SG WEALTH MANAGEMENT
Impartial, accountable and trusted

Investment Commentary
January 2016

Stan Gaskin Ltd
Financial Advisers

This document is designed to provide clients of SG Wealth Management and Stan Gaskin Ltd background information into our latest opinions on investment matters, covering the economic background environment and how we are positioning clients' portfolios with this in mind. *Your attention is drawn to the risk wording and caveats at the end of the document.*

Comparative Market Data – to end December 2015

The following table shows the performance of different global markets over recent months and years:

Market Index	1m	3m	6m	1yr	3yr	5yr	10yr
FTSE 100	-1.71	3.71	-2.64	-1.32	17.96	26.89	60.22
FTSE 250 Index	0.23	5.05	0.66	11.17	52.43	72.89	160.62
FTSE All Small ex Inv Trusts	1.81	2.70	1.01	12.99	58.18	82.91	75.72
FTSE World Europe EX UK Index	0.18	6.07	1.18	5.35	32.09	32.73	78.11
FTSE World Index	0.32	8.21	2.38	4.34	42.08	49.70	98.68
MSCI EM (Emerging Markets)	-0.15	3.45	-11.82	-9.99	-10.61	-16.96	66.12
Hang Seng (HK / China)	1.79	8.34	-9.77	1.71	19.11	21.16	140.69
Nikkei 225 (Japan)	0.01	11.04	1.21	13.29	43.90	30.90	33.85
S&P 500 (US)	0.47	9.83	6.52	6.58	65.15	85.98	121.24
FTSE British Government All Stocks	-1.01	-1.20	1.88	0.57	9.99	30.54	65.41
IPD UK All Property	1.15	3.09	6.61	13.82	50.60	66.62	68.58
LIBOR GBP 1m (Cash)	0.04	0.13	0.25	0.51	1.50	2.79	21.61
UK Retail Price Index	0.31	0.39	0.66	1.20	5.59	14.10	34.26
ARC Sterling Equity Risk PCI*	-0.40	4.51	-0.39	1.79	23.02	27.44	59.51
ARC Sterling Steady Growth PCI*	-0.40	3.60	-0.48	1.76	19.83	24.94	55.16
ARC Sterling Balanced Asset PCI*	-0.40	2.60	-0.56	1.50	15.88	21.17	50.03
ARC Sterling Cautious PCI*	-0.50	1.09	-0.53	0.98	10.22	15.96	43.28
IA Mixed Investment 0%-35% Shrs*	-0.61	1.58	-0.42	0.38	9.66	18.08	34.45

Data source: Financial Express Analytics. Cumulative gross total return, rebased to GBP, to 31/12/2015.
**These indices have been added to the above table as comparators for our risk adjusted model portfolios.*

Quarterly Market Commentary – written as at end December 2015

In our opening commentary of the year it is traditional to reflect back upon the previous 12 months as well as looking ahead to what the coming year may bring for investors.

2015 proved to be a year when the path of global economies continued to diverge. Emerging Markets (EM), led by China, saw growth slowing, whereas growth continued to pick up generally in Developed Markets (DM). A number of factors caused this divergence, and as investments markets continued to interpret a changing backdrop, we saw an increase in volatility in equities and other markets.

Looking back at previous commentaries from 2015, despite the volatility in markets our message to clients has been consistent for some time. The main headwinds to the global economy have been known for some time, so have not come as recent news to markets:

- China's economic growth has been softening as part of a deliberate attempt to rotate from an industrial to more service led economy
- Monetary policy has started to tighten in the US with a first rate rise in December, although this was well signposted and future rises will follow a very gradual path

- The oil price weakness has been a trend and factor since 2014

Indeed these factors should not come as a surprise to our clients either as we have featured them in previous commentaries. More recently it has been suggested that the continued fall in oil prices to current record low levels will cause larger sovereign wealth funds to sell other assets in order to raise liquidity to compensate for lost oil revenues. It will be interesting to see how this trend potentially develops and what this could mean for the values of assets, ranging from equities through to property.

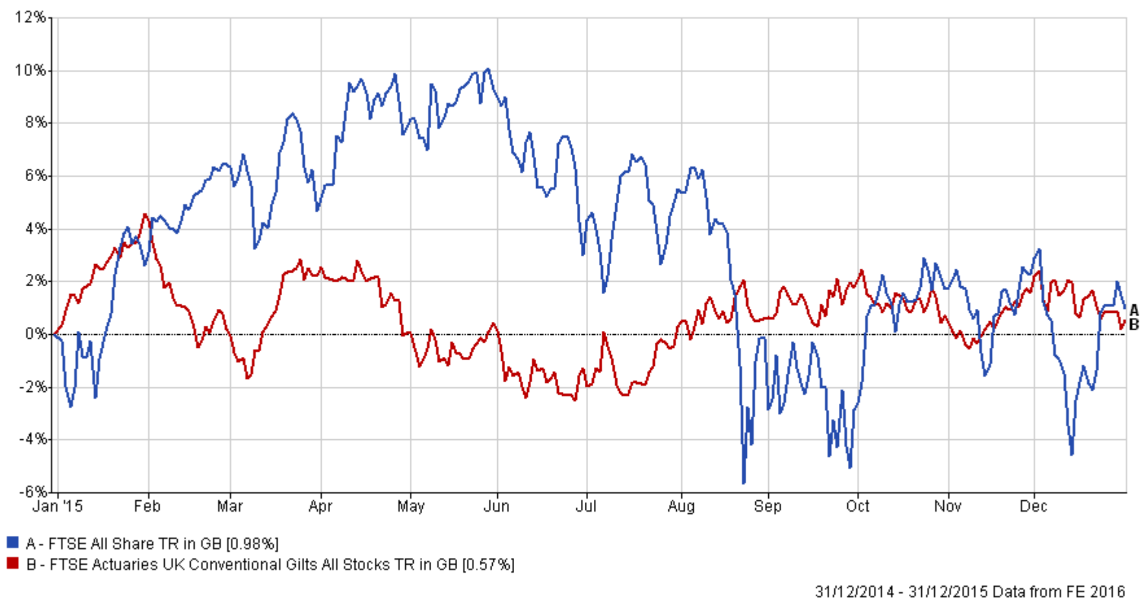
The heightened volatility in markets in the second half of the year is something we have been anticipating and signposting for some time. Indeed at the time of writing in mid-January we have witnessed one of the worst starts to the year for equity markets for many years. However our underlying investment thesis, and therefore message to clients, remains consistent: whilst concerns about the impact of these factors on the global economy are valid, one should not forget the other side of the coin. Economic growth remains positive globally, with much of the developed world continuing its economic recovery, helped by continued supportive monetary policy.

Against this backdrop we expect continued and heightened market fluctuations (both positive and negative) in the short-term, but also to be able to make modest returns through active management and a diversified approach to risk management, as was the case during 2015. Indeed, in periods of volatility opportunities do present themselves and we, and the underlying active fund managers, will be looking to exploit these in your favour.

Looking back at 2015

Our views on the global economy and investment markets did not shift significantly during the year, so it is interesting to reflect back on some of the theories we have been following and the strategies we have been using to reflect these in clients' portfolios.

2015 was generally a year of modest returns from most traditional asset classes as shown in the chart below with UK equity and gilt indices both returning less than 1%:



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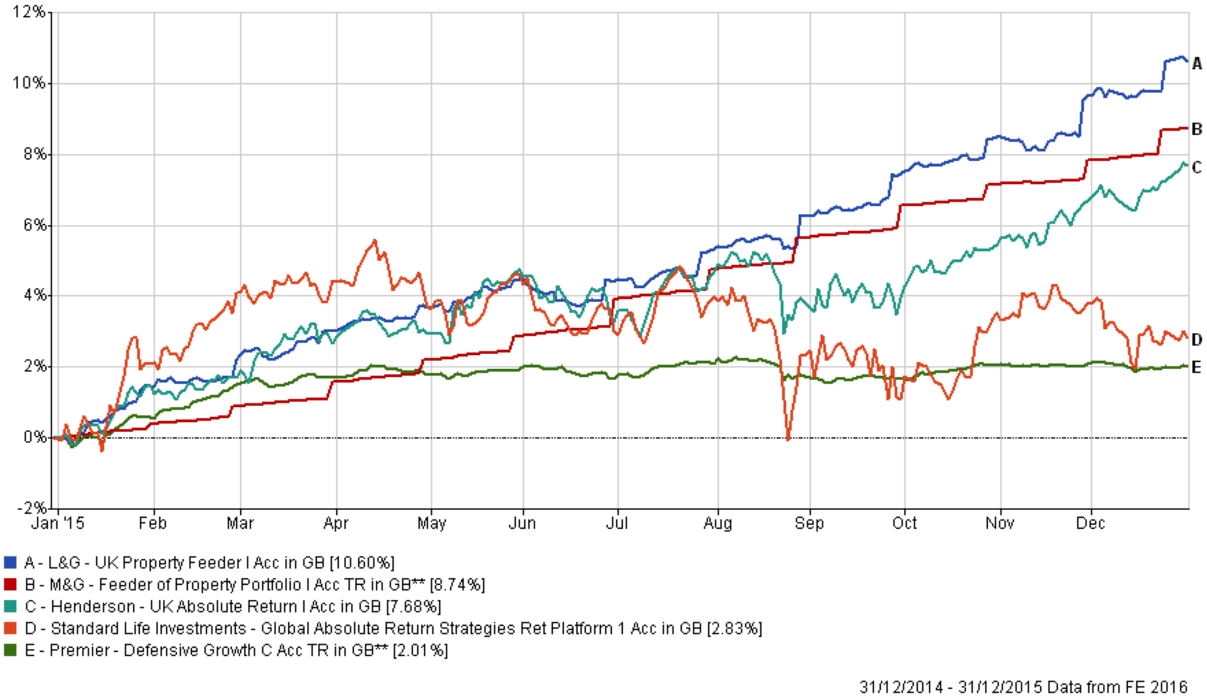
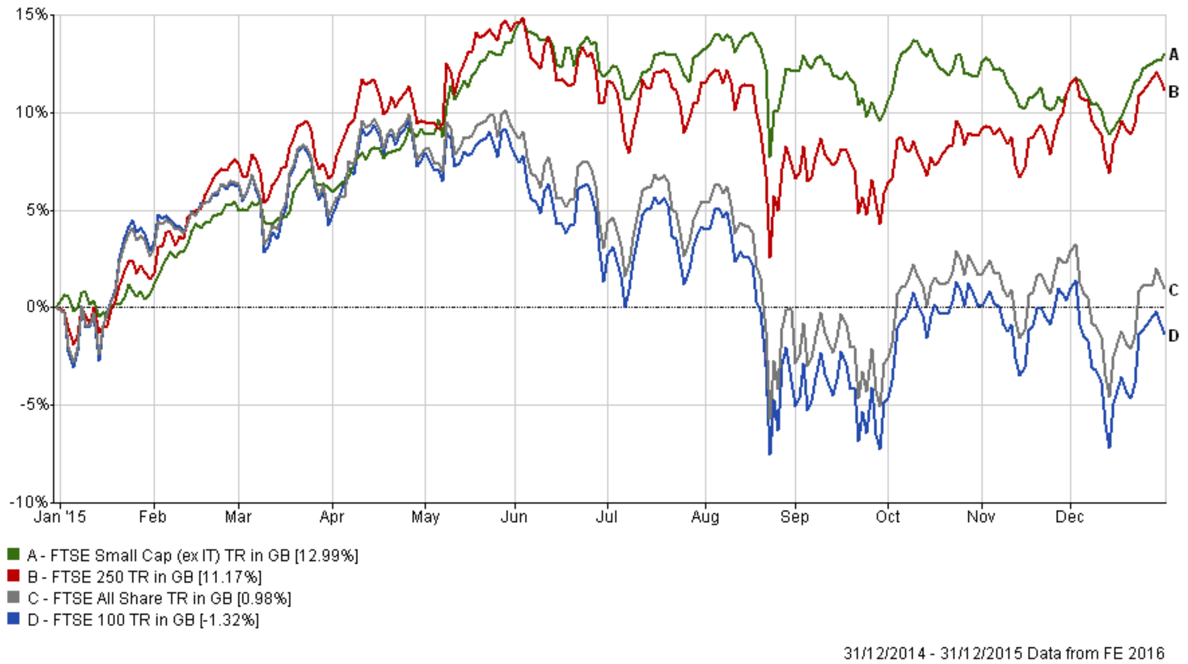
As a result of modest return expectations we have looked to hold exposure to other assets in clients' portfolios (particularly at the expense of fixed interest holdings), including property and "alternative" funds. This has been a beneficial strategy as highlighted by the attractive returns in the charts below from some of the funds from these sectors we have utilised in portfolios during 2015:



Within the UK equity market, there was a major difference in the returns from the largest companies (as represented by the FTSE 100, which makes up the bulk of the broad FTSE All Share index) and medium (FTSE 250) and smaller companies (FTSE Small Cap), as shown below.



Of course, oil and mining companies that have struggled with falling commodity prices make up a reasonable (over 14%) proportion of the FTSE All Share, which will have dragged this wider index down. Furthermore, larger companies in general will derive more of their earnings from overseas (including in Emerging Markets) and therefore will have sensitivity towards weakness in this area.

Therefore for our UK equity exposure we have continued to favour active funds with flexible mandates that can invest across the capitalisation spectrum over passive funds (which generally track the FTSE All Share). The breakdown of 3 of our most widely used UK equity funds are shown below, which highlights the ability within the portfolio to benefit from medium and smaller company performance.

	FTSE 100	**FTSE 250**	**Small**	**Cash & Other***
Liontrust Special Situations	33.0%	33.5%	21.8%	11.7%
Rathbone Income	60.4%	16.5%	1.5%	21.5%
Royal London UK Equity Income	51.6%	44.3%	3.3%	0.8%

**Includes some overseas exposure*

More attractive returns were provided by some stock markets outside of the UK, with Japan delivering the best returns during 2015 from major markets. This is an area in which we have beneficially built exposure for many clients during the last couple of years. Europe is an area in which exposure has also been increased during 2015, and market returns from Europe have delivered satisfactory results during 2015 despite the volatility in the summer thanks to a generally improving economic position.

31/12/2014 - 31/12/2015 Data from FE 2016

The chart above also shows the weakness of Emerging Markets in general (-10% from MSCI EM index) during 2015, and we were pleased to have identified this potential weakness early and reduced exposure for clients during 2014 and significantly cut back further in early 2015 before the market weakness commenced in earnest in the spring.

In general we have been very satisfied with the relative performance of our strategies and our client portfolios during 2015. Naturally every thesis we have will not be correct, and not every fund we invest in will deliver returns in line with expectations however we believe a common sense and active approach to investing hopefully should continue to bear fruit into the new year.

2016 looks set to be another year of change and challenge, with political factors (not least the issue of a potential Brexit) coming to the fore alongside the global economic trends we have already highlighted. We will continue to conduct detailed research into the construction of our portfolios with the aim of delivering decent performance in line for the appropriate level of investment risk that is being taken.

Risk Warnings and Other Important Information

We hope that this document is helpful in explaining the background to investment decisions that are being made within the portfolios of our clients. Please bear in mind the following important points:

- Any past performance is not guaranteed and not necessarily a guide to future returns. The value of investments and the income they produce can be affected by a number of factors and can go down as well as up, and the value you get back may be less than your initial investment.
- Opinions are those of SG Wealth Management Ltd and Stan Gaskin Ltd at the time of writing and are subject to change. They are based upon our investment research and philosophy and there are no guarantees of any particular outcome.
- It is important that your investment portfolio is regularly reviewed to ensure it continues to be appropriate for your circumstances, needs and underlying economic conditions. We will do this with you as part of an ongoing client agreement.
- Investors should not construe this document as specific advice and we take no responsibility for the outcome of any individuals taking actions personally (i.e. not via SG Wealth Management or Stan Gaskin Ltd) based upon the contents of this, or other published investment documents
- All figures quoted are bid-bid, total return, source FE Analytics, unless otherwise specified.