

## LATEST COMMENTARY

The third quarter of 2019 was a good one for holders of bonds and developed market shares, adding to the good returns earned in the first half of the year. Sterling investors in the US and Japan made a currency gain in addition to the positive return on those share markets but in contrast, the positive return from EU shares was partially offset by a fall in the Euro. Emerging market shares fared less well posting small falls although the year to date return is still +9% despite this setback. Developed markets property shares did especially well in the third quarter, continuing a strong year. Bonds benefitted again from loose money policies, with Japan confirming continuing bond buying, the Euro area resuming bond buying this autumn and the US Federal Reserve Board making more liquidity available to banks. Various Central Banks cut interest rates and signalled more cuts to come.

The background this quarter was not an easy one with news reporting a slowdown in most economies. The relentless difficulties of the trade system, with further tariffs imposed by the USA worried commentators. The world manufacturing sector suffered a sharp downturn, led by weak car industries in many countries. The required transition to electric cars, and various government policies imposing higher taxes and less favourable access to credit for conventional vehicles took their toll. We still expect the world economy to muddle through with growth a bit below average and a renewed emphasis on fiscal policy. Gradually more monetary easing will work with lower taxes and higher public spending in several countries to boost growth and prevent a global recession.

## END OF QUARTER ASSET ALLOCATION (%)

	UK Equities	US Equities	Europe (ex UK) Equities	Japanese Equities	Asian Equities	Other Overseas Eq.	UK Property	Global Property	Bonds	Cash
Passive Growth 1	2.9	4.6	2.2	0.0	1.0	0.0	0.0	0.0	84.7	4.7
Passive Growth 2	4.5	6.9	1.8	2.0	4.9	4.1	4.6	2.8	64.0	4.5
Passive Growth 3	4.8	13.6	3.0	3.5	5.3	10.8	4.5	4.1	46.1	4.1
Passive Growth 4	4.6	21.9	4.7	5.1	5.9	14.2	4.3	3.7	31.4	4.2
Passive Growth 5	4.3	27.8	5.9	6.6	9.3	16.7	4.2	3.9	17.1	4.1
Passive Growth 6	3.7	32.9	6.7	7.4	12.7	19.6	4.4	3.0	5.8	3.7
Passive Income 3	11.7	10.7	3.5	0.0	6.1	7.4	0.0	11.3	48.9	0.5

Green Allocation change > 2% in quarter  
Red Allocation change < 2% over quarter

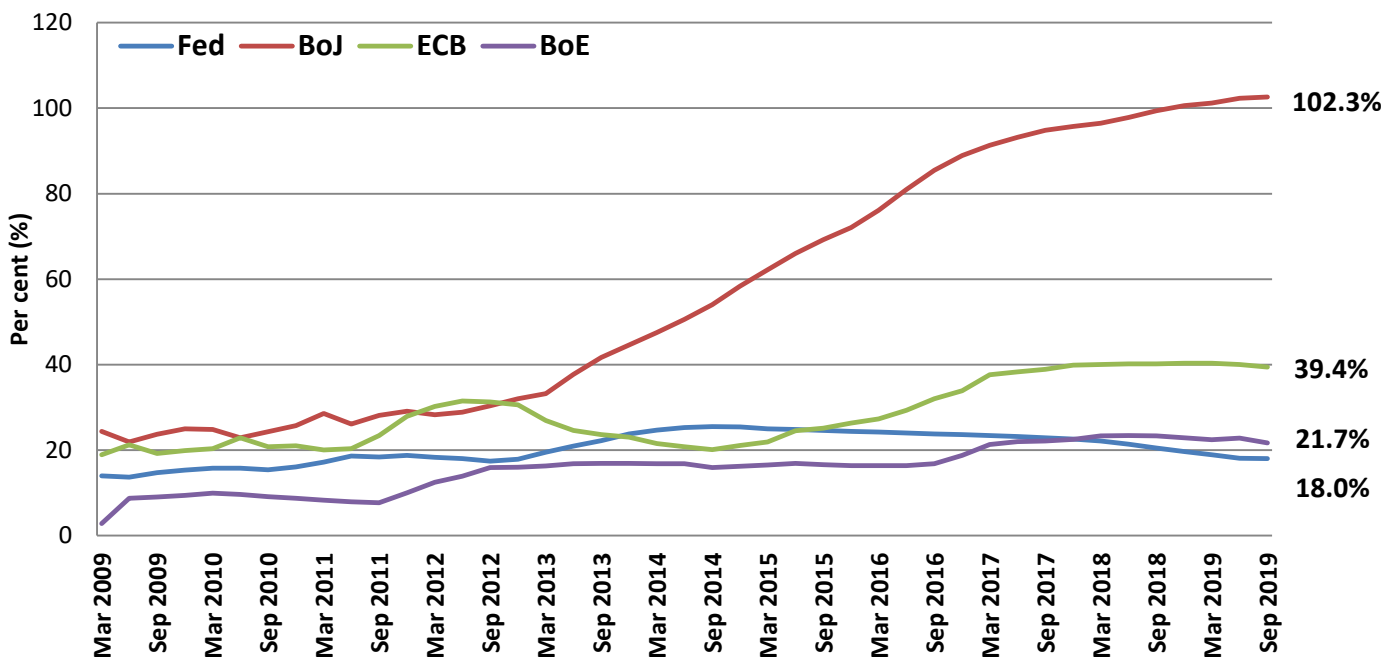
Central Banks likely to remain dovish going forward:

**Rate cuts seen already this year**

Country	2018	Latest
Eurozone	0	0
Australia	1.50	0.75
Brazil	6.50	5.50
Canada	1.75	1.75
China	4.35	4.35
France	0	0
Germany	0	0
India	6.25	5.15
Indonesia	6.00	5.25
Italy	0	0
Japan	-0.10	-0.10
Mexico	8.25	7.75
Russia	7.75	7.00
Saudi Arabia	3.00	2.50
South Africa	6.75	6.50
South Korea	1.75	1.50
Turkey	24.0	16.50
United Kingdom	0.75	0.75
United States	2.50	2.00

Source: BBG, data as of 08.10.19

**G4 Central Bank Balance Sheet as a % of GDP**



## MODEL PERFORMANCE (%)

	Quarter	1 Year	5 Years	Benchmark Quarter	Benchmark 1 Year	Benchmark 5 Years	Benchmark
Passive Growth 1	1.2	4.7	19.3	0.8	2.8	13.7	CPI PLUS 1%
Passive Growth 2	1.2	3.7	25.7	1.1	3.8	19.4	CPI PLUS 2%
Passive Growth 3	1.1	3.3	36.5	1.3	4.8	25.4	CPI PLUS 3%
Passive Growth 4	1.4	3.0	44.6	1.5	5.8	31.6	CPI PLUS 4%
Passive Growth 5	1.4	2.7	52.3	1.8	6.9	38.0	CPI PLUS 5%
Passive Growth 6	1.4	2.2	54.1	2.0	7.9	44.7	CPI PLUS 6%
Passive Income 3	1.8	7.3	36.6	1.3	4.8	25.4	CPI PLUS 3%

## TOP & BOTTOM PERFORMANCE CONTRIBUTORS (Q3 2019)

	Top	Bottom
Passive Growth 1	SPDR S&P US Dividend Aristocrats ETF	Vanguard GI ShortTerm Bd Idx Inst Plus GBP Hgd Inc
Passive Growth 2	iShares FTSE EPRA/NAREIT UK Property ETF	HSBC MSCI AC Far East ex Japan ETF
Passive Growth 3	iShares FTSE EPRA/NAREIT UK Property ETF	iShares Core MSCI Emerging Markets IMI ETF
Passive Growth 4	iShares Nasdaq 100 ETF	iShares Core MSCI Emerging Markets IMI ETF
Passive Growth 5	iShares Nasdaq 100 ETF	HSBC MSCI AC Far East ex Japan ETF
Passive Growth 6	iShares Nasdaq 100 ETF	HSBC MSCI AC Far East ex Japan ETF
Passive Income 3	L&G Global Real Estate Dividend Index Fund	iShares DJ Emerging Markets Dividend ETF

Past performance is not indicative of future performance. The value of investments may fall as well as rise and the income from them may fluctuate and is not guaranteed. Investors may not recover the amount invested. Source: Internal APX as at 30/09/2019

## OUTLOOK

Shares still look cheaper than bonds, in an environment where all financial assets have been reflatd by official buying of bonds and by low interest rates limiting returns on holding deposits. Investors need to be prepared for more moderate investment returns and occasional bouts of turbulence as there is mounting evidence that the low-volatility environment we have seen in recent years may be coming to an end.

## IMPORTANT INFORMATION

The value of investments, and the income derived from them, can fall as well as rise and may be affected by exchange rate variations. Investors may get back less than invested. Past performance is not a reliable guide to future returns.

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