

During 2016 market sentiment has rapidly shifted from a pessimistic outlook based around views of deflation, stagnation and weak recovery to highly optimistic expectations of growth acceleration driven by fiscal policy and infrastructure investment.

Bond markets have seen significant capital declines and corresponding material increases in yields in the last 3 months. Sovereign debt in particular continued to deteriorate and this is reflected in the data for the FTSE Actuaries UK Conventional Gilts All Stocks index, which has declined over 7% in the last 3 months. This centres upon concerns interest rates and inflation will increase in the coming year and quantitative easing operations will be tapered to make way for fiscal spending.

Donald Trump's victory in the US Presidential Election has undoubtedly had an impact on market sentiment, with expectations centring on the idea that his policies will be reflationary. There is no certainty surrounding the actual form the policies will take, creating the risk of disappointment. All 4 major US equity indices hit new highs in the last month and the S&P 500 returned 3.62% in US Dollar terms in November. The pound strengthened against the US Dollar towards the end of the month and so 1-month returns for the S&P 500 were 1.25% in Sterling terms.

Currency has been a big driver of returns for Sterling-based investors since the EU Referendum. There is no guarantee this will be sustained and some fund managers, including Neil Woodford, are now hedging their currency exposure to protect against further volatility in foreign exchange markets.

UK markets declined 2% as some more defensive large-cap stocks which hold significant weightings in the FTSE 100 declined. More cyclical sectors have been favoured in the last couple of months and we are monitoring this market rotation.

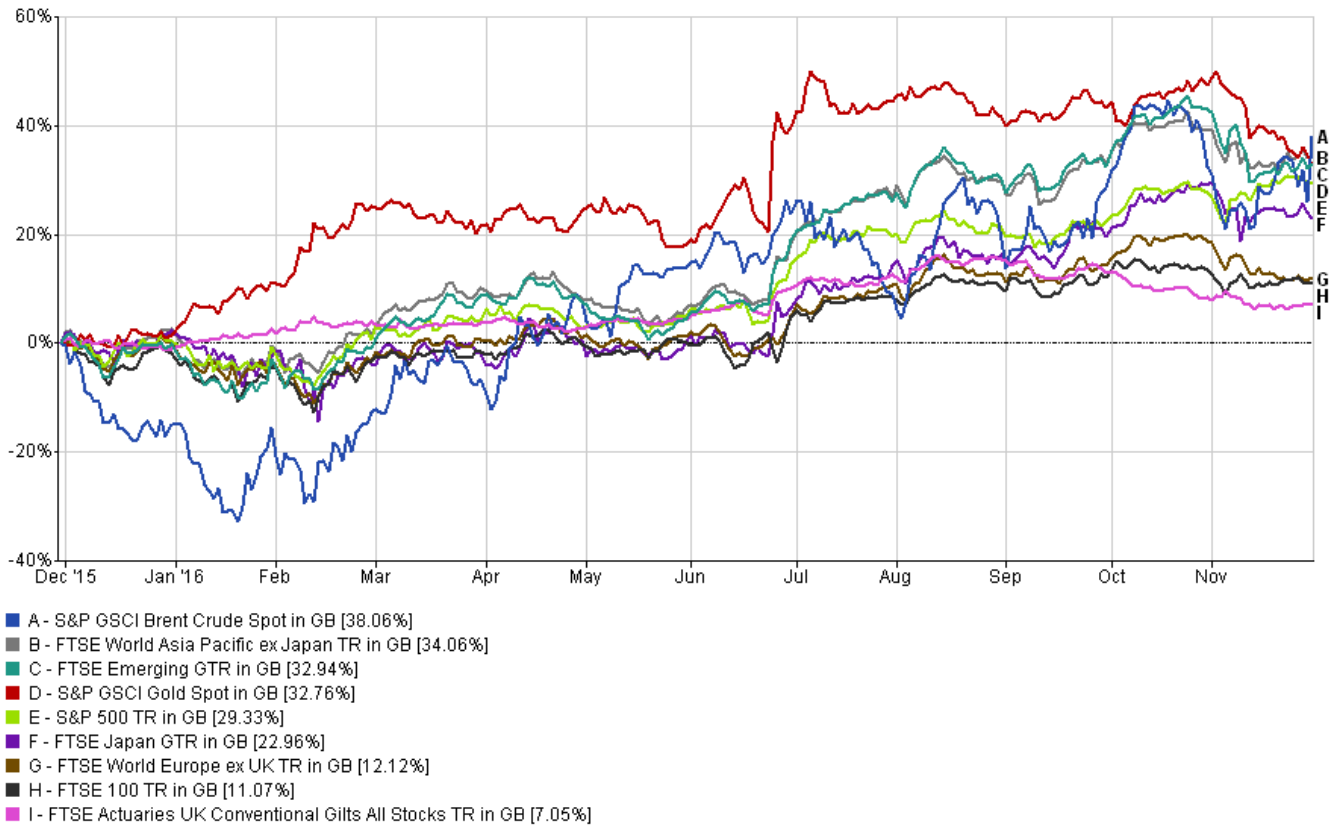
Asia Pacific and emerging markets sold off following the US election result due to a expectations of a shift towards more protectionist trade policies, although these may well prove impracticable. Japan bucked the trend and currency sensitive sectors performed well, especially in Sterling terms.

The lead up to the Italian Referendum weighed on European equity and bond markets, especially in Sterling terms. A "no" vote came through at the weekend, weakening the Euro and causing Italian bond yields to spike. European equity markets recovered quickly following the vote. Political events will continue to be influential in 2017 with elections due in France and Germany.

Oil prices increased in response to the late month decision by OPEC to cut production. They are up 14.5% in US Dollar terms in the last year, but have declined over 50% in the last 3 years, indicating greater volatility and a more subdued market than short term data would suggest.

Gold has also proven volatile, whilst it is up over 10% in US Dollar terms in the year to date, it has declined 7.8% in the last month based upon expectations of a US interest rate rise which makes holding non-interest paying assets like gold less attractive.

1-Year Performance in Sterling Terms to November 2016



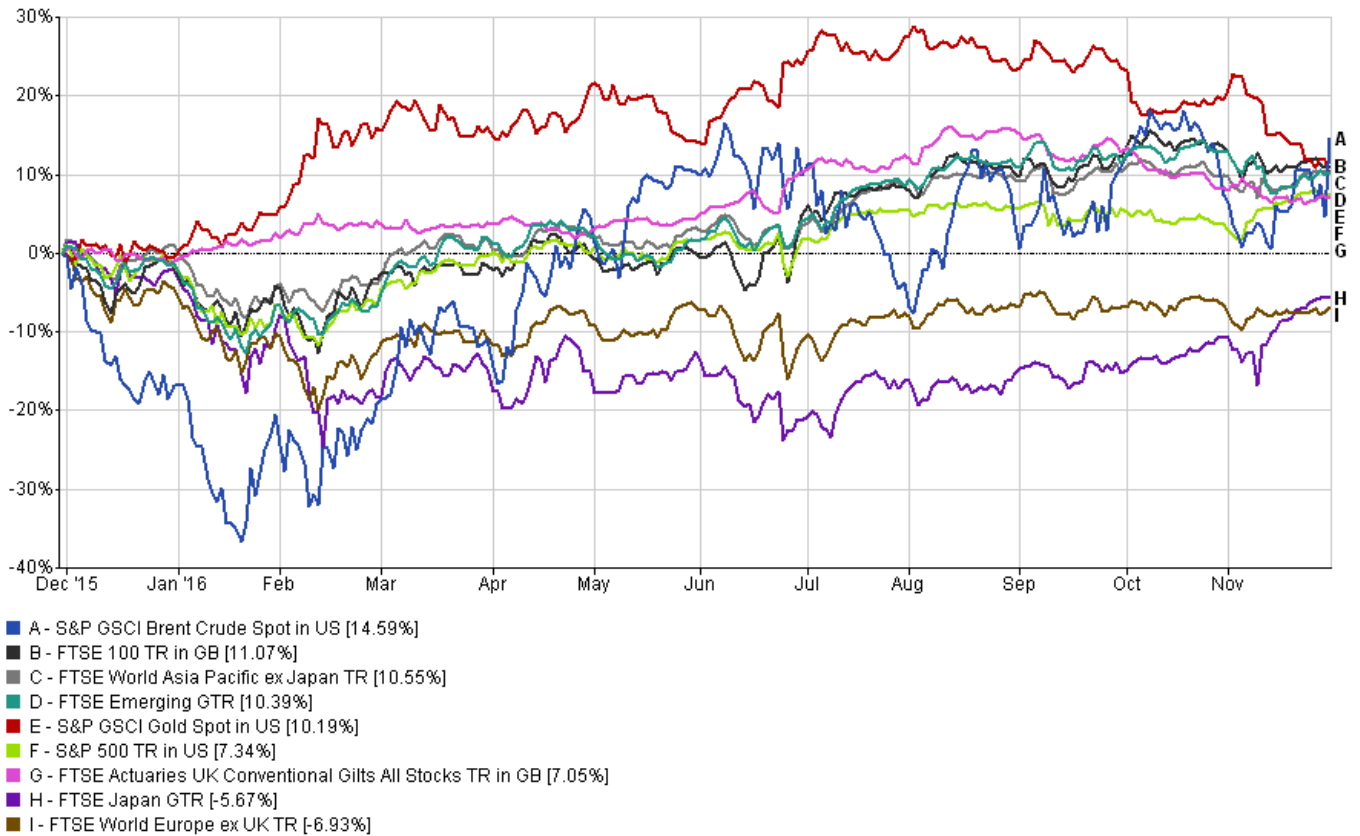
30/11/2015 - 30/11/2016 Data from FE 2016

Cumulative Performance in Sterling Terms to November 2016

	1m	3m	6m	1y	3y	5y
FTSE Actuaries UK Conventional Gilts All Stocks (GBP)	-1.29%	-7.31%	2.54%	7.05%	22.45%	24.45%
FTSE 100 (GBP)	-2.01%	0.79%	11.00%	11.07%	14.10%	48.43%
S&P 500 (GBP)	1.25%	6.57%	23.09%	29.33%	66.90%	139.31%
FTSE World Europe ex UK (GBP)	-5.59%	-0.42%	10.90%	12.12%	18.77%	71.48%
FTSE World Asia Pacific ex Japan (GBP)	-3.65%	3.45%	25.97%	34.06%	28.34%	59.88%
FTSE Emerging (GBP)	-6.98%	2.20%	27.24%	32.94%	25.58%	37.72%
FTSE Japan (GBP)	-4.75%	5.79%	22.37%	22.96%	44.49%	91.25%
S&P GSCI Brent Crude Spot (GBP)	4.21%	15.89%	21.05%	38.06%	-37.83%	-40.66%
S&P GSCI Gold Spot (GBP)	-9.90%	-6.17%	12.32%	32.76%	23.09%	-15.57%

Source: Financial Express

1-Year Performance in Local Currency Terms to November 2016



30/11/2015 - 30/11/2016 Data from FE 2016

Cumulative Performance in Local Currency Terms to November 2016

	1m	3m	6m	1y	3y	5y
FTSE Actuaries UK Conventional Gilts All Stocks (GBP)	-1.29%	-7.31%	2.54%	7.05%	22.45%	24.45%
FTSE 100 (GBP)	-2.01%	0.79%	11.00%	11.07%	14.10%	48.43%
S&P 500 (USD)	3.62%	1.67%	5.66%	7.34%	27.30%	90.10%
FTSE World Europe ex UK (Composite)	-0.20%	-0.29%	-0.18%	-6.93%	14.46%	70.42%
FTSE World Asia Pacific ex Japan (Composite)	0.64%	1.07%	7.11%	10.55%	11.09%	47.27%
FTSE Emerging (Composite)	-2.14%	-0.68%	8.80%	10.39%	12.11%	39.41%
FTSE Japan (Yen)	5.69%	11.18%	7.92%	-5.67%	22.68%	123.00%
S&P GSCI Brent Crude Spot (USD)	6.64%	10.56%	3.91%	14.59%	-52.58%	-52.86%
S&P GSCI Gold Spot (USD)	-7.79%	-10.49%	-3.58%	10.19%	-6.12%	-32.93%

Source: Financial Express

Calendar Performance in Sterling Terms

	YTD	2015	2014	2013	2012	2011
FTSE Actuaries UK Conventional Gilts All Stocks (GBP)	8.15%	0.57%	13.86%	-3.94%	2.51%	15.79%
FTSE 100 (GBP)	13.00%	-1.32%	0.74%	18.66%	9.97%	-2.18%
S&P 500 (GBP)	28.73%	6.58%	20.02%	29.10%	10.16%	2.23%
FTSE World Europe ex UK (GBP)	11.91%	5.35%	0.16%	25.18%	17.82%	-14.71%
FTSE World Asia Pacific ex Japan (GBP)	30.47%	-4.40%	5.01%	2.72%	17.72%	-12.93%
FTSE Emerging (GBP)	32.98%	-10.31%	7.87%	-5.29%	12.76%	-18.36%
FTSE Japan (GBP)	20.05%	17.58%	2.73%	24.95%	3.34%	-12.91%
S&P GSCI Brent Crude Spot (GBP)	62.34%	-31.54%	-44.40%	-0.68%	-1.69%	13.73%
S&P GSCI Gold Spot (GBP)	30.62%	-5.28%	4.25%	-29.34%	2.26%	11.05%

Source: Financial Express

Calendar Performance in Local Currency Terms

	YTD	2015	2014	2013	2012	2011
FTSE Actuaries UK Conventional Gilts All Stocks (GBP)	8.15%	0.57%	13.86%	-3.94%	2.51%	15.79%
FTSE 100 (GBP)	13.00%	-1.32%	0.74%	18.66%	9.97%	-2.18%
S&P 500 (USD)	9.12%	0.75%	12.99%	31.55%	15.22%	1.47%
FTSE World Europe ex UK (Composite)	-2.51%	8.66%	7.58%	23.37%	20.54%	-12.71%
FTSE World Asia Pacific ex Japan (Composite)	9.60%	-2.73%	4.18%	11.36%	19.07%	-12.84%
FTSE Emerging (Composite)	11.81%	-5.83%	7.17%	3.92%	18.79%	-12.09%
FTSE Japan (Yen)	-3.61%	11.52%	10.32%	54.77%	21.46%	-17.98%
S&P GSCI Brent Crude Spot (USD)	37.61%	-35.28%	-47.54%	0.97%	2.83%	12.89%
S&P GSCI Gold Spot (USD)	10.72%	-10.46%	-1.64%	-28.17%	6.96%	10.23%

Source: Financial Express

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