Investment Commentary July 2017

Incorporating
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 June 2017

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	-2.44	1.00	4.69	16.92	21.61	58.23	61.18
FTSE 250	-2.94	2.95	8.53	22.16	33.43	102.43	121.96
FTSE Small Cap (ex IT)	-1.95	2.87	8.82	28.39	34.09	132.91	71.56
FTSE World	-0.15	0.51	6.16	22.88	54.73	107.89	138.84
FTSE World Europe ex UK	-1.27	5.16	13.00	29.05	38.38	105.91	79.99
Hang Seng	0.63	3.99	12.92	30.68	61.88	90.17	158.21
MSCI Emerging Markets	0.38	2.30	12.66	27.35	35.91	46.60	86.70
Nikkei 225 in GB	-0.28	1.15	3.49	20.86	56.81	90.72	87.50
S&P 500	-0.04	-0.91	3.70	20.57	70.11	131.46	189.65
FTSE Actuaries UK Conventional Gilts All Stocks	-1.96	-1.29	0.32	-0.86	22.48	22.37	87.17
UK Retail Price	0.22	1.11	1.95	3.50	6.24	12.61	31.36
LIBOR GBP 1 Month	0.02	0.06	0.13	0.28	1.30	2.31	13.63
ARC Sterling Balanced Asset PCI *	-0.70	0.59	3.17	10.11	17.13	36.95	49.67
ARC Sterling Cautious PCI *	-0.60	0.20	1.90	5.91	11.13	23.21	40.65
ARC Sterling Equity Risk PCI *	-0.80	1.17	5.47	16.31	25.55	58.11	64.88
ARC Sterling Steady Growth PCI *	-0.70	0.88	4.51	13.78	22.72	48.65	58.36
Bank Of England Base Rate	0.02	0.06	0.12	0.27	1.28	2.30	12.24

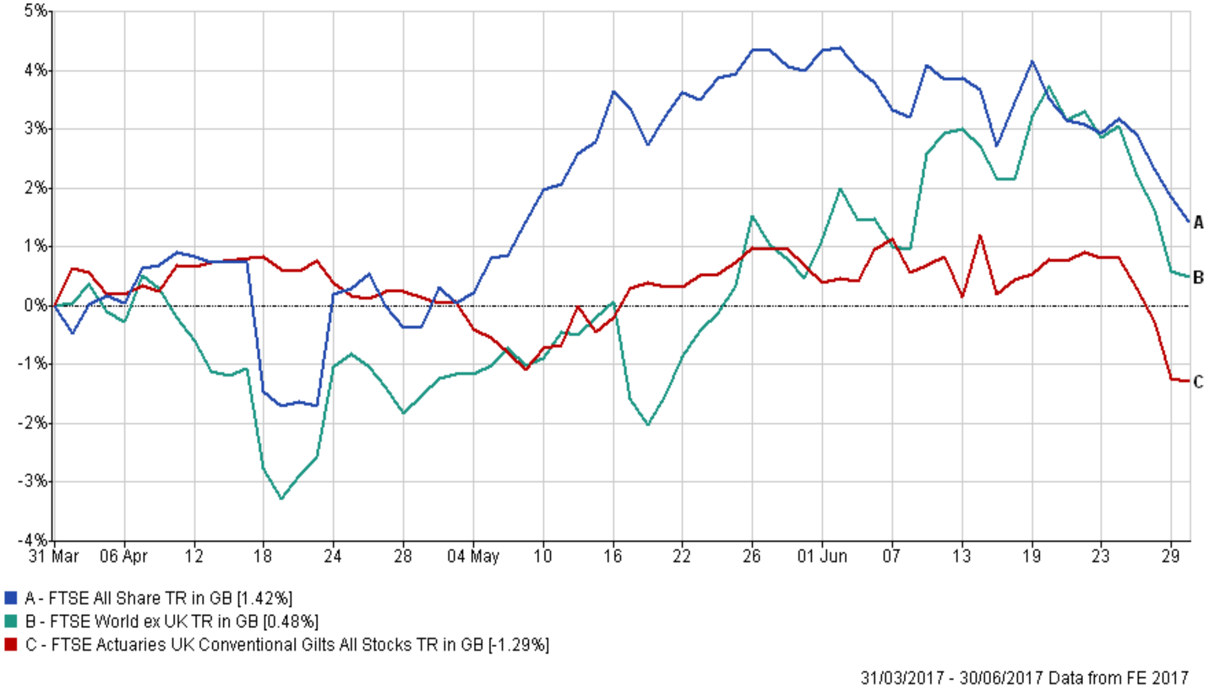
Data source: Financial Express Analytics. Cumulative gross total return, rebased to GBP, to 30/06/2017.

This indices have been added to the above table as comparators for our risk adjusted model portfolios.

Quarterly Market Commentary – written as at end June 2017

The second quarter of 2017 had a quiet start in April with markets cautious due to election fears in France and the call for a snap election in the UK. However, the promise and then certainty of a win for the now President Macron increased confidence in European markets given his pro-EU and pro-business stance. The hung parliament in the UK increased uncertainty around the ability of the Conservatives to deliver on their objectives, although markets were relatively sanguine on the result as many interpret this to mean a softer Brexit will be one of the by-products, which may be better for business in the near-term.

Towards the end of the period, rising inflation led central banks in the UK, US and Europe all to signal a more hawkish tone with regards to future monetary policy. This anticipation of further tightening and rate rises caused government bond yields to rise and also dragged stock markets lower in a mini "taper-tantrum".



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The British economy continues to face a fall in real wage growth led by the rise in inflation and weak productivity. Consumers' confidence has waned which will impact on consumption, whereas business confidence is also impacted through the uncertainty of the Brexit negotiations. Though the current low interest rates has helped consumers and business releverage to support spending in the short term it also raises doubts on its sustainability, particularly in the face of future potential rate rises. We remain cautious over the prospect for the UK economy in the short-term.

On the other hand, the positive economic outlook for the Eurozone economy is continuing to strengthen. President Macron's win showed a resounding rejection of anti-EU sentiment which we had also seen from the earlier Dutch election. With political risk diminishing across the region and economic performance improving investors have held increasing certainty and confidence for European markets. Consumer confidence in the region is the highest it has been since 2001. In a June speech to the ECB President Mario Draghi said "reflationary forces have replaced deflationary forces" and "growth seen above trend and well distributed across the euro area".

This hint to a potential change to monetary policy led to a sell-off in bonds and equities in the region at the end of June, although European equities still turned out to be the strongest performing major asset class over the quarter for UK investors, also buoyed by a stronger Euro.

Across the Atlantic, the US economy continues to perform well. With unemployment figures at very low levels and consumer spending figures being resilient, the Federal Reserve has continued to raise interest rates again in June to 1.25% as it looks to move towards normalising monetary policy. Whilst the economy in the US remains strong, we see limited upside for significant future earnings growth.

Emerging market equities continues their strong returns helped by the weakness of the dollar. We have some concerns with regards to the Chinese property market due to rising interbank lending rates. A deterioration of the Chinese property market would have an adverse effect on confidence for the region and demand for certain raw materials, suppressing various commodity prices. Having recovered during 2016 the oil price slipped back during the quarter from its c$55 per barrel level at the start of the year, with further falls likely to be painful for significant commodity exporters.

Generally the global economy is in reasonably healthy shape at present. However as inflation continues to emerge central banks will increasingly continue to consider and implement tighter monetary policy. This environment should logically be detrimental to bond investors, who would see the value of their fixed income eroded, and thus yields should rise and capital values fall. A selective approach to fixed interest exposure, via actively managed strategies appears eminently sensible.

Indeed in the equity markets we have seen a growing dispersion of returns both regionally and at sector and stock level, despite relatively low volatility in markets as a whole. Identifying the winners and the losers of the changing economic environment both globally and regionally should therefore be more important going forward than it was during the euphoric run in markets at the end of 2016. We continue to favour active managers with good track records and aim to blend our portfolios to create a good balance of strategies to strike the correct balance of risk and reward.

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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. Charts shown reflect market returns in local currency.