

2016 was a mixed year for global equity markets and many were surprised with the resilience shown after the UK EU Referendum and the US presidential election result. In local currency terms, US and UK markets are significantly ahead of where they started with total returns of 19% for the FTSE 100 and 11% for the S&P 500. Europe, which faces a series of major elections in 2017, has seen more modest returns with the FTSE World Europe ex UK index gaining 3.4%. Japan foundered in Yen terms and the FTSE Japan index made a modest loss of 0.28%. The FTSE World Asia Pacific ex Japan and FTSE Emerging Markets indices made gains of 11% and 12% respectively for 2016 as a whole. These markets were adversely by external events such as the US election result and the possible implications for trade and the Federal Reserve interest rate increase in the final few months of the year though.

Currency differentials drove returns for Sterling-based investors and re-reviewing the international equity market data for 2016 in Sterling terms gives a different picture. Currency translation effects enhanced S&P 500 returns by over 20% to give a total return of 33% for the year. Correspondingly the FTSE World Europe ex UK Index had total returns of nearly 20% in Sterling terms and the FTSE Japan index had total returns of 23%, which is entirely attributable to currency differentials as the local currency returns are negative as detailed above.

Brexit enhanced the perceived value of companies with overseas revenues and UK large cap stocks led the market higher, with miners and oil and gas outperforming the wider market, a considerable reversal of the losses seen in these sectors in the previous year.

Recovering oil prices saw Brent crude soar 57% in US Dollar terms and 88% in Sterling terms in 2016. Longer term data gives a fuller picture and shows the volatility of the oil price which is down 34% in US Dollar terms and 48% in Sterling terms on a 5-year view.

Uncertainty surrounding political events enhanced the safe haven status of gold in the eyes of some investors and the price is up 31% in Sterling terms and 10% in US Dollar terms for the year as a whole. This masks the volatility which was seen month to month and the current US Dollar price of \$1,164 remains well below the 2011 peak of \$1,800.

Bond yields declined in the first half of the year and plummeted following the Referendum, with an unprecedented number of global bonds offering negative yields with an aggregate value of \$13.4 trillion by August. The last quarter of 2016 saw a significant increase in sovereign bond yields from historically low levels though, reflecting changing perceptions regarding inflation and interest rates and the value of negative-yielding debt came down to \$8.7 trillion by November.

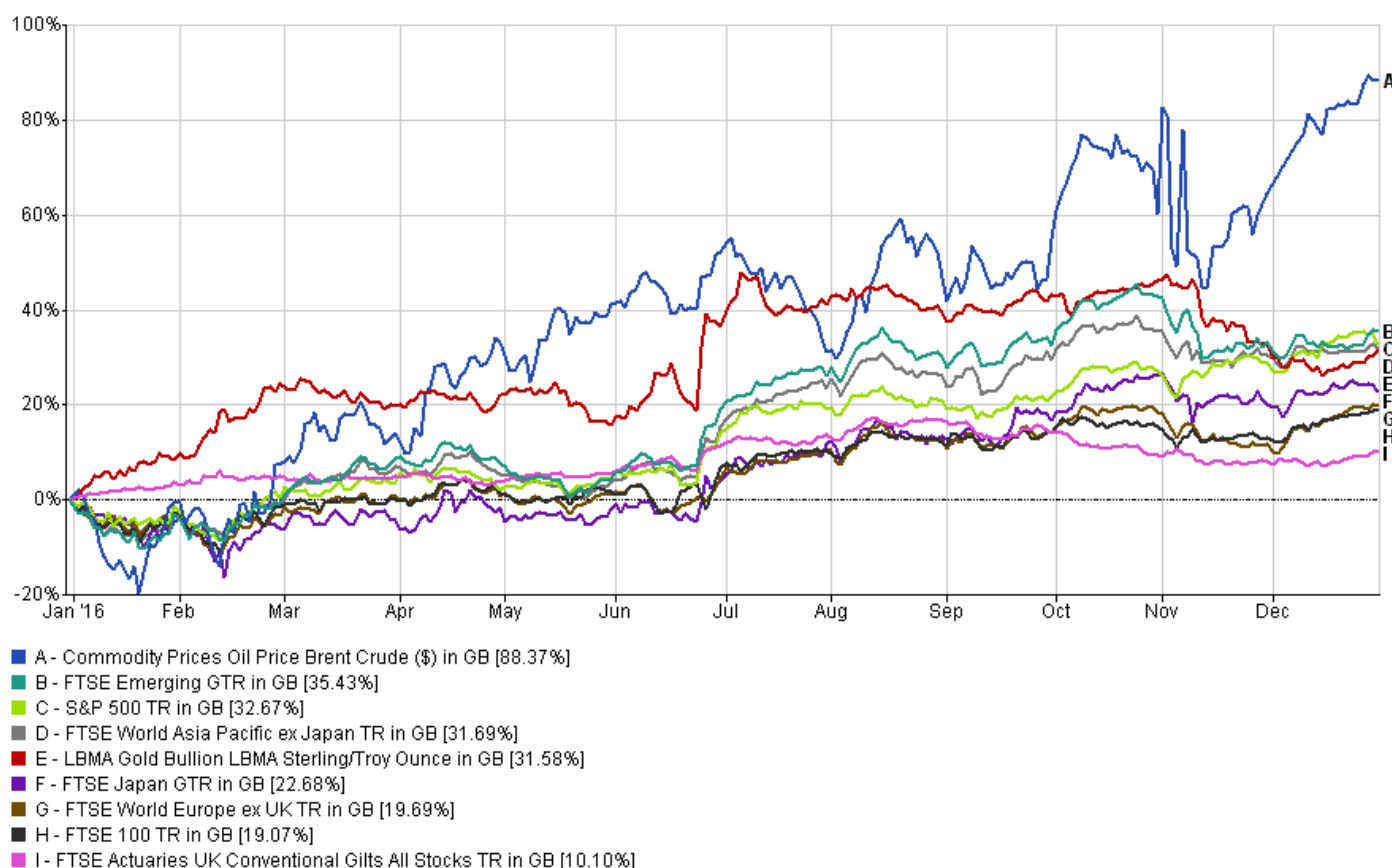
Bond prices have an inverse relationship with the yield and so there was a decline in bond capital values in general in the last quarter and the FTSE Actuaries UK Conventional Gilts All Stocks Index fell 3.4% in this time.

2016 was eventful in political terms. In the coming year the political shocks seen in the UK and the US may move to the Eurozone, where four elections are scheduled to take place in 2017. These events are

likely to continue to impact capital markets globally in the coming year. The era since 2008 has been dominated by low interest rates and large scale quantitative easing operations. Extraordinary monetary policy may now be drawing to a close with a greater emphasis on fiscal policy in the coming years.

Georgina Ogilvie-Jones

1-Year Performance in Sterling Terms to December 2016



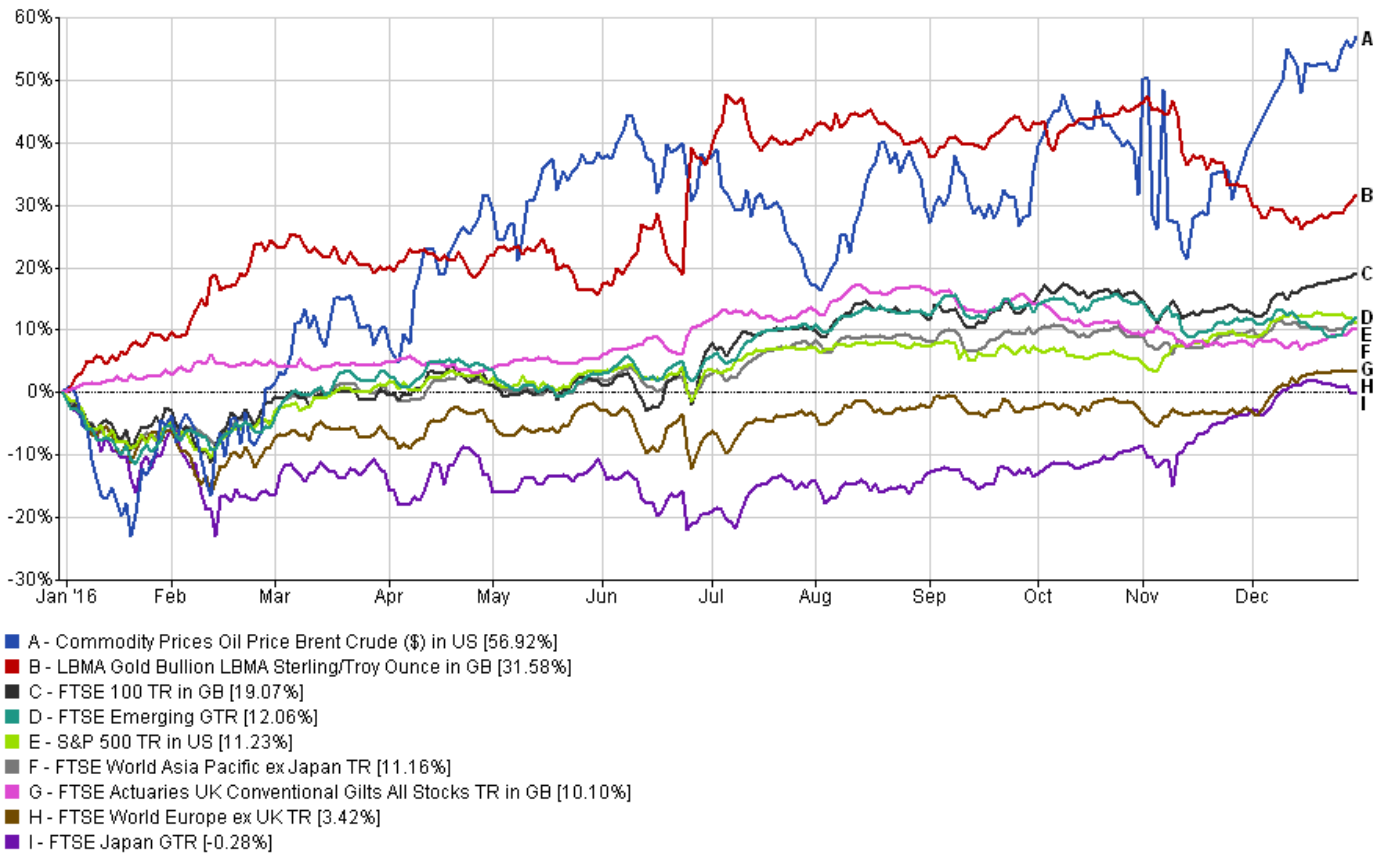
31/12/2015 - 30/12/2016 Data from FE 2017

Cumulative Performance in Sterling Terms to December 2016

	1m	3m	6m	1y	3y	5y
FTSE Actuaries UK Conventional Gilts All Stocks (GBP)	1.80%	-3.43%	-1.18%	10.10%	26.06%	24.12%
FTSE 100 (GBP)	5.37%	4.32%	11.68%	19.07%	18.37%	54.47%
S&P 500 (GBP)	3.06%	8.97%	16.27%	32.67%	69.72%	141.37%
FTSE World Europe ex UK (GBP)	6.95%	4.81%	14.21%	19.69%	26.29%	86.28%
FTSE World Asia Pacific ex Japan (GBP)	0.93%	1.72%	14.10%	31.69%	32.20%	59.87%
FTSE Emerging (GBP)	1.84%	2.17%	13.65%	35.43%	31.02%	39.92%
FTSE Japan (GBP)	2.19%	5.11%	17.82%	22.68%	48.18%	91.34%
Brent Crude Spot Price (GBP)	14.45%	21.74%	23.64%	88.37%	-31.76%	-34.13%
LBMA Gold Bullion Spot Price (GBP)	-1.00%	-8.04%	-3.51%	31.58%	29.25%	-8.34%

Source: Financial Express

1-Year Performance in Local Currency Terms to December 2016



31/12/2015 - 30/12/2016 Data from FE 2017

Cumulative Performance in Local Currency Terms to December 2016

	1m	3m	6m	1y	3y	5y
FTSE Actuaries UK Conventional Gilts All Stocks (GBP)	1.80%	-3.43%	-1.18%	10.10%	26.06%	24.12%
FTSE 100 (GBP)	5.37%	4.32%	11.68%	19.07%	18.37%	54.47%
S&P 500 (USD)	1.93%	3.65%	7.48%	11.23%	26.62%	91.91%
FTSE World Europe ex UK (Composite)	6.08%	5.97%	11.22%	3.42%	20.90%	79.79%
FTSE World Asia Pacific ex Japan (Composite)	1.42%	1.63%	8.43%	11.16%	12.64%	49.35%
FTSE Emerging (Composite)	0.23%	-0.81%	6.41%	12.06%	13.10%	39.61%
FTSE Japan (Yen)	3.45%	15.16%	23.82%	-0.28%	22.68%	130.62%
Brent Crude Spot Price (USD)	13.19%	15.81%	14.29%	56.92%	-49.09%	-47.63%
LBMA Gold Bullion Spot Price (USD)	-2.09%	-12.53%	-10.81%	10.31%	-3.36%	-27.07%

Source: Financial Express

Calendar Performance in Sterling Terms

	2016	2015	2014	2013	2012	2011
FTSE Actuaries UK Conventional Gilts All Stocks (GBP)	10.10%	0.57%	13.86%	-3.94%	2.51%	15.79%
FTSE 100 (GBP)	19.07%	-1.32%	0.74%	18.66%	9.97%	-2.18%
S&P 500 (GBP)	32.67%	6.58%	20.02%	29.10%	10.16%	2.23%
FTSE World Europe ex UK (GBP)	19.69%	5.35%	0.16%	25.18%	17.82%	-14.71%
FTSE World Asia Pacific ex Japan (GBP)	31.69%	-4.40%	5.01%	2.72%	17.72%	-12.93%
FTSE Emerging (GBP)	35.43%	-10.31%	7.87%	-5.29%	12.76%	-18.36%
FTSE Japan (GBP)	22.68%	17.58%	2.73%	24.95%	3.34%	-12.91%
Brent Crude Spot Price (GBP)	88.37%	-31.97%	-46.75%	-0.94%	-2.56%	17.54%
LBMA Gold Bullion Spot Price (GBP)	31.58%	-6.95%	5.56%	-29.15%	0.10%	15.87%

Source: Financial Express

Calendar Performance in Local Currency Terms

	2016	2015	2014	2013	2012	2011
FTSE Actuaries UK Conventional Gilts All Stocks (GBP)	10.10%	0.57%	13.86%	-3.94%	2.51%	15.79%
FTSE 100 (GBP)	19.07%	-1.32%	0.74%	18.66%	9.97%	-2.18%
S&P 500 (USD)	11.23%	0.75%	12.99%	31.55%	15.22%	1.47%
FTSE World Europe ex UK (Composite)	3.42%	8.66%	7.58%	23.37%	20.54%	-12.71%
FTSE World Asia Pacific ex Japan (Composite)	11.16%	-2.73%	4.18%	11.36%	19.07%	-12.84%
FTSE Emerging (Composite)	12.06%	-5.83%	7.17%	3.92%	18.79%	-12.09%
FTSE Japan (Yen)	-0.28%	11.52%	10.32%	54.77%	21.46%	-17.98%
Brent Crude Spot Price (USD)	56.92%	-35.28%	-49.87%	0.93%	1.92%	16.67%
LBMA Gold Bullion Spot Price (USD)	10.31%	-12.04%	-0.40%	-27.97%	4.76%	15.41%

Source: Financial Express

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