

LATEST COMMENTARY

The last quarter of 2019 saw positive returns from most share markets with the emerging region outperforming the developed world. This rounded off a very good year for shares in general. Technology shares continued to perform strongly but a rally in sterling reduced returns from unhedged overseas holdings. Shares in the UK were helped by the result of the December 12th election which produced a majority government capable of taking some decisions and reduced much of the domestic political risk premium. Bonds were weaker despite the continuation of interest rate cuts in many parts of the world and generally accommodating monetary policies to ward off the economic slowdown.

During the quarter, markets gyrated in response to good or bad news on a possible trade deal between the USA and China and towards the end of the period sentiment was buoyed by the announcement of a “phase-one” trade deal between them. Markets also reacted to the actions of the authorities to reverse poor numbers for industrial output and international trade. Inflation stayed low allowing creative Central Bank responses to economic weakness. Company profits and earnings were depressed by the slow down, but investors looked through current weakness to anticipate some pick up in 2020. Bonds remain very dear but are being supported by Central Bank buying and/or low interest rate policies. Shares are also expensive by historical standards but are bolstered by these supportive policies and by the low income available on safer investments.

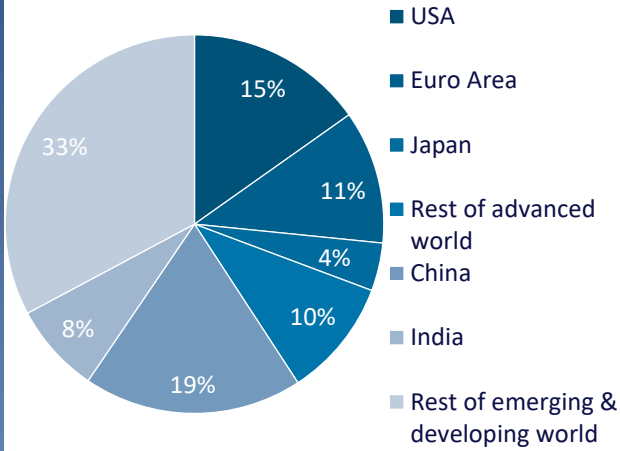
END OF QUARTER ASSET ALLOCATION (%)

	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	6.1	2.3	0.0	1.0	0.0	0.0	0.0	85.7	2.1
Passive Growth 2	4.7	9.3	1.9	1.9	2.8	4.2	5.0	2.6	65.6	2.0
Passive Growth 3	5.0	16.5	3.1	3.3	2.7	12.0	5.0	3.8	46.9	1.9
Passive Growth 4	4.7	24.9	4.8	4.9	3.0	15.3	4.7	3.3	32.4	2.0
Passive Growth 5	5.4	30.9	6.0	6.3	5.0	18.1	4.6	3.6	18.2	1.9
Passive Growth 6	6.3	34.3	6.7	7.0	7.9	21.3	4.7	2.7	7.1	2.0
Passive Income 3	12.2	13.3	3.5	0.0	5.0	7.6	0.0	9.2	49.0	0.2

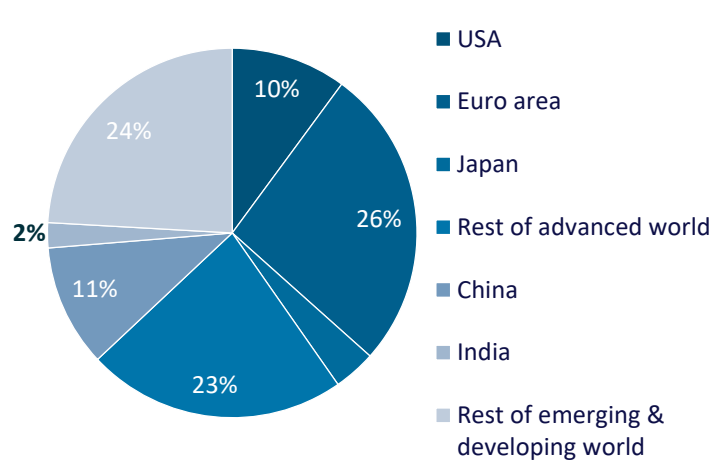
Green Allocation change > 2% in quarter
Red Allocation change < 2% over quarter

What the world looks like:

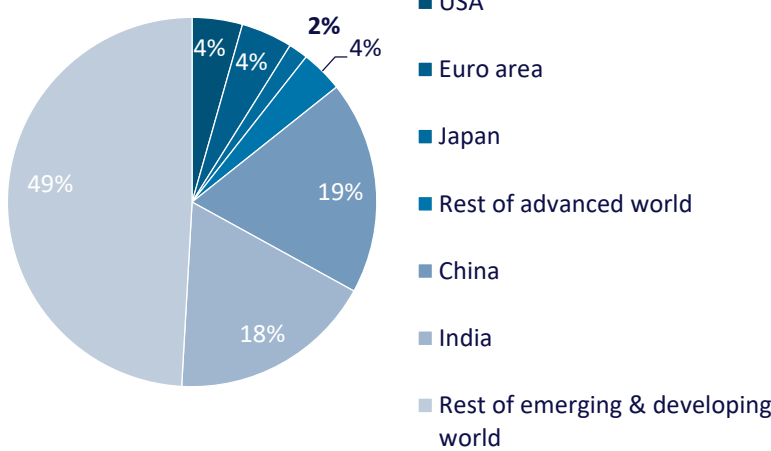
Global GDP



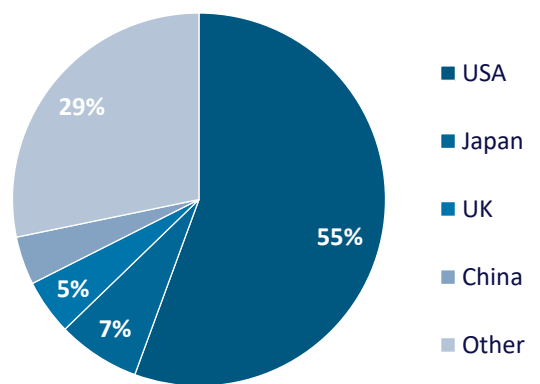
Global Exports of Goods & Services



Global Population



Capitalisation in the MSCI ACWI



Source: IMF World Economic Outlook, data as of October 2019. MSCI country weights data as of 31st December 2019

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.

MODEL PERFORMANCE (%)

	Quarter	1 Year	5 Years	Benchmark Quarter	Benchmark 1 Year	Benchmark 5 Years	Benchmark
Passive Growth 1	-0.4	5.6	15.9	0.3	2.3	13.9	CPI PLUS 1%
Passive Growth 2	1.4	9.6	23.3	0.5	3.3	19.7	CPI PLUS 2%
Passive Growth 3	2.4	13.1	33.6	0.7	4.3	25.6	CPI PLUS 3%
Passive Growth 4	3.2	16.2	41.9	1.0	5.4	31.9	CPI PLUS 4%
Passive Growth 5	4.0	18.7	50.0	1.2	6.4	38.3	CPI PLUS 5%
Passive Growth 6	4.7	20.3	53.0	1.5	7.4	45.0	CPI PLUS 6%
Passive Income 3	0.0	11.5	32.0	0.7	4.3	25.6	CPI PLUS 3%

TOP & BOTTOM PERFORMANCE CONTRIBUTORS (Q4 2019)

	Top	Bottom
Passive Growth 1	BMO Global High Yield GBP Hedged ETF	Lyxor iBoxx £ Gilt Inflation-Linked ETF
Passive Growth 2	iShares FTSE EPRA/NAREIT UK Property ETF	iShares FTSE EPRA/NAREIT Asia Property ETF
Passive Growth 3	iShares FTSE EPRA/NAREIT UK Property ETF	iShares FTSE EPRA/NAREIT Asia Property ETF
Passive Growth 4	iShares FTSE EPRA/NAREIT UK Property ETF	iShares FTSE EPRA/NAREIT Asia Property ETF
Passive Growth 5	iShares FTSE EPRA/NAREIT UK Property ETF	iShares FTSE EPRA/NAREIT Asia Property ETF
Passive Growth 6	iShares FTSE EPRA/NAREIT UK Property ETF	iShares FTSE EPRA/NAREIT Asia Property ETF
Passive Income 3	WisdomTree UK Equity Income ETF	L&G Global Real Estate Dividend Index Fund

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 31/12/2019

OUTLOOK

It seems unlikely the very strong performance of shares in 2019 can be repeated in 2020, but all the time governments and monetary authorities want to promote growth, shares have support. There is also the opportunity to make further advances as company earnings pick up again. Markets are very keen to reward growth, particularly from companies winning in the digital and green revolutions that are sweeping through the economy.

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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