

Imperial College Union



Rathbone Greenbank Investments

21 March 2019

Investment Summary

Investment Objectives and Risk Profile

- Funds managed on a discretionary basis. Medium risk and Balanced
- The aim of the portfolio is to provide for the Union's activities, whilst over the long term to protect from the threat of erosion in the real value of the assets by inflation. The Trustees wish to apply an ethical investment strategy to reflect the values and purpose of Imperial College Union.

Asset Allocation, Benchmark and Performance Measurement

- The primary benchmark is a composite index operated within asset ranges:-
 - CPI +3% and ARC Charity Steady Growth Index

Investment restrictions

To exclude all companies that fall into the sub category, "Tobacco" in the FTSE All World Index;

To exclude companies deriving more than 5% of revenues from the production of the manufacture or sale of strategic weapons systems, combat platforms or ordnance;

To exclude companies deriving more than 5% of revenues from the production of pornography;

To exclude companies deriving more than 5% of revenues from the operation of betting or gaming facilities;

To exclude all companies that fall into the sub category, "Oil and Gas Producers," in the FTSE All World Index;

In addition to exclude all companies that operate thermal coal mines or oil and/or gas fields or in companies where more than 5% of revenues are derived from the extraction of thermal coal, oil or gas.

Positive screening for companies that produce industrial or domestic products for services enabling cleaner or more efficient use of resources

Income payment instructions

- A fixed sum of £7,500 to be distributed on a quarterly basis.
- The charity's year end is the 31st July.

Fees and Charges

- The portfolio is subject to a clean fee of 0.60% + VAT per annum.

Portfolio Summary

Portfolio mandate

Fund name	Service	Objective	Risk
Imperial College Union	Discretionary	Balanced	Medium

Portfolio valuation summary (as at 28 February 2019)

Fund name	Fund value	Est. income	Est. yield %
Imperial College Union	£1,476,770	£46,303	3.1%

Imperial College Union Performance Table

Consolidated portfolio performance during periods to 28 February 2019 (after cost of fees)

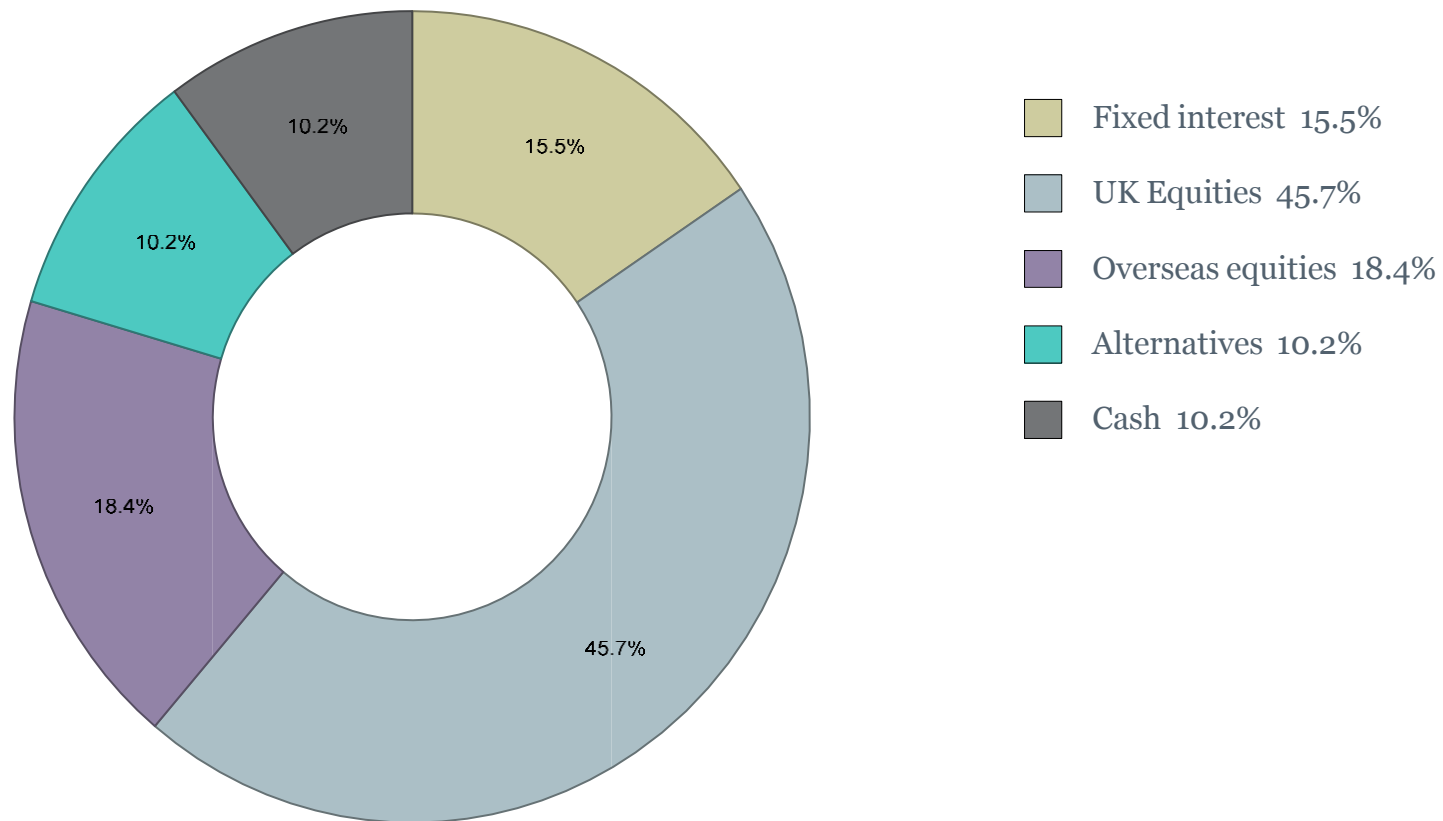
Portfolio	Year To Date	Since Inception
Imperial College Union - Total Returns	4.8%	0.1%
Benchmark	4.3%	-2.9%
ARC CharitySteadyGrowth GBP TR	4.4%	-3.2%
CPI + 3%	-0.5%	1.0%
FTSE All-Share TR	6.6%	-5.0%
FTSE All-World Ex UK GBP TR	6.0%	-5.0%
FTSE UK Gilts All Stock TR	0.2%	0.4%

above whether performance is calculated prior to, or after the deduction of any management fees

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Asset Class Breakdown

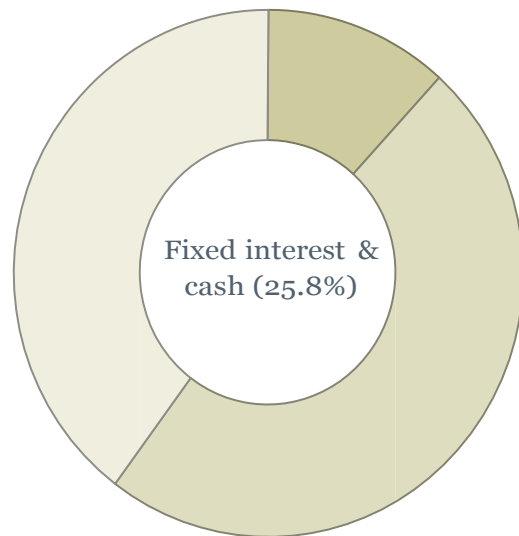
Consolidated asset class breakdown as at 28 February 2019



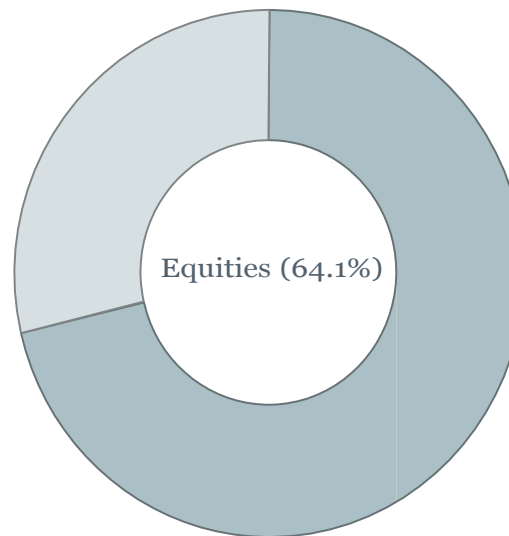
Imperial College Union

Detailed asset class breakdown

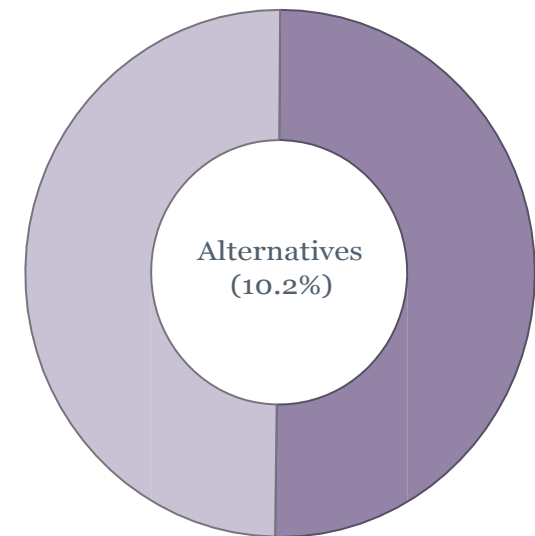
Consolidated asset class breakdown as at 28 February 2019



- Government Bonds (3.0%)
- Corporate Bonds (12.5%)
- Cash (10.2%)



- United Kingdom (45.7%)
- International (18.4%)



- Infrastructure Funds (5.1%)
- Property Funds (5.1%)

Imperial College Union Valuation

Sterling

Consolidated valuation as at 28 February 2019

Holding	Security description	Middle price	Market value	% of portfolio	Book cost	Estimated income	Estimated yield %
UK Index Linked	Government Bonds		15,064	1.0	14,993	17	0.1
11,500	TREASURY 1/8% I/L Stock 22/03/2024	£130.926587 Plus 159 Days	15,064	1.0	14,993	17	0.1
Overseas Index Linked	Govt Bonds		29,367	2.0	29,592	468	1.6
53,000	ABERDEEN STANDARD FUND MGRS Gbl Index Lkd Bond S Instl Inc	£0.5541	29,367	2.0	29,592	468	1.6
UK Inv Grade Bonds - Higher Quality			88,046	6.0	87,784	2,800	3.2
25,000	EURO INVESTMENT BANK 3.75% MTN 7/12/2027	£117.713 Plus 83 Days	29,641	2.0	29,521	938	3.2
25,000	LONDON STOCK EXCHANGE GRP PLC 4.75% MTN 2/11/2021	£107.0 Plus 118 Days	27,137	1.8	27,299	1,188	4.4
30,000	RABOBANK NEDERLAND 2.25% Snr MTN 23/03/2022	£102.121 Plus 342 Days	31,268	2.1	30,964	675	2.2
UK Investment Grade Bonds			96,805	6.6	97,255	4,333	4.5
26,000	A2D FUNDING II PLC 4.5% Bonds 30/09/2026	£110.9 Plus 148 Days	29,315	2.0	29,602	1,170	4.0

Imperial College Union Valuation

Sterling

Consolidated valuation as at 28 February 2019

Holding	Security description	Middle price	Market value	% of portfolio	Book cost	Estimated income	Estimated yield %
UK Investment Grade Bonds			96,805	6.6	97,255	4,333	4.5
37,500	RATHBONE UNIT TRUST MGMT Ethical Bond S Inc (GBP)	£0.985431	36,954	2.5	37,369	1,374	3.7
27,000	ZURICH FINANCE (UK) PLC 6.625% Var MTN 02/10/Perp-22	£110.393 Plus 149 Days	30,536	2.1	30,284	1,789	5.9
Chemicals			17,012	1.2	18,776	419	2.5
550	JOHNSON MATTHEY £1.101698 Ordinary Shares	£30.93	17,012	1.2	18,776	419	2.5
Mining			31,870	2.2	26,168	1,592	5.0
735	RIO TINTO PLC 10p Ordinary Shares	£43.36	31,870	2.2	26,168	1,592	5.0
Construction & Materials			25,809	1.7	29,449	2,230	8.6
2,200	GALLIFORD TRY PLC 50p Ordinary Shares	£7.395	16,269	1.1	18,559	1,584	9.7
1,800	KELLER GROUP PLC 10p Ordinary Shares	£5.3	9,540	0.6	10,890	646	6.8

Imperial College Union Valuation

Sterling

Consolidated valuation as at 28 February 2019

Holding	Security description	Middle price	Market value	% of portfolio	Book cost	Estimated income	Estimated yield %
General Industrials			32,495	2.2	37,455	973	3.0
18,500	COATS GROUP PLC 5p Ordinary Shares	£0.886	16,391	1.1	14,819	229	1.4
4,800	SMITH (DS) PLC 10p Ordinary Shares	£3.355	16,104	1.1	22,636	744	4.6
Electronic & Electrical Equipment			22,533	1.5	18,834	204	0.9
1,450	HALMA PLC 10p Ordinary Shares	£15.54	22,533	1.5	18,834	204	0.9
Industrial Engineering			32,975	2.2	30,344	587	1.8
1,100	HILL & SMITH HOLDINGS PLC 25p Ordinary Shares	£11.8	12,980	0.9	11,160	350	2.7
300	SPIRAX-SARCO ENGINEERING PLC 26.9230769p Ordinary Shares	£66.65	19,995	1.4	19,184	237	1.2
Support Services			25,245	1.7	30,316	883	3.5
1,050	EXPERIAN PLC USD0.10 Ordinary Shares	£19.635	20,617	1.4	18,908	322	1.6

Imperial College Union Valuation

Sterling

Consolidated valuation as at 28 February 2019

Holding	Security description	Middle price	Market value	% of portfolio	Book cost	Estimated income	Estimated yield %
Support Services			25,245	1.7	30,316	883	3.5
18,400	RENEWI PLC 10p Ordinary Shares	£0.2515	4,628	0.3	11,408	561	12.1
Beverages			24,765	1.7	22,279	539	2.2
850	DIAGEO PLC 28 101/108p Ordinary Shares	£29.135	24,765	1.7	22,279	539	2.2
Household Goods & Home Construction			15,881	1.1	15,058	641	4.0
525	BELLWAY PLC 12 1/2p Ordinary Shares	£30.25	15,881	1.1	15,058	641	4.0
Personal Goods			32,064	2.2	32,990	1,005	3.1
800	UNILEVER PLC 3 1/9p Ordinary Shares	£40.08	32,064	2.2	32,990	1,005	3.1
Healthcare Equipment & Services			15,802	1.1	14,445	281	1.8
1,100	SMITH & NEPHEW PLC USD0.20 Ordinary Shares	£14.365	15,802	1.1	14,445	281	1.8

Imperial College Union

Valuation

Sterling

Consolidated valuation as at 28 February 2019

Holding	Security description	Middle price	Market value	% of portfolio	Book cost	Estimated income	Estimated yield %
Pharmaceutical & Biotechnology			72,893	4.9	69,699	2,651	3.6
450	ASTRAZENECA PLC USD0.25 Ordinary Shares	£61.39	27,626	1.9	25,472	911	3.3
650	DECHRA PHARMACEUTICALS PLC 1p Ordinary Shares	£24.72	16,068	1.1	14,064	180	1.1
1,950	GLAXOSMITHKLINE PLC 25p Ordinary Shares	£14.974	29,199	2.0	30,163	1,560	5.3
Media			27,503	1.9	28,618	798	2.9
3,900	INFORMA PLC 0.1p Ordinary Shares	£7.052	27,503	1.9	28,618	798	2.9
Fixed Line Telecommunications			18,250	1.2	18,689	1,309	7.2
8,500	BT GROUP PLC 5p Ordinary Shares	£2.147	18,250	1.2	18,689	1,309	7.2
Mobile Telecommunications			24,573	1.7	30,092	2,435	9.9
18,300	VODAFONE GROUP PLC USD0.2095238 Ordinary Shares	£1.3428	24,573	1.7	30,092	2,435	9.9

Imperial College Union Valuation

Sterling

Consolidated valuation as at 28 February 2019

Holding	Security description	Middle price	Market value	% of portfolio	Book cost	Estimated income	Estimated yield %
Electricity			21,096	1.4	22,504	1,638	7.8
1,775	SSE PLC 50p Ordinary Shares	£11.885	21,096	1.4	22,504	1,638	7.8
Gas, Water & Multi-Utilities			31,796	2.2	30,260	1,674	5.3
3,750	NATIONAL GRID PLC 12.431289p Ordinary Shares	£8.479	31,796	2.2	30,260	1,674	5.3
Banks			74,968	5.1	76,004	4,305	5.7
7,100	HSBC HOLDINGS PLC USD0.50 Ordinary Shares	£6.129	43,516	2.9	46,528	2,722	6.3
49,500	LLOYDS BANKING GROUP PLC 10p Ordinary Shares	£0.6354	31,452	2.1	29,476	1,583	5.0
Life Insurance			68,886	4.7	67,125	2,913	4.2
11,800	LEGAL & GENERAL GROUP PLC 2 1/2p Ordinary Shares	£2.806	33,111	2.2	29,559	1,847	5.6
2,250	PRUDENTIAL PLC 5p Ordinary Shares	£15.9	35,775	2.4	37,566	1,066	3.0

Imperial College Union Valuation

Sterling

Consolidated valuation as at 28 February 2019

Holding	Security description	Middle price	Market value	% of portfolio	Book cost	Estimated income	Estimated yield %
Real Estate Investment Trusts			15,785	1.1	14,793	623	3.9
8,200	LONDONMETRIC PROPERTY PLC 10p Ordinary Shares	£1.925	15,785	1.1	14,793	623	3.9
General Financial			9,090	0.6	11,612	0	0.0
9,000	IP GROUP PLC 2p Ordinary Shares	£1.01	9,090	0.6	11,612	0	0.0
UK Investment Companies			33,825	2.3	36,093	0	0.0
2,750	HERALD INVESTMENT TRUST PLC 25p Ordinary Shares	£12.3	33,825	2.3	36,093	0	0.0
European Investments			33,751	2.3	37,319	576	1.7
16,300	LIONTRUST INVESTMENTS LTD SF European Growth 2	£2.0706	33,751	2.3	37,319	576	1.7
Asia Pacific Investments			43,605	3.0	44,800	0	0.0
7,600	STEWART INVESTORS Asia Sustainability B Acc	£5.7375	43,605	3.0	44,800	0	0.0

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Valuation

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Consolidated valuation as at 28 February 2019

Holding	Security description	Middle price	Market value	% of portfolio	Book cost	Estimated income	Estimated yield %
Emerging Market Investments			37,250	2.5	36,281	0	0.0
2,850	BMO INV FUNDS (LUX) Responsible Gbl EM Equity R Acc	£13.07	37,250	2.5	36,281	0	0.0
Global Investments			156,470	10.6	161,040	1,652	1.1
40,000	BMO INV FUNDS (UK) Responsible Gbl Equity SC2 Inc	£1.09	43,600	3.0	44,070	304	0.7
16,300	EDENTREE INV MGMT Amity Intl B Inc	£2.603	42,429	2.9	43,130	883	2.1
13,500	JANUS HENDERSON INVESTMENTS Gbl Sustainable Equity I Inc	£3.165	42,728	2.9	44,469	245	0.6
7,100	JUPITER UNIT TRUST MGRS Ecology I Inc	£3.9032	27,713	1.9	29,371	220	0.8
Infrastructure Funds			75,628	5.1	72,047	4,120	5.4
20,000	GCP INFRASTRUCTURE INV LTD 1p Ordinary Shares	£1.286	25,720	1.7	24,934	1,520	5.9
20,100	GREENCOAT UK WIND PLC 1p Ordinary Shares	£1.346	27,055	1.8	25,480	1,359	5.0

Imperial College Union Valuation

Sterling

Consolidated valuation as at 28 February 2019

Holding	Security description	Middle price	Market value	% of portfolio	Book cost	Estimated income	Estimated yield %
Infrastructure Funds			75,628	5.1	72,047	4,120	5.4
19,400	RENEWABLES INFRASTRUCTURE GRP NPV Ordinary Shares	£1.178	22,853	1.5	21,633	1,242	5.4
Property Funds			74,627	5.1	75,391	4,034	5.4
23,300	CHARITIES PROPERTY FUND Property Fund	£1.3012	30,318	2.1	30,491	1,284	4.2
49,237.86	MAYFAIR CAPITAL INVEST MGMT Property Inc Trust For Charity	£0.8999	44,309	3.0	44,900	2,750	6.2
Cash			151,041	10.2	151,041	604	0.4
151,041	£ Capital A/c		151,041	10.2	151,041	604	0.4
Total for portfolio:			1,476,770	100.0	1,489,146	46,303	3.1

This valuation contains prices as at the close of business on the valuation date. Consequently, it may not be updated for very recent transactions or corporate actions and if you hold illiquid investments, the price shown is the last reported price available to us.

Imperial College Union

Cash Transactions

£ Capital

Unstated cash transactions to 28 February 2019

Date	Narrative	Debit	Credit	Balance
01/01/19	Opening balance	0.00	0.00	199,169.28
16/01/19	Settle PURCHASE 250 @ £56.24606936 ASTRAZENECA PLC USD0.25 Ordinary Shares	14,061.52	0.00	185,107.76
31/01/19	Settle EQU LN INC @ £.001258 BMO INV FUNDS (UK) Responsible Gbl Equity SC2 Inc	0.00	50.32	185,158.08
05/02/19	Settle PURCHASE £25000.00 @ £107.95 LONDON STOCK EXCHANGE GRP PLC 4.75% MTN 2/11/2021	27,299.14	0.00	157,858.94
19/02/19	Settle PURCHASE £6000.00 @ £111.864 A2D FUNDING II PLC 4.5% Bonds 30/09/2026	6,817.75	0.00	151,041.19

Imperial College Union

Cash Transactions

£ Income

Unstated cash transactions to 28 February 2019

Date	Narrative	Debit	Credit	Balance
01/01/19	Opening balance	0.00	0.00	291.30
02/01/19	DIVIDEND on 49237.86 @ £.00430612 MAYFAIR CAPITAL INVEST MGMT Property Inc Trust For Charity	0.00	212.02	503.32
03/01/19	DIVIDEND on 1100 @ £.1 HILL & SMITH HOLDINGS PLC 25p Ordinary Shares	0.00	110.00	613.32
04/01/19	DIVIDEND on 18400 @ £.0095 RENEWI PLC 10p Ordinary Shares	0.00	174.80	788.12
09/01/19	DIVIDEND on 525 @ £.95 BELLWAY PLC 12 1/2p Ordinary Shares	0.00	498.75	1,286.87
09/01/19	DIVIDEND on 3750 @ £.1608 NATIONAL GRID PLC 12.431289p Ordinary Shares	0.00	603.00	1,889.87
10/01/19	DIVIDEND on 8200 @ £.019 LONDONMETRIC PROPERTY PLC 10p Ordinary Shares	0.00	155.80	2,045.67
10/01/19	DIVIDEND on 1950 @ £.19 GLAXOSMITHKLINE PLC 25p Ordinary Shares	0.00	370.50	2,416.17

Imperial College Union

Cash Transactions

£ Income

Unstated cash transactions to 28 February 2019

Date	Narrative	Debit	Credit	Balance
31/01/19	DIVIDEND on 40000 @ £.000577 BMO INV FUNDS (UK) Responsible Gbl Equity SC2 Inc	0.00	23.08	2,439.25
01/02/19	DIVIDEND on 1050 @ £.109183 EXPERIAN PLC USD0.10 Ordinary Shares	0.00	114.64	2,553.89
01/02/19	DIVIDEND on 18300 @ £.042253 VODAFONE GROUP PLC USD0.2095238 Ordinary Shares	0.00	773.23	3,327.12
04/02/19	DIVIDEND on 8500 @ £.0462 BT GROUP PLC 5p Ordinary Shares	0.00	392.70	3,719.82
05/02/19	DIVIDEND on 550 @ £.2325 JOHNSON MATTHEY £1.101698 Ordinary Shares	0.00	127.88	3,847.70
06/02/19	DIVIDEND on 1450 @ £.0611 HALMA PLC 10p Ordinary Shares	0.00	88.60	3,936.30
12/02/19	DIVIDEND on 49237.86 @ £.004221 MAYFAIR CAPITAL INVEST MGMT Property Inc Trust For Charity	0.00	207.83	4,144.13
15/02/19	DIVIDEND on 23300 @ £.0135192 CHARITIES PROPERTY FUND Property Fund	0.00	315.00	4,459.13

Imperial College Union

Cash Transactions

£ Income

Unstated cash transactions to 28 February 2019

Date	Narrative	Debit	Credit	Balance
28/02/19	DIVIDEND on 37500 @ £.0106 RATHBONE UNIT TRUST MGMT Ethical Bond S Inc (GBP)	0.00	397.50	4,856.63
28/02/19	DIVIDEND on 20100 @ £.0169 GREENCOAT UK WIND PLC 1p Ordinary Shares	0.00	339.69	5,196.32

Overview

- a more defensive outlook. Although stock market performance has been disappointing in the last few months of 2018, our asset allocation committee has maintained its preference for equities over bonds. Yet with the pace of economic growth around the world forecast to slow slightly in 2019, a more defensive position within equities could be prudent.
- growth stocks could struggle. In particular, the share prices of growth companies with high price-earnings ratios may begin to struggle as growth slows and interest rates rise, which will push up the cost of capital. The US tech giants have already suffered a substantial fall in price as investors worry about ongoing trade disputes between America and China.
- the FAANGs lose their bite. The broad sell-off in technology shares pushed the NASDAQ and S&P500 indices closer to their lowest points of the year. Apple's market value has fallen dramatically since early August, when it broke the \$1 trillion mark for the first time. Amazon also reached this milestone in September, but its market value has since declined by around \$200 billion.
- higher risk in high yield. Conventional bonds remain relatively unattractive and there are concerns about the rising default risk in high-yield bond markets. This is compounded by worries that some prominent companies could see their credit ratings downgraded to junk (below investment grade).
- political uncertainty in Europe. The political landscape in Europe remains uncertain. President Macron's honeymoon period in France seems to be over following gilets jaunes protests over proposed fuel price rises. In Germany, Angela Merkel announced she will step down as Chancellor in 2021.
- slowing growth in China. China reported its slowest economic expansion in a decade, with GDP growth falling to 6.5% year-on-year in the third quarter. This hints at vulnerabilities, including deleveraging in the shadow-banking sector and the US trade war. In response, the authorities are looking to introduce stimulus measures to boost confidence and economic activity.

Fixed income

Bonds

- Brexit uncertainty continues to cast a shadow over the UK government bond market. Although the Bank of England is unlikely to raise rates any time soon, gilts remain unattractive at current levels.
- UK inflation-linked bonds remain popular with investors as a hedge against an unexpected fall in the pace of economic growth, which would probably cause sterling to fall and inflation to rise (figure 1).
- comments from Chairman Jerome Powell, and other officials at the US Federal Reserve (Fed), suggest the central bank may be moving toward more dovish market expectations (figure 2).

High yield and emerging market debt

- investors are nervous that default rates in the high-yield bond markets could rise, adding to concerns that some prominent companies could see their credit ratings downgraded to junk.
- emerging markets around the world remain under pressure owing to various concerns, including the trade war between America and China.

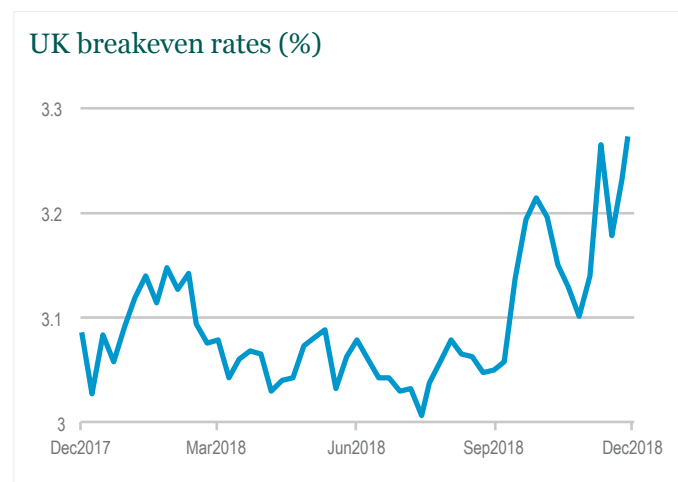


Figure 1

The breakeven rate is the difference between the yield on a nominal fixed-rate bond and the real yield on an inflation-linked bond. UK linkers have been outperforming recently, partly due to Brexit uncertainty.

Source: Datastream, Rathbones

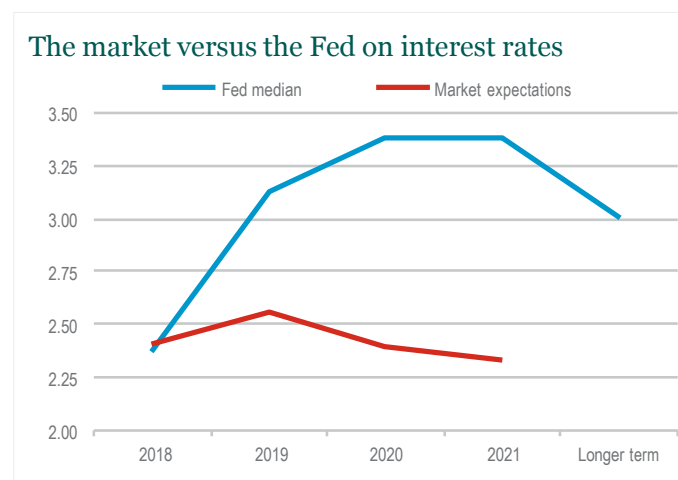


Figure 2

Financial markets expect US interest rates to rise next year but not by as much as the Fed is suggesting.

Source: Datastream, Rathbones

Equities – US

- at the G20 summit in Argentina, Presidents Donald Trump and Xi Jinping agreed that America would delay raising tariffs on Chinese goods for 90 days. Tariffs on \$200bn of Chinese goods were to rise from 10% to 25% on 1 January.
- although US growth forecasts for 2019 have fallen slightly, the economy is set to expand by around 3.5%. Consumer sentiment is buoyant against a background of low unemployment, rising wages and tax breaks (figure 5).
- US stock markets have been weighed down by investor jitters over rising interest rates, the slowing Chinese economy and uncertainty about global trade tensions. The sell-off in tech shares has been particularly brutal, with both Apple and Amazon losing their trillion-dollar valuations (figure 6).
- the Democrats took control of the House of Representatives in the mid-term elections, while the Republicans retained the Senate. With Congress divided, Trump is unlikely to be able to progress with his desired healthcare and fiscal reform, which means he is likely to continue to focus on trade issues.



Figure 5

Consumer confidence is riding high following President Trump's tax cuts, and the pace of growth remains buoyant.

Source: The Conference Board, Rathbones

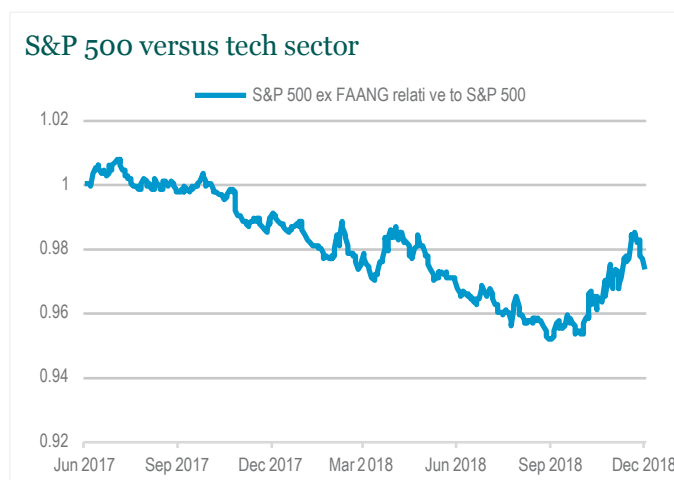


Figure 6

The FAANGs lost their bite in the final few months of 2018, with technology stocks underperforming the broader index.

Source: DataStream, Rathbones

Equities – Europe

- the pace of economic growth across the eurozone has slowed over the past few quarters, and activity remains lacklustre throughout the region. German GDP fell in the third quarter, weighing on Germany's DAX index and the euro (figure 7).
- the region's political landscape remains uncertain. President Macron's honeymoon period in France appears to be over following gilets jaunes protests over proposed fuel price rises. Amid a more fragmented political environment in Germany, Angela Merkel has announced she will step down as Chancellor in 2021 (figure 8).
- Italy has revised down its proposed budget deficit from 2.4% to 2.04% of GDP for 2019, though the concessions may not be enough to placate Brussels. Given anaemic economic growth, Italy's already huge debt stock would likely still continue to increase as a proportion of GDP under the new proposal.
- company results across the region have been mixed. In particular, the banking sector remains under pressure, although it looks significantly less fragile following a series of recapitalisation measures.



Figure 7

Germany's stock market has struggled in the second half of 2018 and the euro has weakened.

Source: Datastream, Rathbones

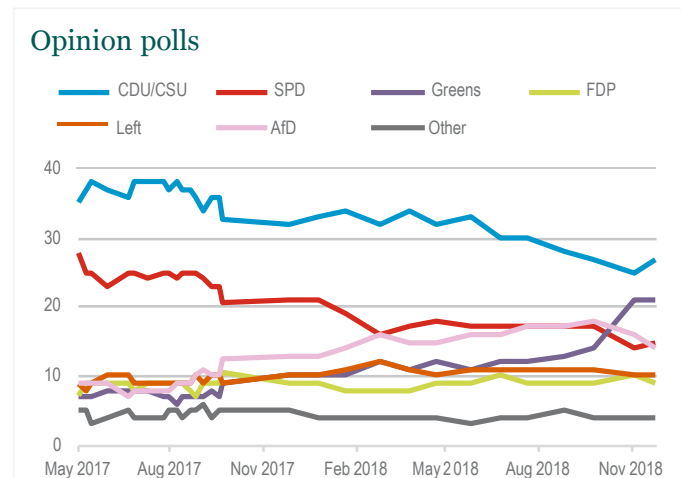


Figure 8

Germany's political environment has become more fragmented and increasingly polarised over the past year.

Source: YouGov, Rathbones

Equities – UK

- Brexit negotiations continue to dominate UK markets and investors remain nervous about the outcome. After reaching new highs earlier in 2018, the FTSE 100 struggled in the final few months of the year, along with sterling (figure 3).
- the value of the pound should provide a reliable indication of what investors think about the likely outcome of Brexit, which in turn will drive the performance of the FTSE 100. Meanwhile, the FTSE 250 could rebound from its Brexit-driven weakness on any good news for the domestic UK economy.
- despite the negative headlines, profit forecasts aren't disastrous (figure 4). Where company results have disappointed investors, their share prices have been heavily penalised. Yet the UK corporate sector is not as unhealthy as many people think.
- although the pace of growth has slowed, owing partly to Brexit uncertainty, the UK economy is still growing at an annualised rate above 1%. Unemployment is low and inflation has remained contained at around 2.5%.

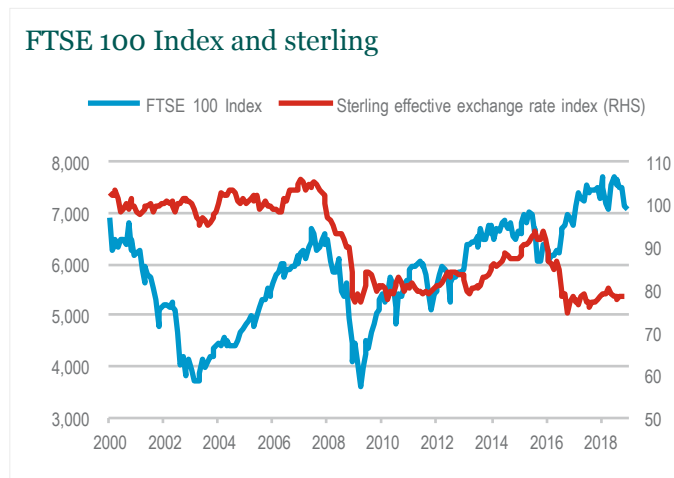


Figure 3

The FTSE 100 has been pushed and pulled in different directions by sterling volatility since the 2016 vote for Brexit.

Source: DataStream, Rathbones

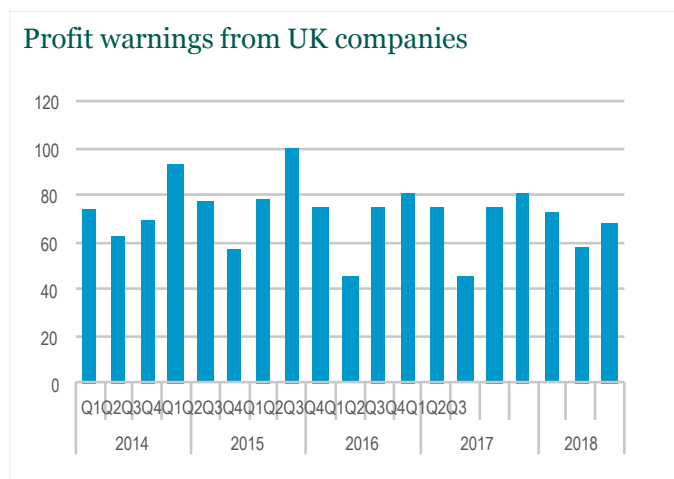


Figure 4

Despite some negative headlines and high-profile misses, profit warnings from UK companies have remained relatively stable over the past few years.

Source: EY, Rathbones

Equities – Japan

- Japan's economy contracted in the third quarter of 2018, with GDP falling at an annualised rate of 1.2%. The contraction had been widely expected after severe flooding hit the west of the country in July and an earthquake affected the north in September.
- Prime Minister Shinzo Abe has been pushing on with the structural reforms that make up the third arrow of his economic stimulus programme, known as Abenomics. There are encouraging developments in attempts to reduce overtime, encourage more women into the workforce, boost immigration and improve wage prospects (figure 9).
- at a company level, there has been a recent spate of governance reforms. The vast majority of companies now have at least two independent directors, and there are more female board members too. All this is encouraging news for investors.
- many Japanese businesses caught in the crossfire of the US-China trade war are facing a dilemma: either change how their products are assembled or bide their time until the world's two largest economies reach an accord. Yet business sentiment remains buoyant (figure 10).

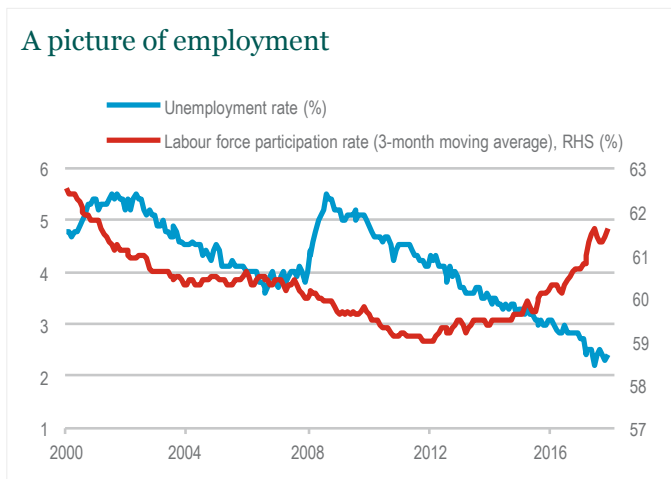


Figure 9

Unemployment continues to fall even with more women joining the workforce.

Source: Datastream, Rathbones

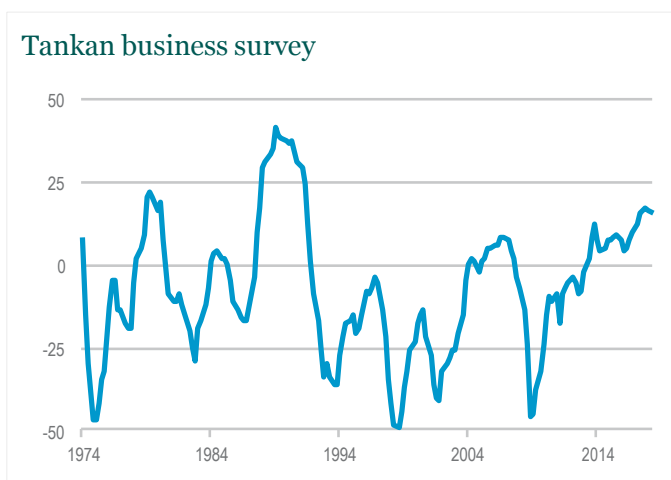


Figure 10

Business confidence has increased recently and the economy should rebound from its third-quarter contraction.

Source: Datastream, Rathbones

Equities – Asia and emerging markets

- China reported slower-than-expected GDP growth in the third quarter of 2018, to 6.5% year-on-year. This is the slowest rate in a decade and hints at vulnerabilities, including deleveraging in the shadow-banking sector and the US trade war (figure 11).
- in response, the authorities are looking to put in place stimulus measures to boost confidence and economic activity. They include devaluing China's currency to offset the negative impact of punitive trade tariffs and encouraging local authorities to raise funds for various infrastructure projects.
- other Asian economies continue to be affected by China's slowdown due to the intricately linked supply chains in the region. Taiwan, South Korea and Southeast Asian countries, such as Singapore, are among the most export-dependent economies, making them especially vulnerable to current trade tensions.
- the Brazilian economy and stock market perked up on record-low interest rates and a one-off government-led boost (figure 12). Yet the political backdrop remains uncertain as far-right politician Jair Bolsonaro was elected president after riding a wave of popular anger against traditional politicians.

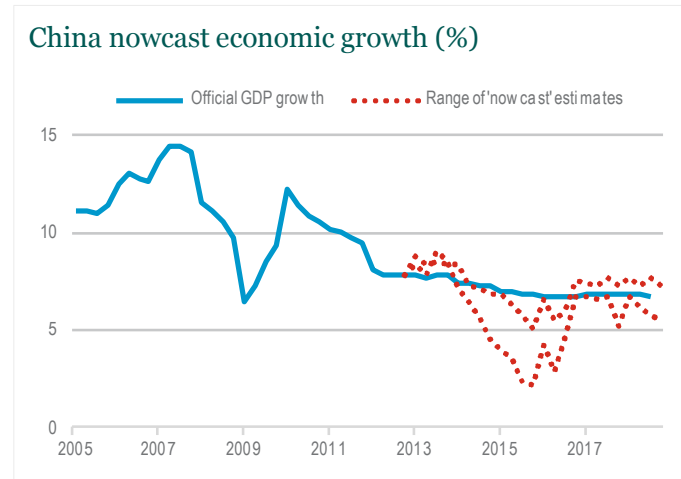


Figure 11

The pace of growth in China continues to slow, although the officially reported rate has moved closer to the reality.

Source: Datastream, Rathbones

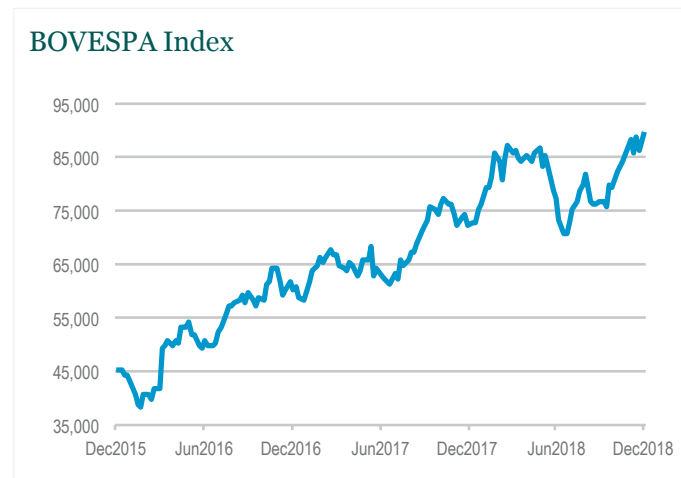


Figure 12

Brazil's economy has struggled over the past couple of years, but its stock market has recently bounced following the election of a populist president.

Source: Datastream, Rathbones

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