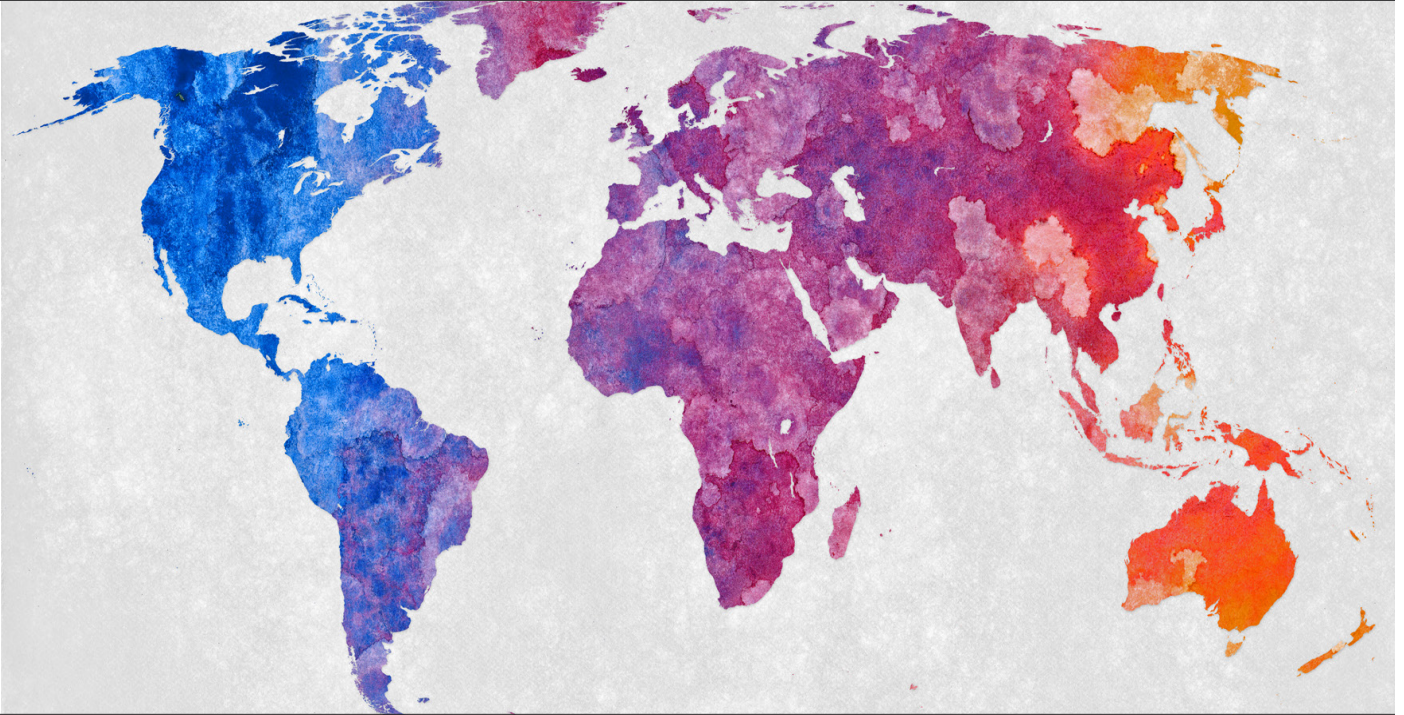


The Tortoise and the hare

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Q2 2016 - Market Overview

Summary

Q2 was a turbulent quarter, where market movements were dominated by the speculation and then the outcome of the Brexit vote and its aftermath. The Pound was at the centre of the storm. It weakened around 7% versus the Dollar in Q2, surpassing lows investors have not seen since the peak of the Global Financial Crisis. Versus the Yen and the Euro, the Pound has depreciated 15% and 5% respectively, back at levels last experienced in 2012 and 2013.

Central banks in the G7 however left interest rates unchanged. Within Developed Markets, only Australia lowered their rate by 0.25% to 1.75%. The latest inflation readings are all quite low. US Consumer Price Index (CPI) leads the pack with about 1%, the UK CPI figure came in at 0.3% and Harmonised Index of Consumer Price (HCIP) for the Eurozone now stands at negative 0.1%. Unemployment rates dropped across the board. In the US and the UK they are down to 4.7% and 5.0% respectively, but the Eurozone still faces in excess of 10% unemployment.

Q2 2016 - Market Overview

Fixed Income

Bond investors in developed markets had something to smile about, as they can look back at market gains above 10% in USD or about 6% in local currency terms. The development for German bonds followed its Swiss neighbour, as nominal yields are now negative for 10-Year Bunds. Yields for 10-Year Gilts are now at 0.80%, a substantial decrease versus last quarter, and 10-Year Treasuries are only offering about 1.4%.

Equities

Perhaps surprisingly to some, The FTSE All Share index is up nearly 5% over the same time period, performing twice as well as the S&P 500 and clearly beating European stocks, as the broad STOXX Europe 600 was down roughly 1% for the second quarter of the year. Emerging markets held up well, producing a gain of about 1% in local currency terms.

Within some countries, performance varied greatly by market segments. In the UK, the FTSE 250 underperformed the FTSE 100 by nearly 10% in the last 3 months. Value posted a gain of 8.5%. In Europe, Small Cap trailed the broad market by 4.2%, while value was almost level. In the US, Russell 2000 was ahead of the S&P 500 by 1.3%, while value did even better.

Real Assets

The winner of the day was gold, where the price is now 25% higher than at the start of the year. Crude oil prices also had a very strong quarter, pulling returns since the start of the year back into positive territory. REITs struggled in the UK, losing 7% in Q2 in addition to the negative 1st quarter, but the global picture was much more benign, investors experiencing another positive quarter with a 4.5% gain in USD.

Asset Class Indices

Fixed Income Summary (%)							
Index	Q2 2016	2016 YTD	2015	2014	2013	3 Yr (Annualised)	5 Yr (Annualised)
Citi World Government Bond Index LCL	2.7	6.4	1.3	8.5	0.2	5.7	5.1
Citi World Government Bond Index USD	3.4	10.7	-3.6	-0.5	-4.0	2.6	1.2
Markit iBoxx Liquid Investment Grade TR USD	4.1	9.0	-0.7	8.7	-2.4	6.4	6.2
BofAML Global High Yield TR USD	4.4	8.5	-4.2	-0.1	8.0	3.7	5.3
JPM Emerging Market Bond Index GD TR USD	5.0	10.3	1.2	7.4	-5.3	7.2	6.5

Source: Morningstar as of 30th June 2016

Equity summary (%)							
Index	Q2 2016	2016 YTD	2015	2014	2013	3 Yr (Annualised)	5 Yr (Annualised)
S&P 500 TR USD	2.5	3.8	1.4	13.7	32.4	11.7	12.1
Russell 3000 Value TR USD	4.6	6.3	-4.1	12.7	32.7	9.6	11.1
Russell 2000 TR USD	3.8	2.2	-4.4	4.9	38.8	7.1	8.4
MSCI EAFE NR LCL	-0.7	-7.2	5.3	5.9	26.9	5.8	6.2
MSCI EAFE NR USD	-1.5	-4.4	-0.8	-4.9	22.8	2.1	1.7
MSCI EAFE Value NR USD	-2.8	-6.6	-5.7	-5.4	23.0	-0.1	0.1
MSCI EAFE Small Cap NR USD	-2.6	-3.2	9.6	-4.9	29.3	7.3	4.8
MSCI EM NR LCL	0.7	3.5	-5.8	5.2	3.4	3.7	2.0
MSCI EM NR USD	0.7	6.4	-14.9	-2.2	-2.6	-1.6	-3.8
MSCI ACWI NR LCL	1.2	-0.3	1.3	9.3	25.5	8.2	8.0
MSCI ACWI NR USD	1.0	1.2	-2.4	4.2	22.8	6.0	5.4
STOXX Europe 600 NR EUR	-0.7	-7.9	9.6	7.2	20.8	7.9	6.9
FTSE AllSh TR GBP	4.7	4.3	1.0	1.2	20.8	5.9	6.3

Source: Morningstar as of 30th June 2016

Real Assets (%)							
Index	Q2 2016	2016 YTD	2015	2014	2013	3 Yr (Annualised)	5 Yr (Annualised)
S&P Global REIT TR USD	4.8	12.3	0.6	22.8	2.8	11.3	10.3
Bloomberg Commodity TR USD	12.8	13.3	-24.7	-17.0	-9.5	-10.6	-10.8
LBMA Gold Price PM USD	6.8	24.6	-12.1	0.1	-27.3	3.5	-2.6
Bloomberg Sub WTI Crude Oil TR USD	18.7	5.1	-44.3	-41.7	6.8	-29.2	-20.1

Source: Morningstar as of 30th June 2016

Risk Warnings

Past performance is not a reliable indicator of future results.

The illustrations are in US Dollars unless otherwise stated. Currency fluctuations may increase or decrease the returns of any investment.

There can be no guarantee or assurance that a client's portfolio will not incur a loss over any particular time period. Fees and charges do not apply in respect of any index, indices are unmanaged, do not incur fees and cannot be invested in directly.

Pro forma results such as those shown do not represent actual trading; returns will be affected by advisor and fund management fees, trading costs, and other applicable charges.

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Quarterly Indicators

Economic Indicators				
Index	Unemployment rate (%)	Current A/C Balance*	Budget Balance*	Industrial Production (%)**
US	4.7	-2.5	-2.5	-1.4
UK	5.0	-4.8	-3.6	1.6
Euro Area	10.1	3.0	-1.9	2.0
Japan	3.2	3.4	-6.1	-0.1

* % of GDP 2016 estimate change on 1 year ago ** Source: Economist (4th July 2016)

GDP growth (%) Projections			
	2015	2016	2017
US	2.4	2.4	2.5
UK	2.2	1.9	2.2
Eurozone	1.6	1.5	1.6
Japan	0.5	0.5	-0.1

Source: IMF, World Economic Outlook, April 2016

Interest rates (%) - Government bonds				
	1 month	3 month	2 years	10 years
US	0.2	0.3	0.6	1.4
UK	0.4	0.3	0.2	0.8
Euro Area (DE)	-0.7	-0.6	-0.7	-0.2
Japan	-	-0.3	-0.3	-0.3

Source: FT.com as of 4th July 2016

Inflation (%) Projections			
	2015	2016	2017
US	0.1	0.8	1.5
UK	0.1	0.8	1.9
Eurozone	0.0	0.4	1.1
Japan	0.8	-0.2	1.2

Source: IMF, World Economic Outlook, April 2016

Foreign exchange					
	31/12/2015	31/03/2016	30/06/2016	Qtr % change*	YTD % change**
USD/JPY	120.3	112.4	102.6	-8.72%	-14.7%
GBP/USD	1.5	1.4	1.3	-6.99%	-9.3%
GBP/JPY	177.3	161.5	137.1	-15.11%	-22.7%
GBP/EUR	1.4	1.3	1.2	-4.60%	-11.3%
EUR/USD	1.1	1.1	1.1	-2.50%	2.3%
USD/CHF	1.0	1.0	1.0	1.73%	-2.7%

Source: FT.com as of 30th June 2016

*Quarter % Change from 31/03/2016 to 30/06/2016

**YTD % Change from 31/12/2015 to 30/06/2016

Volatility Index (%)				
Index	Current	1 year change	52 week high	52 week low
VIX	17.8	16.6%	32.0	12.2
VDAX	22.3	-17.9%	32.6	16.7

Source: FT.com as of 4th July 2016

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