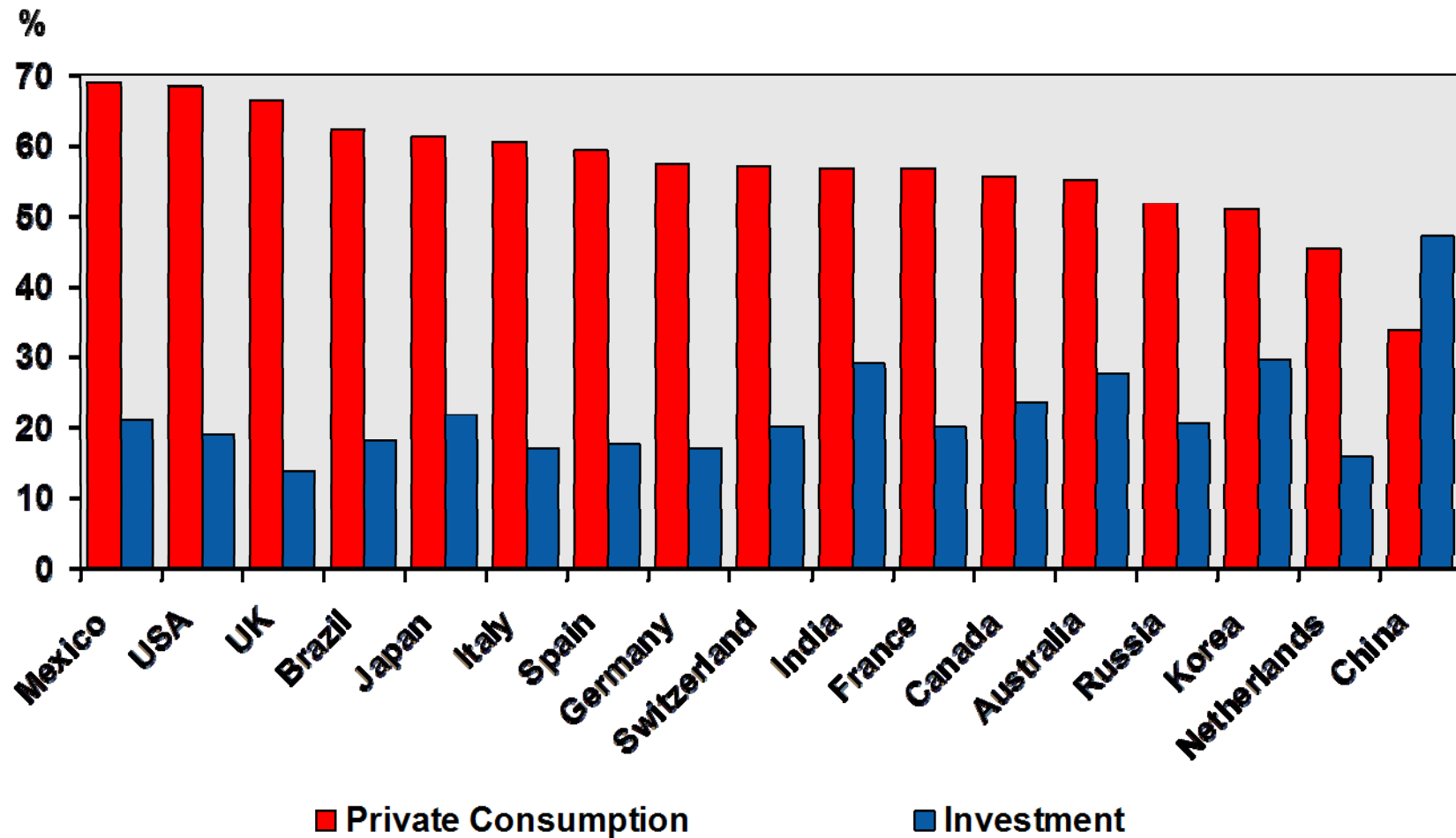
Source: CEIC

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Consumption and Investment to GDP %

2013



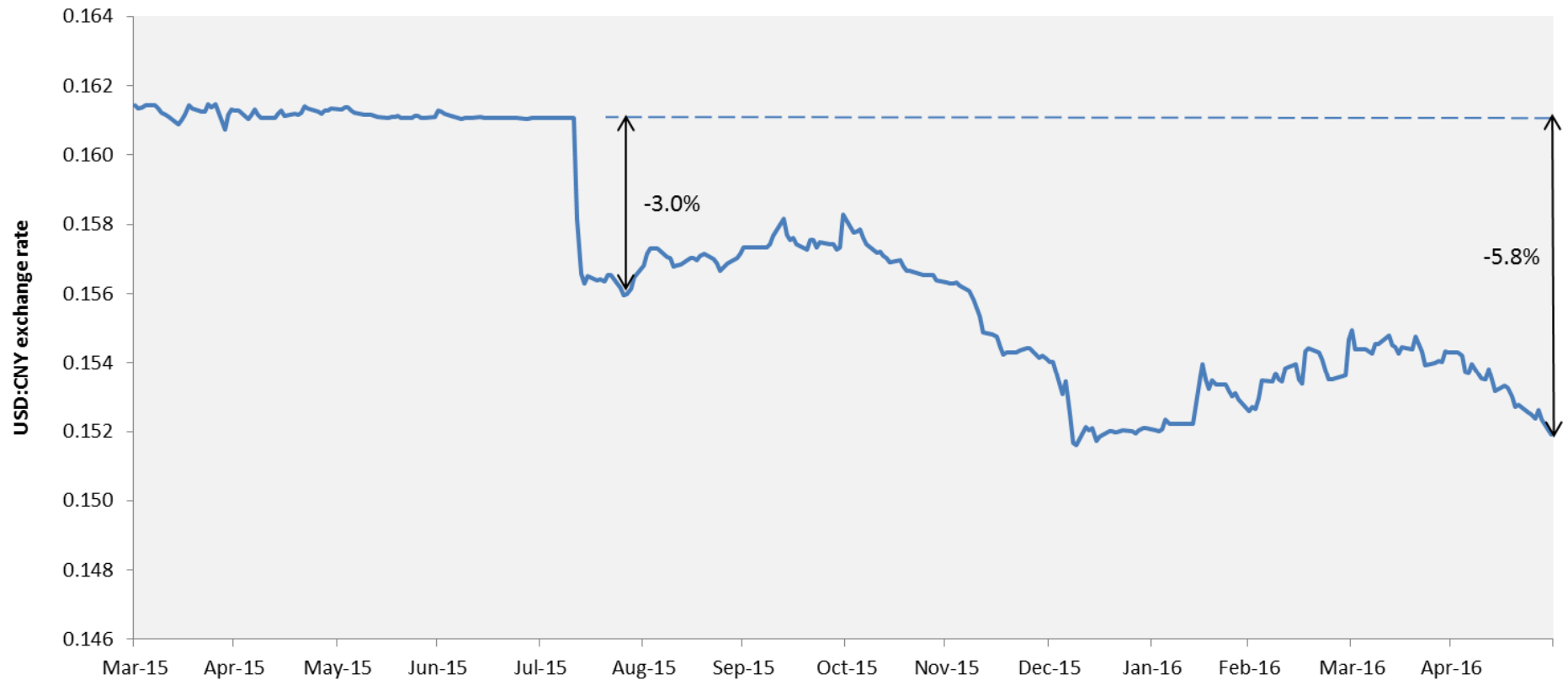
Source: OECD, Main Economic Indicators, June 2014

For illustrative purposes only



Currency devaluation...

(As of April 2016)



Source: Thomson Reuters Datastream

For illustrative purposes only



...should be kept in perspective

(As of April 2016)



Source: Thomson Reuters Datastream

For illustrative purposes only

International Equity (EAFE) Model Portfolio – Sector Allocations

As at 31 May 2016

INDUSTRY GROUP	PYRFORD MODEL WEIGHTING (%)	MSCI EAFE WEIGHTING (%)
ENERGY	7.8%	4.7%
ENERGY	7.8%	4.7%
MATERIALS	5.7%	6.7%
MATERIALS	5.7%	6.7%
INDUSTRIALS	19.6%	13.6%
CAPITAL GOODS	12.9%	9.1%
COMMERCIAL & PROFESSIONAL SERVICES	2.0%	1.3%
TRANSPORTATION	4.7%	3.2%
CONSUMER DISCRETIONARY	5.3%	12.6%
AUTOMOBILES & COMPONENTS	1.3%	4.9%
CONSUMER DURABLES & APPAREL	1.1%	2.9%
CONSUMER SERVICES	0.3%	1.4%
MEDIA	2.6%	1.9%
RETAILING	0.0%	1.5%
CONSUMER STAPLES	13.9%	12.5%
FOOD & STAPLES RETAILING	3.4%	1.7%
FOOD BEVERAGE & TOBACCO	8.6%	7.9%
HOUSEHOLD & PERSONAL PRODUCTS	1.8%	2.9%
HEALTH CARE	12.1%	11.6%
HEALTH CARE EQUIPMENT & SERVICES	1.3%	1.7%
PHARMACEUTICALS BIOTECHNOLOGY & LIFE SCIENCE	10.9%	9.9%
FINANCIALS	6.8%	23.7%
BANKS	2.6%	11.3%
DIVERSIFIED FINANCIALS	0.0%	3.0%
INSURANCE	4.3%	5.6%
REAL ESTATE	0.0%	3.9%
INFORMATION TECHNOLOGY	8.7%	5.4%
SOFTWARE & SERVICES	3.1%	2.1%
SEMICONDUCTORS & SEMICONDUCTOR EQUIPMENT	2.8%	1.0%
TECHNOLOGY HARDWARE & EQUIPMENT	2.9%	2.3%
TELECOMMUNICATION SERVICES	12.6%	5.5%
TELECOMMUNICATION SERVICES	12.6%	5.5%
UTILITIES	7.4%	3.8%
UTILITIES	7.4%	3.8%

This is supplementary information.

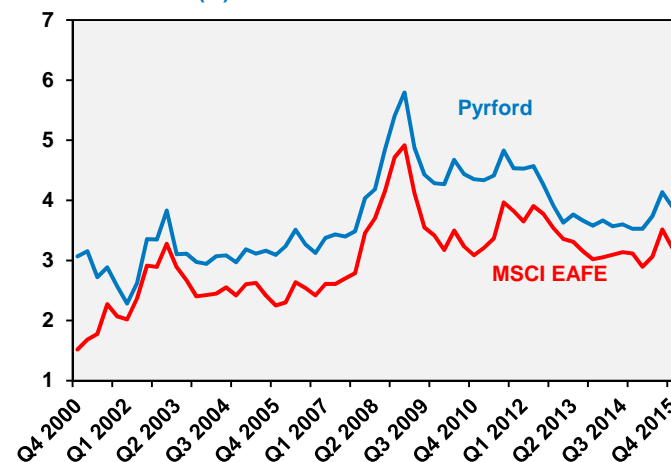
International Equity (EAFE) - Portfolio Characteristics

As at 31 May 2016

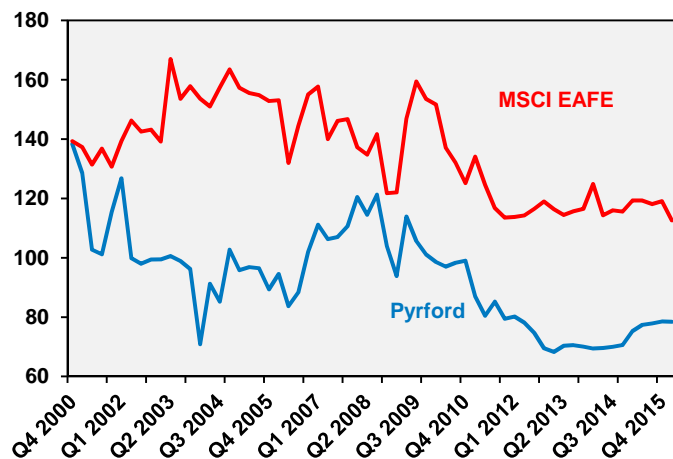
*Dividend Yield, Debt to Equity & Return on Equity line charts contain quarterly data

	Pyrford	MSCI EAFE
Dividend Yield %	3.77	3.37
Debt to Equity	80.1	113.9
Return on Equity (1yr Av %)	18.22	14.69

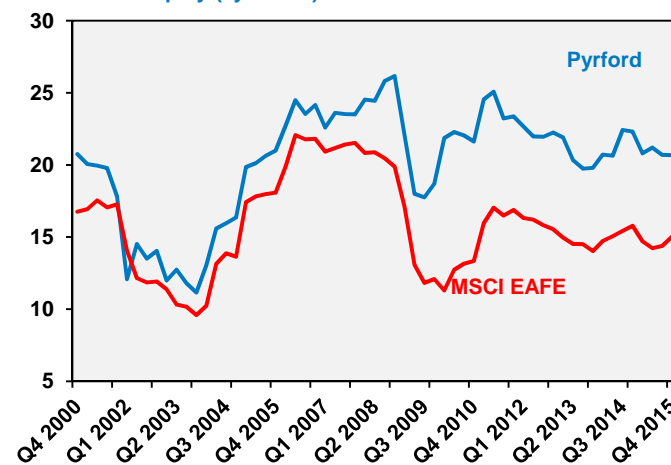
*Dividend Yield (%)



*Debt to Equity



*Return on Equity (1yr Av %)



Source: Style Research.

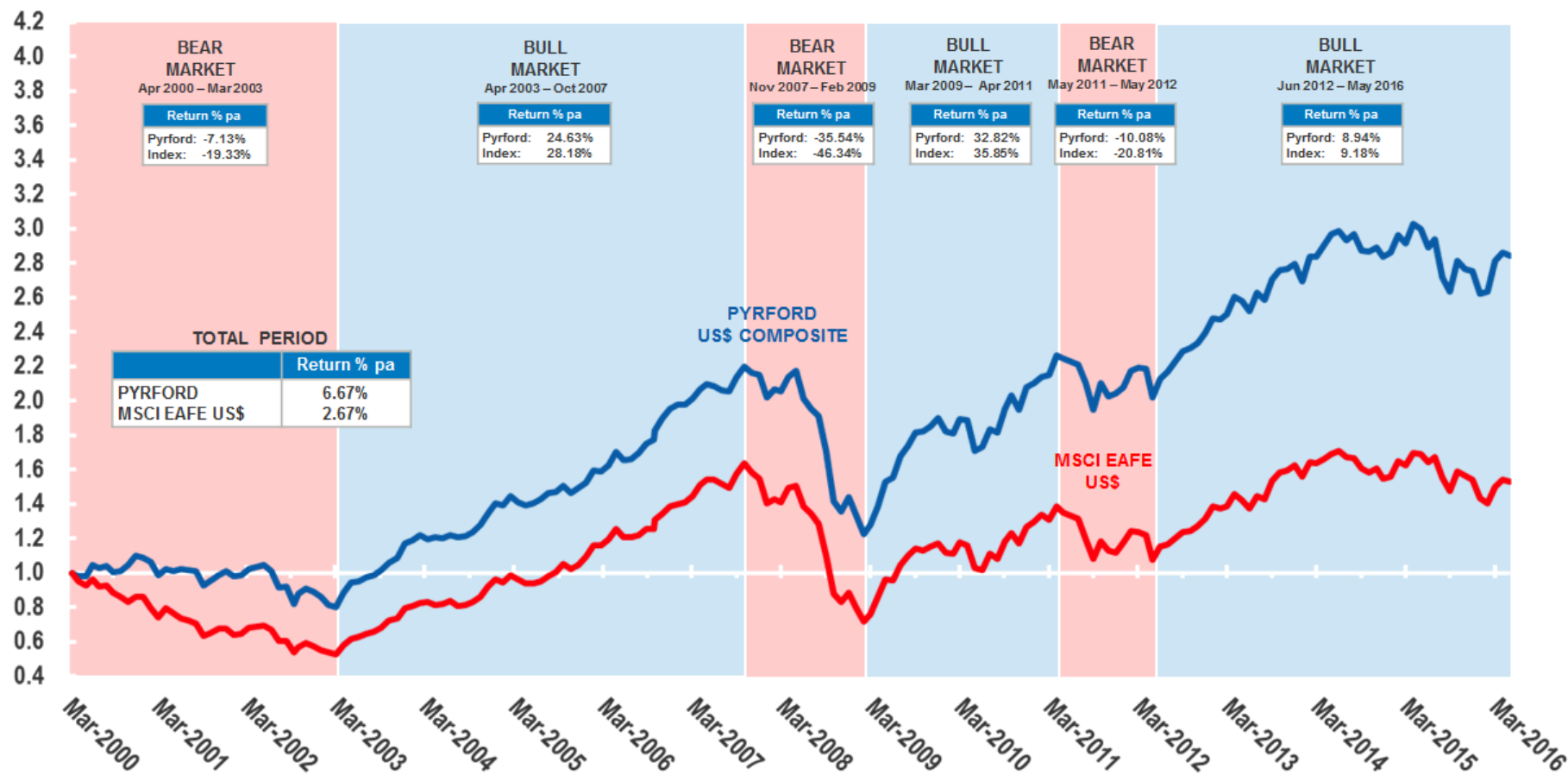
Based on equity holdings of a representative account.

International Equity (EAFE)

Protect the Downside – Enjoy the Upside

Growth of a Unit Value US\$, 31 March 2000 – 31 May 2016. Bull & Bear Markets

31 March 2000 – 31 March 2016 (quarterly data)	
Downside Capture	61.90%
Upside Capture	87.26%



Performance relates to the gross of fees Pyrford International Ltd 'International Equity (Base Currency US\$) Composite'. This is supplementary information. Please see complete GIPS compliant presentation at the end of this document. **Past performance does not guarantee future results.**

Outlook

- Some equity markets still represent poor long-term value as central bank 'printing' has caused markets to rerate without a commensurate improvement in fundamentals.
- Central bank 'printing' has propped up markets but done little to stimulate growth. The 'multiplier' mechanism has broken down.
- Excessive private and public debt levels, consequent deleveraging, deteriorating demographics and disappointing productivity have led to anaemic growth in developed countries.
- The fall in the oil price has negatives and positives. The biggest negative is the decline in capital investment relative to previously announced plans.
- Asia ex-Japan provides the best value and most attractive opportunities for substantial growth. Demographics provide a long-term growth tailwind, but volatility will provide investment challenges.
- Eurozone economic problems remain unsolved. Debt levels in peripheral Europe and continued lack of competitiveness remain unsustainable. Break-up, in some form, remains the only sensible long-term solution.
- Money printing in Japan risks turning parabolic in an attempt to stimulate economic growth. Low productivity growth and deteriorating demographics remain a headwind.
- Debt problems particularly acute in emerging markets.