



## Investment Commentary and Portfolio Update – April 2015

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 March 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	-1.95	4.23	3.97	6.34	30.94	42.43	98.68
FTSE 250 Index	-0.84	6.65	12.23	7.89	60.77	92.26	215.12
FTSE All Small ex Inv Trusts	0.61	6.11	5.15	1.18	71.32	97.21	85.83
FTSE World Europe EX UK Index	2.98	10.56	9.97	7.48	48.69	41.63	128.45
FTSE World Index	2.51	7.46	12.36	18.79	50.19	63.15	152.96
MSCI EM (Emerging Markets)	2.62	7.39	6.62	12.79	8.65	11.43	187.16
Hang Seng (HK / China)	4.92	11.35	19.64	31.61	46.26	43.16	230.40
Nikkei 225 (Japan)	6.03	14.84	18.62	24.92	40.68	37.89	86.87
S&P 500 (US)	2.41	5.87	15.33	25.83	65.28	94.54	158.27
FTSE British Government All Stocks	2.00	2.20	8.65	13.91	16.83	40.63	81.57
IPD UK All Property	1.30	3.01	7.55	18.32	38.28	63.25	76.57
LIBOR GBP 1m (Cash)	0.04	0.12	0.25	0.50	1.55	2.84	25.40

Data source: Financial Express Analytics. Cumulative gross total return, rebased to GBP, to 31/03/2015.

### **Quarterly Market Commentary – written as at end March 2015**

Equity markets and other risk assets started the year strongly, continuing their momentum from the end of 2014. Whilst investors should enjoy the returns being produced, this should be tempered by the knowledge that future volatility should be expected as diverging themes play out on the global stage.

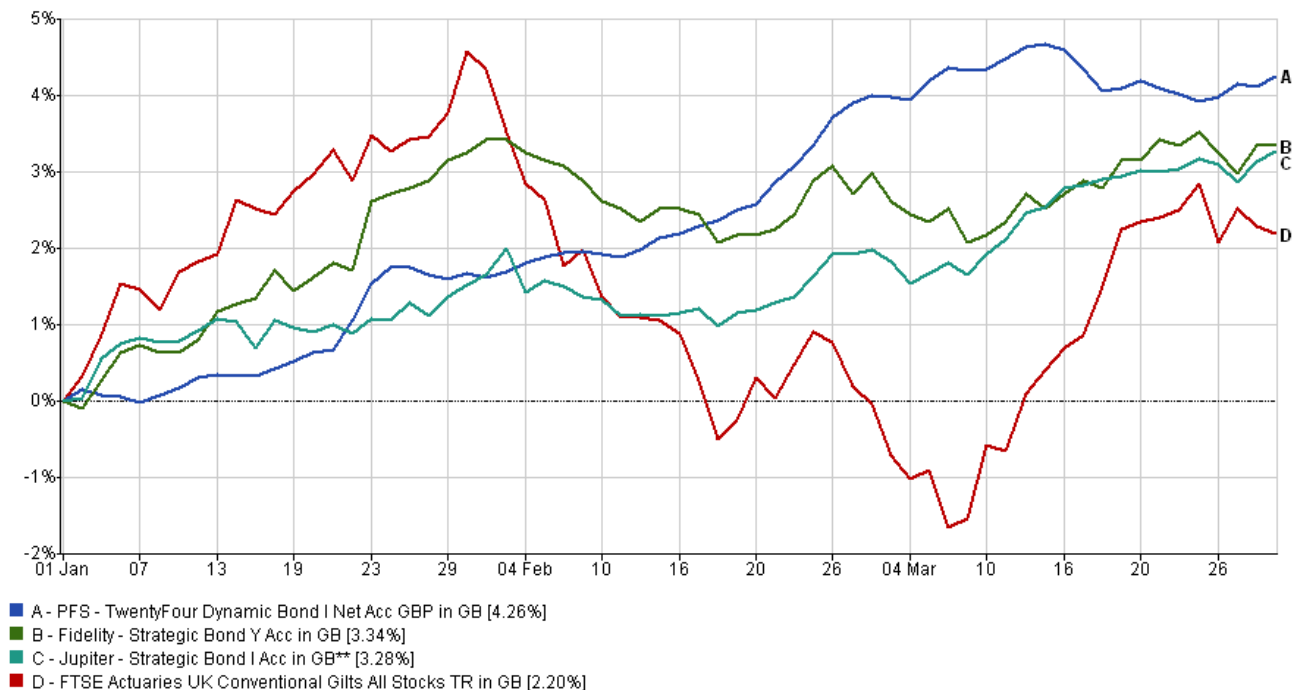
Our economic thinking and investment message remains consistent from last quarter. There are several areas of both opportunity and risk, and in uncharted waters for the global economy, portfolio diversification and skilful active fund management should prove beneficial.

The lower oil price remains a key economic driver and investment theme. Energy dependent importing countries in Asia and Europe should benefit whilst exporting countries such as Russia and South American countries are the biggest losers from a lower for longer price.

The low oil price adds to the disinflationary environment that many economies have found themselves over recent years. With inflation remaining suppressed, the likely date of interest rate rises in the short-term continues to get extended. It is still anticipated the Fed (US central bank) will look to raise rates later this year, although the market expectation is now that this will happen in the 4<sup>th</sup> quarter, as opposed to closer to the summer as previously thought.

Markets' reactions to a change in monetary policy will be interesting to gauge. With many global sovereign bonds current yields at extremely low (and in some instances negative) levels, a rise in rates could cause market volatility and capital losses in this asset class. We remain wary of maintaining exposure to traditional sovereign debt (e.g. UK gilts) for this reason.

Where we hold fixed interest exposure we still largely favour "Strategic" mandates which have the ability to invest across the credit spectrum to offer both opportunistic and defensive flexibility. The chart below shows the total return from UK Gilts (FTSE Actuaries UK Conventional Gilts All Stocks – red line) in the first 3 months of the year and whilst they still returned a decent +2.20% for the quarter there was noticeable volatility and falls in value throughout February. The chart also shows 3 of our current "Strategic" bond funds (**TwentyFour Dynamic Bond**, **Fidelity Strategic Bond** and **Jupiter Strategic Bond**) in the portfolios, which have been able to limit volatility and add some additional value.



31/12/2014 - 31/03/2015 Data from FE 2015

We maintain a high level of global diversification within our equity exposure. European and Japanese markets have been significantly buoyed by monetary stimulus, both undergoing large Quantitative Easing programmes. We are also starting to see some green shoots of more fundamental economic improvements which adds further encouragement to investors.

Equity markets in these areas have rallied strongly and our positions in **Jupiter European** and **Schroder Tokyo** funds have benefited accordingly. We have considered adding to our already reasonable weightings in these areas, although given current valuation levels no longer appear to be overly cheap, we will wait for a suitable opportunity to arise.

One other notable area for discussion is our current position in UK commercial property, which has delivered strong performance for our investors as highlighted in previous commentaries. Our research indicates that the returns from this asset class are gradually slowing and this is expected to continue as less capital uplift gets factored into valuations. However rental yields remain attractive and the asset class does help add diversification to the portfolios, and therefore we are happy to maintain an overweight stance. There will however come a time when it is sensible to unwind this and reallocate funds elsewhere.

## **Changes to Model Portfolios**

This section of our update provides details of any changes we have made to our target model portfolios following the Investment Committee's last quarterly review meeting. Please read this in conjunction with the relevant model portfolio factsheet. *NB not all clients are affiliated to model portfolios and even when they are, a change detailed here may not be deployed to an underlying client portfolio for specific reasons.*

## **Overview of Changes**

**This quarter the Investment Committee did not feel the need to make any significant changes to either the asset allocation or the fund holdings within the portfolios.**

We are not recommending any significant changes to our portfolios this quarter, as we feel portfolios are generally positioned satisfactorily for the current environment, and nothing has materially changed over recent months to alter our view.

We believe our asset allocation is satisfactorily diversified and positioned, following the changes we made last quarter and the fundamental underlying backdrop has not altered significantly to warrant particular change at this time.

Similarly, the funds we hold within our portfolios are performing in line with expectations and we are therefore happy to retain them, although we continue to monitor their performance and research new investment opportunities.

Indeed, we are certainly not sitting on our hands and are actively preparing for potential changes within the portfolios later in the year in anticipation of future tightening of monetary policy led by the US.

***Portfolios will be rebalanced again in line with target fund weightings during mid May 2015 and therefore you may receive confirmations of resulting transactions once they happen.***

## **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:



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- 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
- Not all changes detailed in this document may be deployed across clients' portfolios as there may be circumstances where it was not judged suitable to do so. In some instances clients may hold exposure to the MFM SGWM Managed fund, as an alternative to specific equity fund holdings. This fund may not exactly replicate equity fund holdings in other portfolios.
- All figures quoted are bid-bid, total return, source FE Analytics, unless otherwise specified.

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