SG WEALTH MANAGEMENT
Impartial, accountable and trusted

Investment Commentary
October 2015

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 October 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	-2.86	-6.13	-8.72	-5.09	17.60	30.80	59.37
FTSE 250 Index	-2.27	-4.18	-0.77	11.37	53.86	81.47	175.72
FTSE All Small ex Inv Trusts	-2.00	-1.65	3.68	9.01	66.76	93.35	79.04
FTSE World Europe EX UK Index	-3.21	-4.60	-10.16	-1.21	34.64	30.93	78.30
FTSE World Index	-2.17	-5.39	-10.27	0.83	34.35	51.75	95.73
MSCI EM (Emerging Markets)	-1.52	-14.76	-18.98	-13.61	-9.37	-13.28	77.36
Hang Seng (HK / China)	-1.67	-16.72	-15.69	0.87	19.08	16.09	122.19
Nikkei 225 (Japan)	-5.43	-8.85	-11.16	5.39	35.75	34.67	41.58
S&P 500 (US)	-1.03	-3.01	-8.34	5.71	48.54	88.48	111.61
FTSE British Government All Stocks	1.23	3.12	-0.40	8.21	10.87	29.39	72.03
IPD UK All Property	1.28	3.42	7.18	15.27	46.86	65.18	73.46
LIBOR GBP 1m (Cash)	0.05	0.13	0.25	0.51	1.50	2.81	22.82
UK Retail Price Index	-0.16	0.00	0.47	-0.16	3.81	11.58	27.44
ARC Sterling Equity Risk PCI*	-0.08	0.27	0.97	0.78	6.31	15.22	34.44
ARC Sterling Steady Growth PCI*	-2.20	-4.41	-6.85	-0.22	20.92	31.41	62.10
ARC Sterling Balanced Asset PCI*	-1.80	-3.50	-5.68	0.93	18.34	28.32	57.87
ARC Sterling Cautious PCI*	-1.40	-2.70	-4.49	1.23	15.10	23.74	51.93
IA Mixed Investment 0%-35% Shrs*	-0.70	-1.50	-2.78	1.48	10.35	17.46	44.74

Data source: Financial Express Analytics. Cumulative gross total return, rebased to GBP, to 30/09/2015.
**These indices have been added to the above table as comparators for our risk adjusted model portfolios.*

Quarterly Market Commentary – written as at end September 2015

Summer 2015 witnessed a double dip in commodities and bond yields, saw the brutal end to a previously rampant bull market in Chinese stocks, ushered in a bear market in emerging market equities and gave us a meaningful correction in developed market stocks. It has been a challenging few months for global investors and the outlook for the fortunes of the world's economies appear mixed going forward. Our view on what has been happening and what may be to come I am sure will therefore be keenly anticipated.

As mentioned in our last commentary, the Chinese domestic stock market's extreme volatility over the last year was heavily driven by margin lending for retail investors and when the speculation bubble burst in mid-June, Chinese authorities struggled to contain the resulting rout.

Whilst the Chinese stock market problems had already been playing our for some time, the unanticipated devaluation of the Yuan in response to weakening economic data on 11th August caused investors globally to become more fearful for the prospects for the Chinese economy and raised concerns as to the impact this could have on global growth prospects, triggering losses on wider global markets.

SG Wealth Management Ltd
53-57 St Martin's Lane, Norwich, NR3 3SA
Tel: 01603 760866 Email: post@sgwealthmanagement.co.uk

Stan Gaskin Ltd
Soane House, 4 Soane Street, Ipswich, Suffolk, IP4 2BG
Tel: 01473 255948 Email: enquiries@stangaskin.co.uk

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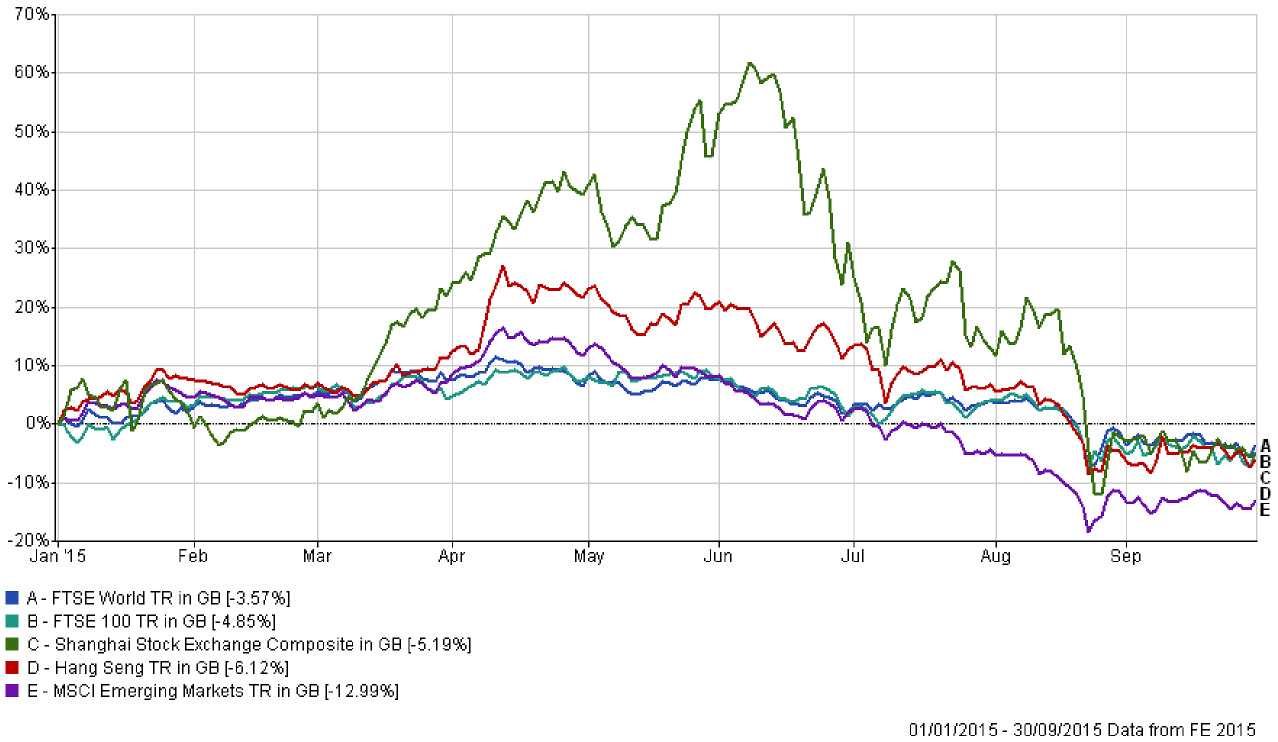
The chart above highlights how after a strong start to the year, global equities suffered in the third quarter, eroding gains from earlier months and turning negative for the year on "Chinese Black Monday" on 24th August.

With investors firmly fixing their gaze to the East, markets found a footing when China took more action and eased their monetary policy, reducing interest rates which helped markets stabilise and slightly rebound into September.



It is also interesting to see above the significant divergence between the (green) Shanghai Composite index – essentially the Chinese stock exchange for domestic investors, and the internationally accessible (red) Hang Seng index which has proven much less volatile during this period. Indeed for many UK investors, volatility in Chinese stock markets is actually of small concern as they hold little, if any, direct exposure to those companies. What is however more relevant are the prospects for the Chinese economy which has been one of the main engines of global growth since the Global Financial Crisis of 2007-2008.

The economy in China is undoubtedly slowing significantly compared to recent years; the extent of the slowdown will depend upon how much you believe the official figures. These recently showed GDP growth slowing to 6.9% at the end of Q3 2015 – the lowest rate since the Global Financial Crisis and below the target 7% rate. Many commentators also suggest the true GDP rate to be somewhat lower than the official figures.

Whilst it is true that manufacturing and heavy industry data is weakening, it needs to be understood that China is undergoing a concerted attempt by authorities to shift away from an export-led economy to a more mature consumer and services-led one and this will naturally have an impact on economic trend data. In past years the investment in massive heavy industry and infrastructure projects had provided the fuel for much of the growth achieve and the reduction of this investment in more recent times has caused a slump in commodity prices to levels not seen for many years.

Chinese growth is slowing, however they are still delivering economic expansion. If a "hard landing" is avoided, Chinese growth can continue to add to, rather than derail global economic growth.

The weak oil price (and other commodities) has of course been challenging for particular other commodity-exporting emergency markets, whereas countries that import their energy are benefiting. Similarly at a company level, oil and mining companies have naturally found the environment challenging, whereas others have seen their costs come down and indeed consumer stocks have benefited from people having more spare cash to spend on their products after paying less at the pumps.

Other than China, the other global economic powerhouse is the United States and the domestic recovery there appears robust. Indeed local strengthening economic data in the States was pointing towards a first hike in interest rates in September, until the Fed appeared to get spooked by events further afield in prior weeks and elect to maintain their zero rate policy for the time being. We anticipate potential "lift-off" in December or the early New Year, which would be a further vote of confidence in the state of the US economy.

In Europe economic recovery is also progressing, and Europe's first true post-crisis test – Greece – caused barely a blip in the data, which is reassuring. Here, and in Japan, additional Quantitative Easing could soon be seen which could also provide a further boost for equity and other asset values.

We remain cautiously optimistic that the continued healing of the world's developed economies can more than offset the challenges faced by the weakness across many emerging markets. We do however anticipate that stock markets will continue to demonstrate volatility (both positive and negative) for some time as markets grapple with the changing global economic picture, however we do feel that there remains the opportunity to make reasonable investment returns over the longer period going forward. Whilst we remain in a relatively low-growth environment and with US and potentially UK monetary policy tightening anticipated it is possible that this will constrain investment returns to more modest levels in the next couple of years than we have generally seen post-Crisis.

Indeed events in and since August have shown global investor confidence is still understandably relatively fragile, in this time of low growth and unprecedented monetary policy. More so than ever we believe this is an environment where one's wealth should be actively managed.

Our portfolios are invested in actively managed funds, run by fund managers that have good track records of managing money over the long-term and periods of market volatility create opportunity for them to add to their preferred stocks at attractive valuation levels.

Volatility such as we have seen in recent months is not uncommon and is to be embraced at times. Over the last 29 years, the average intra-year (peak to trough) maximum fall in the FTSE All Share has been -15.8% and despite that fact in 21 of the 29 years markets have ended up finishing the calendar year positive. Finding active managers who can position their funds to make the best of the economic conditions and take advantage of market inefficiencies and volatility is part of our remit when creating your investment solutions.

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We continue to manage our client portfolios by looking to strike the correct balance between risk and reward for the underlying climate in line with the agreed risk strategy.

The diversification drum has continually been banged during our commentaries this year and this edition is no different. For investors looking to provide an element of risk control, holding a variety of assets within portfolios is crucial, and this is likely to only be more important as volatility increases and economic fortunes diverge globally. Property, alternative investment strategies and selective fixed interest opportunities all remain good means of dampening volatility that we are deploying to different extents in our clients portfolios.

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.