

	<u>5/10/15</u>	<u>1/1/16</u>	<u>5/4/16</u>	<u>1/7/16</u>	<u>5/10/16</u>	<u>1/1/17</u>	<u>5/4/17</u>	<u>1/7/17</u>	<u>5/10/17</u>
FTSE 100	6299	6242	6091	6504	7033	7143	7332	7313	7508
FTSE All Share	3457	3444	3351	3515	3827	3873	3997	4002	4119
Dow Jones (US)	16776	17425	17603	17930	18281	19763	20648	21350	22775
S&P 500 (US)	1987	2044	2045	2099	2160	2239	2353	2423	2552
Nikkei 225 (Japan)	18005	19034	15733	15576	16819	19114	18861	20056	20629
WMA Balanced	1295	1306	1312	1394	1475	1492	1538	1533	1571

### Growth Equities

Bunzl  
Convatec  
Diageo  
Experian  
Merlin Ent.  
Prudential  
Rentokil  
Shire  
Smurfit Kappa

### Higher Yield Equities

Admiral  
AstraZeneca  
BP  
Lloyds  
National Grid  
RDS 'B'  
Rio Tinto  
Vodafone

### Mid-Cap Equities

Diploma  
DS Smith  
Halma  
Hill & Smith  
James Fisher  
Pennon  
Saga  
Shaftesbury  
UBM

### Overseas Equities

Amadeus  
Auto. Data Process.  
Colgate-Palmolive  
Deutsche Telekom  
Estée Lauder  
Heineken  
Ingenico  
Novartis  
Novo Nordisk

### Collective Investments

Bankers IT  
BG Japanese Inc Growth Fund  
Caledonia IT  
Fidelity Special Values IT  
Finsbury Growth & Income IT  
Impax Environmental Mkts IT  
Monks IT  
Pacific Assets Trust  
Schroder Oriental Income IT

## The new face of politics and yet the world comprehends it not

Atrocities continue with barbaric incidents in Barcelona, Finland, Las Vegas and our own Parsons Green tube station (which could have been so much worse); while there has been a mass exodus of biblical proportions from North Africa, Syria and Myanmar (formerly Burma).

Natural disasters continue with earthquakes in Mexico (7.1 on the Richter scale) whilst record breaking hurricanes (Harvey, Irma and Maria) have destroyed much of the Caribbean and devastated parts of Florida and Houston (Texas) – and remember, this is just the start of the hurricane season as I well know having been evacuated from St. Simons Island to Atlanta on 5<sup>th</sup> October last year!

Sport continues to brighten our lives with those memorable moments over the past 3 months with the British & Irish Lions drawing the series with New Zealand, Roger Federer winning Wimbledon, Jordan Spieth winning the Open (having taken 40 minutes at the 13<sup>th</sup>), Sir Mo Farah winning the World Championship 10,000 metres before retiring from the track, Chris Froome winning both the Tour de France and Vuelta a España, Moeen Ali's exhilarating 53-ball century against the West Indies and, finally, the epic win of Enable for John Gosden in the Prix de l'Arc de Triomphe. Thank goodness for sport which brings a little fun to our lives.

But above all we must realise that the face of politics has changed throughout the world.

A 'deranged' dictator in North Korea

A 'deranged' President of the United States

Both of them are very dangerous men, winding each other up playing war games. Of course we understand what Mr Trump is saying, but the threat of annihilating a nation is not a diplomatic solution. This sabre rattling is extremely dangerous for world peace – for God's sake grow up and find a peaceful solution.

Though Mrs Merkel has won her fourth term as Chancellor of Germany, this was with a vastly reduced majority where the far right wing AfD, Alternative for Deutschland (not Normal for Norfolk!), party has won 13% of the vote. Meanwhile, in France it is

unbelievable that Emmanuel Macron has been elected President at the age of 39 without an established political party behind him. Merkel and Macron are now the two most powerful politicians in Europe, but how fragile is their domestic support behind them?

In the UK, it was Nigel Farage (not UKIP) who forced David Cameron into a referendum and we now have the rise and rise of the socialist far left in Jeremy Corbyn, John McDonnell and Diane Abbott. I quote Jeremy Corbyn at the Labour party conference:

*"The capitalist system still faces a crisis of legitimacy, stemming from the crash. Now is the time that government took a more active role in restructuring our economy. Now is the time that corporate boardrooms were held accountable for their actions, and now is the time that we developed a new model of economic management to replace the failed dogmas of neo-liberalism. That is why Labour is looking not just to repair the damage done by austerity but to transform our economy with a new and dynamic role for the public sector particularly where the private sector has evidently failed".*

This is red hot socialism of the very far left which, if implemented, would mean a disaster for stockmarkets and savers generally. I find it difficult to take these people and their policies seriously, but as my old friend 2 Jags (and 3 jobs) Prescott says 'there is a real buzz'. There is no doubt that this is real, as the Labour party is backed by the young who always have ideals (thank God), but not the experience of us old fuddy duddies.

On top of this we have a self-destruct Conservative party, which has no Plan B for Brexit as well as a leader and Chancellor of the Exchequer who have about as much charisma as a flock of dead sheep. Boris does have charisma, though he has shot himself in the foot more times than Jeremy Corbyn has said the words "for the many not the few", but who would the nation choose between Boris and Corbyn (it hardly bears thinking about)?

## Brexit

The only sensible quote since the Brexit vote was Mrs May's recent comment in Florence:

*"Throughout its membership, the United Kingdom has never totally felt at home being in the European Union. And perhaps because of our history and geography, the European Union never felt to us like an integral part of our national story".*

I think this one statement sums up the situation perfectly. The EU is indeed an integral part of Germany's and France's national stories, ensuring peace and stability for which they can be very proud, but it is not an integral part of the UK's.

I still feel cheated by David Cameron:

1. In 2014 he stated that he would negotiate with the EU and if these negotiations were successful then he would call a referendum. His negotiations achieved '3/4 of 5/8 of Sweet Fanny Adams' and yet he still called a referendum.
2. He was so complacent about a REMAIN vote that he had the arrogance to not even consider a Plan B (for a LEAVE vote) and we are still suffering in the chaos.

Indeed, 15 months since the referendum and 6 months into formal Brexit negotiations we have achieved nothing, to such an extent that Mrs May has had to suck up to Europe (I can only think of the word 'cringe') to say in Florence:

1. We love you and we want to stay friends and trading partners
2. Though we shall leave the EU by 29<sup>th</sup> March 2019, we will give you at least 2 more years to negotiate 'wriggle room' (more if necessary)
3. And during this time we shall comply with all your rules and regulations
4. We shall keep paying our 'club subscription'
5. But we shall not be dining at 'the club' nor having any say in any regulations
6. And by the way, we shall pay a fair divorce settlement (who has ever heard of a fair divorce)
7. We will not implement trade deals with other countries (if we have any) until EU negotiations are completed
8. And immigration will continue until negotiations are completed

In other words, we shall remain in the EU, accepting all its regulations, but with no power to negotiate its new regulations for at least 2 years.

We have the Chancellor, Philip Hammond, bleating agreement with every word and yet we have Boris crying out in the wilderness:

1. Pay very little alimony
2. 2 years' negotiations maximum
3. And ... orf Europe

The Labour party is so divided that they did not have a vote on the issue at their conference in Brighton.

What chaos, what a shambles, where David Cameron and Mrs May have self-destructed a 'strong and stable' administration and possibly let the loony left in by the back door. A country always elects the Government it deserves and with the present Conservative performance perhaps we do deserve Corbyn and his left wing cronies, but heaven forbid the consequences for the UK capitalist system.

Investors must now realise that Corbyn has become a reality, not just a threat, and the world of finance comprehends it not.

### Money supply and monetary policy

To save the banking system from a complete meltdown following the 2008 banking crisis, world central banks brought in:

1. quantitative easing (printing money)
2. very low interest rates (the lowest in 300 years)

to give financial institutions around the world time to recapitalise and survive. Nobody in their wildest dreams believed this would take 10 years to work through, but it has worked and, at last, central banks around the world have tentatively started to unwind the situation.

In the US, Janet Yellen, the Chair of the Board of Governors of the US Federal Reserve System indicated on 20<sup>th</sup> September that the Federal Reserve will shortly begin a gradual reduction of the bond portfolio it has built up since QE began in 2008.

In the UK, Mark Carney, Governor of the Bank of England announced on 18<sup>th</sup> September that "some withdrawal of monetary stimulus is likely to be appropriate over the coming months".

In Europe, Mario Draghi, President of the European Central Bank, has said he will set out plans on how to wind down its own bond buying programme later this month.

This means that interest rates will rise, but the unknown fact is how quantitative easing will be unwound. It has never happened before.

10 year gilt yields have risen:

	<u>Year low</u>	<u>5/10/17 yield</u>
US	2.0%	2.4%
UK	0.9%	1.4%
Europe	0.2%	0.5%

In the UK inflation has risen:

	<u>Year low</u>	<u>5/10/17 inflation</u>
UK inflation CPI	1.8%	2.9%
RPI*	2.6%*	3.9%*

(\*Index Linked stocks use RPI). With a Bank of England target for CPI at 2.0%.

The prospect of higher interest rates has also attracted investment into sterling:

	<u>Year low</u>	<u>05/10/17</u>
Sterling/US\$	1.20	1.31
Sterling/Euro	1.08	1.12

I am getting older and though I remember gilts issued at 15.5% in the Wilson/Healey loony left days of the 1970s and Harold Wilson's infamous speech following the devaluation of the pound:

'the pound in your pocket'

I do not expect interest rates to rise to anything like those levels. However, there is an old saying that:

'the rate a commercial company should borrow money at is between 2% and 3% above inflation'

Where does that put today's and future interest rates?!

However, any rise in interest rates will be very gentle to avoid riots amongst those overleveraged mortgage holders; the price of the average house in London is 13x the average salary. The old and responsible formula for this was a maximum of 5x average salary!

Everything is out of kilter, but like water it will find its true level in the end, even if it is long after my demise.

#### Barratt & Cooke's Investment Policy

Of course, the chaos of Brexit negotiations is causing uncertainty and a lack of confidence in the domestic UK economy. Retail sales are down, motor car sales are down and there is a serious fall in investment within domestic industry, highlighted by the recent announcement that Britvic is to close its Norwich site (which might also mean the closure of Unilever's adjoining Colman's mustard site), which really will be the end of an era.

However, the UK export economy is thriving with weaker sterling encouraging exports and enhancing overseas profits when converted back into sterling (though sterling has recovered to US\$1.31 it is still well below the formula of 1.62).

Therefore, though we believe Corbyn to be a much greater risk to the UK domestic economy than the chaos of Brexit, it is the international earners that are holding the FTSE 100 up (where over 70% of profits are derived abroad).

Our investment policy is therefore:

1. to take some gains now to hold 'cash' pending further investments

Many clients will have held Carnival, Hiscox or Beazley, all of which showed large gains and yet will be affected by the Hurricanes. We have advised taking gains where appropriate on these stocks pending reinvestment.

2. to continue to avoid conventional gilts where interest rates have started to rise at last.
3. to purchase index linked gilts and bonds for relative safety and liquidity where inflation has risen considerably as predicted (RPI now stands at 3.9%)
4. to purchase a global spread of equities with large overseas earnings. There are a few UK domestic stock bargains, but these are few and far between.

5. to ensure diversification of asset classes with cash, gold and infrastructure funds.

This will give income and / or potential growth to suit clients' individual mandate and risk profiles giving a wide spread of both geographies and asset classes for diversification.

### Corporate Actions

Though we were expecting takeover activity while Sterling has been down, there has been a dearth of merger and acquisition activity due to the chaos of Brexit. The corporate actions that have taken place over the last 3 months have been:

- Aberdeen Asset Management merger with Standard Life for every share held receive 0.757 new Standard Life shares.
- NewRiver REIT open offer 1 new share for every 11 held at 335p per share
- Treasury 1% 2017 Redemption at par
- Land Securities return of capital 60p per share and share consolidation 15 new shares for every 16 held – Cash due 13/10/17

### In Conclusion

By the time you read this newsletter I will have completed 50 years at Barratt & Cooke in the stockbroking profession. Within that time, I have seen the 6 day war, the Falklands, 2 wars in Iraq and 1 in Afghanistan. I have seen 9 Prime Ministers: Wilson, Heath, Callaghan, Thatcher, Major, Blair, Brown, Cameron and May. I have seen 10 US Presidents: Lyndon Johnson, Nixon, Ford, Carter, Reagan, Bush Snr., Clinton, Bush Jnr., Obama and Trump. I have seen the fall of the Berlin Wall and Perestroika, the Federation of the Stock Exchange, Big Bang, the dot.com boom and crash and the banking crisis.

I have only seen one Her Majesty the Queen (God bless her), only had one wife, my darling Caroline, and have only written one book.

There is indeed a new face of politics around the world and the world comprehends it not. I have never seen such political chaos, but Barratt & Cooke shall move forward with the times with prudent and conservative investment decisions, always with our clients at the focus of what we do and with compassion for the world.

And 50 years on, I have never seen Barratt & Cooke in better shape in every way to face the challenges of the next 50 years.

**CWLB  
5/10/17**

ps Despite such turmoil in the political situation we must have some light relief and there shall be a Barratt & Cooke prize for the most amusing caption for this photograph:



(PA Images)

**October 2017**  
**Equity Suggestions**

<b><u>FTSE 100 COMPANIES</u></b>		<b><u>Price</u></b>		<b><u>52 Week</u></b>	
		<b><u>5/10/17</u></b>	<b><u>Yield</u></b>	<b><u>High</u></b>	<b><u>Low</u></b>
BANKS	HSBC Holdings PLC Ordinary Shares	755p	5.1%	772p	588p
	Lloyds Banking Group PLC Ordinary Shares	67p	4.0%	74p	47p
BEVERAGES	Diageo PLC Ordinary Shares	2526p	2.5%	2616p	1946p
CHEMICALS	Croda PLC Ordinary Shares	3893p	2.0%	4025p	3066p
FOOD PRODUCERS	Unilever PLC Ordinary Shares	4414p	2.7%	4549p	3051p
HEALTH TECHNOLOGY	Convatec Group PLC Ordinary Shares	283p	-	349p	213p
HOUSEHOLD PRODUCTS	Reckitt Benckiser PLC Ordinary Shares	6807p	2.4%	8108p	6496p
INDUSTRIALS	Smurfit Kappa Group PLC Ordinary Shares	2350p	3.1%	2441p	1719p
LIFE INSURANCE	Prudential PLC Ordinary Shares	1795p	2.5%	1890p	1290p
MEDIA	RELX PLC Ordinary Shares	1680p	2.2%	1728p	1273p
MINING	BHP Billiton PLC Ordinary Shares	1372p	4.8%	1519p	1103p
	Rio Tinto PLC Ordinary Shares	3676p	5.0%	3785p	2551p
OIL & GAS	BP PLC Ordinary Shares	490p	6.2%	521p	432p
	Royal Dutch Shell B PLC Ordinary Shares	2345p	6.1%	2391p	2006p
NONLIFE INSURANCE	Admiral Group PLC Ordinary Shares	1811p	3.9%	2162p	1634p
PHARMACEUTICAL	AstraZeneca PLC Ordinary Shares	5101p	4.3%	5520p	3996p
	Shire PLC Ordinary Shares	3896p	0.6%	5377p	3604p
SUPPORT SERVICES	Bunzl PLC Ordinary Shares	2301p	1.9%	2472p	1963p
	Experian PLC Ordinary Shares	1525p	2.1%	1708p	1380p
	Rentokil Initial PLC Ordinary Shares	306p	1.2%	310p	205p
TECHNOLOGY	Sage PLC Ordinary Shares	728p	2.0%	750p	595p
TELECOMMUNICATIONS	Vodafone Group PLC Ordinary Shares	212p	6.2%	234p	187p
TRAVEL & LEISURE	Intercontinental Hotels PLC Ord shares	4044p	1.8%	4492p	2984p
	Merlin Entertainments PLC Ordinary Shares	464p	1.6%	538p	423p
UTILITIES	National Grid PLC Ordinary Shares	937p	4.9%	1097p	892p
<b><u>FTSE 250 COMPANIES</u></b>					
INDUSTRIALS	Coats Group PLC Ordinary Shares	86p	1.1%	87p	32p
	DS Smith PLC Ordinary Shares	502p	3.0%	517p	378p
	Halma PLC Ordinary Shares	1146p	1.2%	1182p	880p
	Hill & Smith Holdings PLC Ordinary Shares	1249p	2.2%	1480p	1002p
	James Fisher PLC Ordinary Shares	1530p	1.8%	1775p	1436p
INSURANCE	Saga PLC Ordinary Shares	189p	4.7%	216p	180p
MEDIA	UBM PLC Ordinary Shares	686p	3.2%	778p	639p
REAL ESTATE	NewRiver REIT PLC Ordinary Shares	343p	6.0%	369p	296p
	Shaftesbury PLC Ordinary Shares	990p	1.6%	1036p	861p
SUPPORT SERVICES	Diploma PLC Ordinary Shares	1088p	1.9%	1187p	877p
	IWG PLC Ordinary Shares	309p	1.7%	392p	224p
UTILITIES	Pennon Group PLC Ordinary Shares	796p	4.5%	947p	761p
<b><u>OVERSEAS COMPANIES</u></b> <sup>#</sup>					
BEVERAGES	Heineken NV Registered Shares	7572p	1.6%	8121p	5726p
HEALTHCARE PRODUCTS	Johnson & Johnson Common Stock	10203p	2.5%	10741p	8800p
PERSONAL GOODS	Colgate-Palmolive Common Stock	5608p	2.2%	6102p	5081p
	Estée Lauder Companies Common Stock	8428p	1.2%	8461p	5978p
	Kimberly-Clark Common Stock	8998p	3.3%	11068p	8686p
MEDIA	Wolters-Kluwer NV Shares	3549p	2.0%	3549p	2655p
OIL & GAS	ConocoPhillips Common Stock	3807p	2.1%	4213p	3217p
PHARMACEUTICALS	Novartis CHF Registered Shares	6538p	3.3%	6806p	5360p
	Novo Nordisk DKK Series B	3736p	2.4%	3737p	2513p
TECHNOLOGY	Amadeus IT Group SA Common Stock	5020p	1.6%	5020p	3440p
	Automatic Data Processing Common Stock	8700p	2.0%	9015p	7012p
	Ingenico Group SA Common Stock	6980p	1.9%	8238p	5868p
TELECOMMUNICATIONS	Deutsche Telekom AG Registered Shares	1410p	3.8%	1564p	1223p
<b><u>NON EQUITY</u></b>					
COMMODITIES	Gold Bullion Securities	9188p	-	10079p	8593p

# Dividends on overseas holdings will be subject to withholding tax at the local rate.

## Investment Trust & Unit Trust/OEIC Suggestions

		Price	Yield	52 Week		Discount
		5/10/17		High	Low	to NAV*
UK	Diverse Income Trust	103p	2.9%	104p	85p	(1.4%)
	Fidelity Special Values I/T	249p	1.8%	252p	194p	2.7 %
	Finsbury Growth & Income Trust	753p	1.9%	759p	610p	(1.7%)
	Perpetual Inc & Growth I/T	388p	3.5%	410p	349p	7.8%
	Schroder UK Mid Cap I/T	533p	2.2%	537p	403p	15.2%
GLOBAL	Baillie Gifford Japanese Inc Fund	124p	2.8%	124p	109p	-
	Bankers I/T	841p	2.2%	842p	664p	2.0%
	Caledonia Investment Trust	2725p	2.0%	2917p	2232p	16.0%
	Fundsmith Equity Fund	320p	0.4%	327p	259p	-
	Henderson Intl. Income Trust	165p	2.9%	165p	138p	(1.7%)
	JP Morgan American I/T	393p	1.3%	398p	334p	4.7%
	Jupiter European Opportunities Tst	699p	0.9%	732p	511p	3.2%
	Monks Investment Trust	726p	0.2%	737p	504p	1.4%
	Murray International I/T	1304p	3.7%	1314p	1081p	(5.8%)
	Odey Allegra Developed Mkts Fund	18442p	-	18401p	14355p	-
	RIT Capital Partners Trust	1971p	1.6%	1985p	1719p	(6.5%)
	EMERGING MARKETS	JP Morgan Emerging Markets I/T	856p	1.3%	870p	652p
Pacific Assets Trust		252p	1.0%	265p	224p	1.3%
Schroder Oriental Income Trust		258p	3.5%	261p	220p	(3.3%)
INFRASTRUCTURE	HICL Infrastructure Fund	158p	4.8%	176p	154p	(6.0%)
FRONTIER MARKETS	BlackRock Frontiers I/T	155p	3.4%	156p	126p	(5.1%)
HEALTHCARE	Worldwide Healthcare Trust	2655p	0.8%	2707p	1883p	(0.9%)
PRIVATE EQUITY	Pantheon International I/T	1884p	-	1899p	1613p	21.8%
TECHNOLOGY	Polar Capital Technology Trust	1085p	-	1100p	760p	(0.5%)
ENVIRONMENTAL	Impax Environmental Markets I/T	248p	0.8%	250p	204p	9.9%

\* ( ) = premium

## Fixed Interest Suggestions

	Price 5/10/17	Gross Interest Yield	Gross Redemption Yield	Payment Dates	Redemption Date
<b>INDEX-LINKED GILTS</b>					
Treasury 0.125% Index Linked 2024	129.4 <sup>#</sup>	0.1%	1.0%*	Mar/Sep	22 Mar 2024
Treasury 0.125% Index Linked 2026	124.2 <sup>#</sup>	0.1%	1.2%*	Mar/Sep	22 Mar 2026
<b>INDEX-LINKED CORPORATE BONDS</b>					
National Grid 1.25% Index Linked 2021	125.6	1.2%	2.4%*	Apr/Oct	06 Oct 2021
Severn Trent 1.3% Index Linked 2022	124.2	1.2%	2.3%*	Jan/Jul	11 Jul 2022
<b>BOND FUNDS</b>					
Fidelity Moneybuilder Income Fund	123.9	3.2%	-		
iShares £ Corp Bond 0-5 yr ETF	106.0	2.2%	-		
Church House Inv. Grade Fixed Int. Fund	115.6	2.2%	-		

\* Equivalent Gross Redemption Yield for Index Linked Gilts/Bonds assuming that future RPI inflation averages 3.0% to redemption.

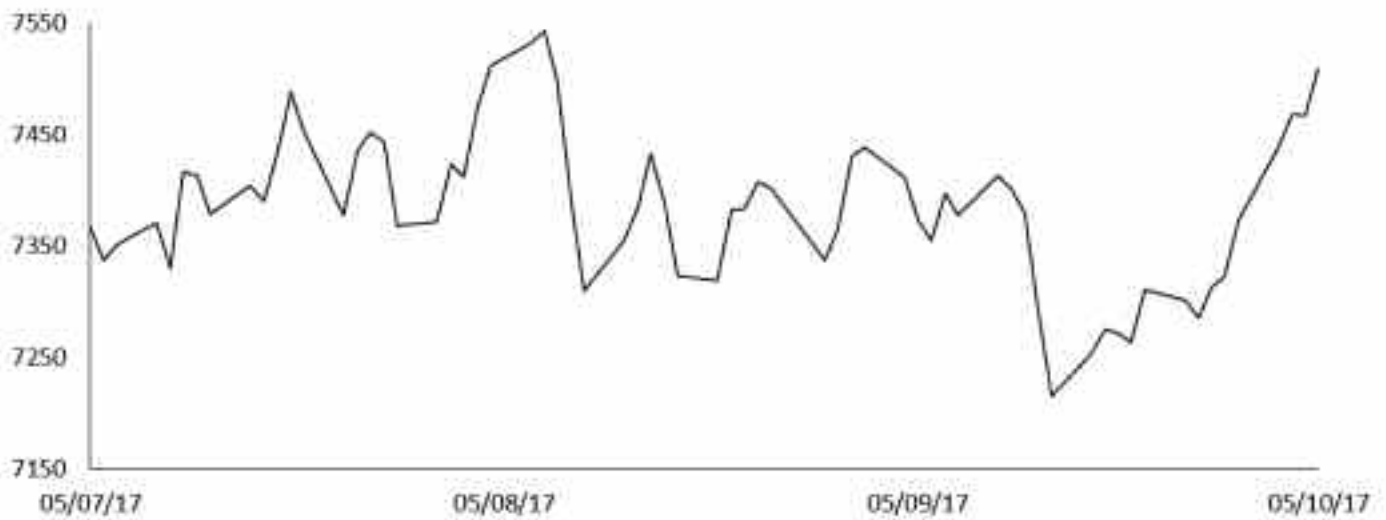
<sup>#</sup> Price adjusted for inflation (where the published price may be significantly different as it does not include accrued inflation).

All yields are estimated and not guaranteed.

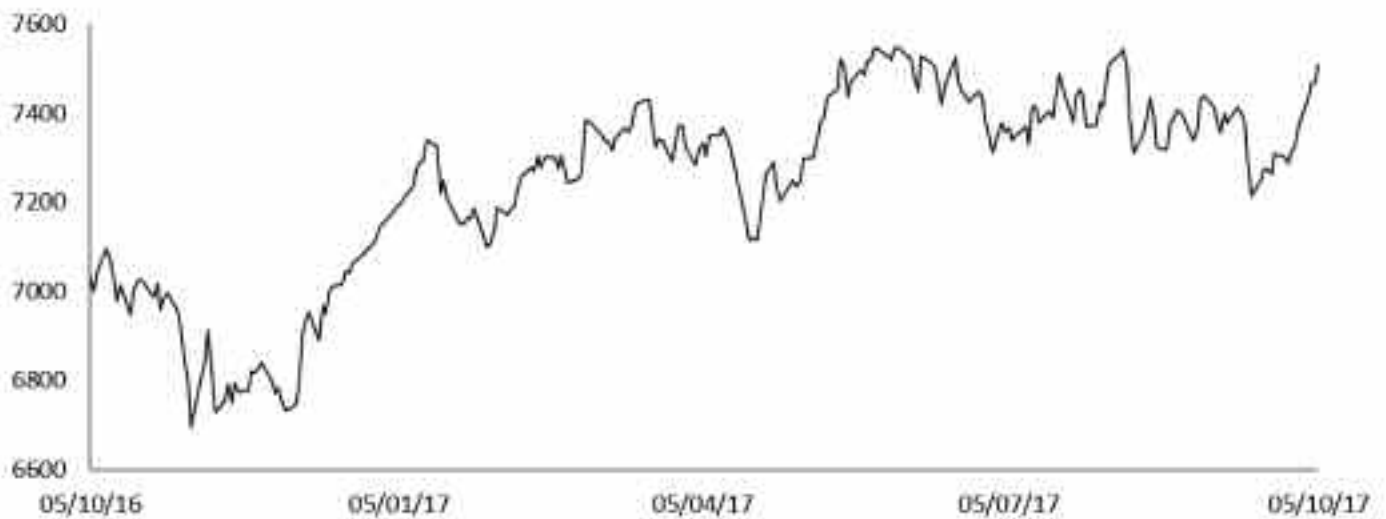
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### **FTSE 100 - Previous Quarter**



### **FTSE 100 - 1 Year**



### **FTSE 100 - 5 Year**

