

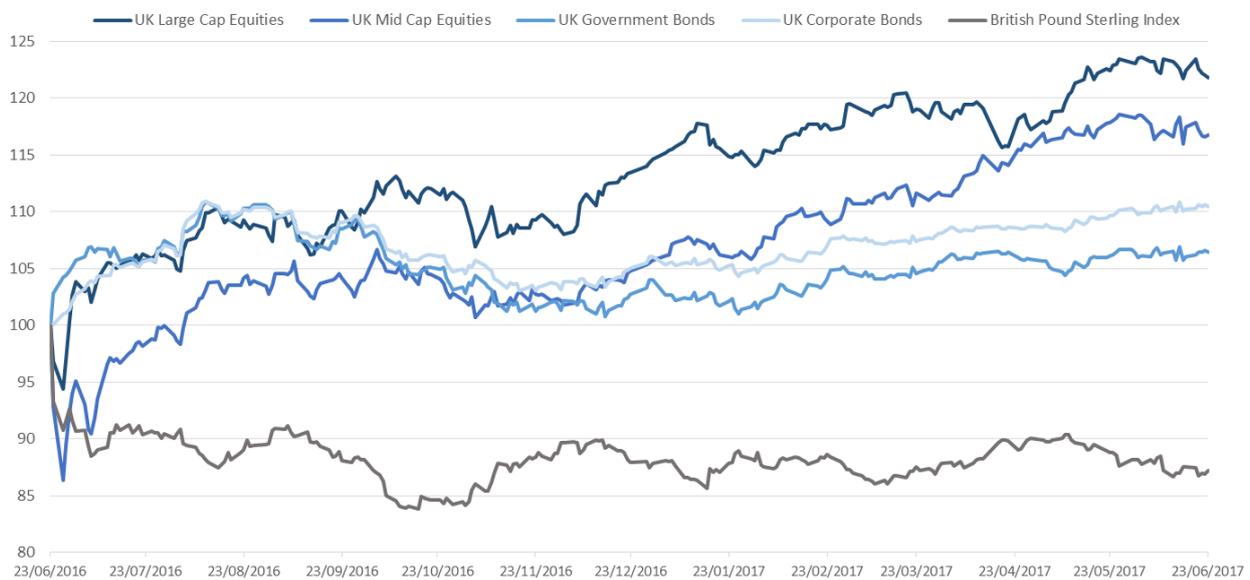
Signia Talking Points – June 2017

May Falls In June

One year on from the UK’s Brexit vote and the anniversary was greeted with more political paralysis and irony as another Conservative government weakened its own position by misjudging the political landscape. Following David Cameron’s fatal Brexit referendum gamble last June, Theresa May’s government lost their parliamentary majority in this June’s snap general election. Perversely, over the intervening twelve month period UK assets, from equities to bonds, fared strongly with the FTSE 100 index comprising predominately of international companies with large proportions of overseas earnings returning +21.8%. These returns were buoyed by an accommodative Bank of England and significant depreciation of the British Pound that boosted earnings and also supported exporters and the domestic economy.

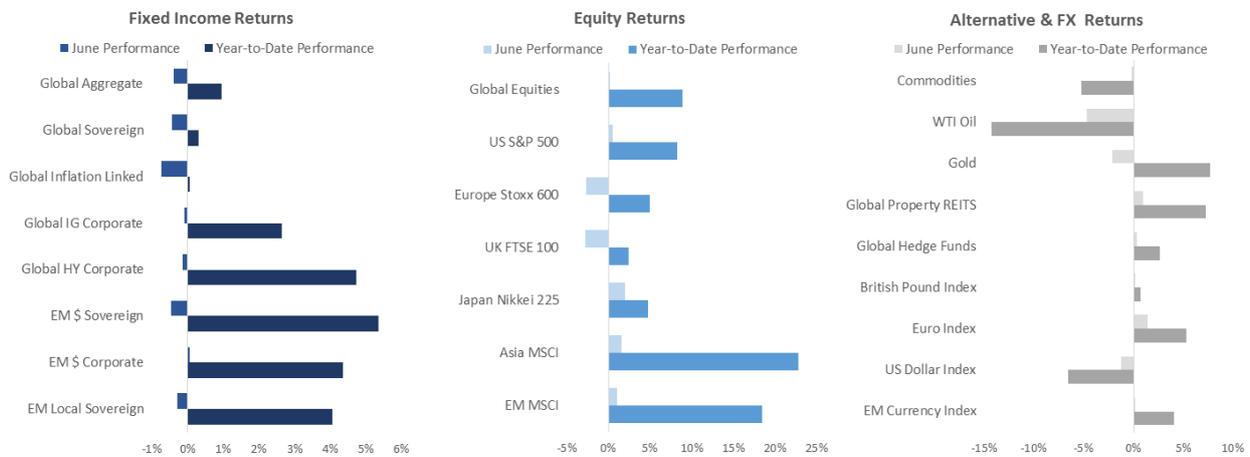
Brexit One Year On

UK Asset Returns 23 June 2016 - 23 June 2017



UK Large Cap Equities: FTSE 100 Index; UK Mid Cap Equities: FTSE 250 Index; UK Government Bonds: Bloomberg UK Govt All Bonds Total Return Index; UK Corporate Bonds: Bloomberg Sterling Corporate Total Return Index; British Pound Sterling Index: Bank of England UK GBP Broad Trade Weighted Index. Source: Bloomberg.

Market Returns



Global Agg: Bloomberg Global Aggregate TR Hedged GBP; Global Sovereign: Bloomberg Global Treasury TR Hedged GBP; Global IL: Bloomberg World Govt Inflation Linked Bonds 1-10Y TR Hedged GBP; Global IG: Bloomberg Global Corporate TR Hedged GBP; Global HY: Bloomberg Global High Yield TR Hedged GBP; EM\$ Sov: Bloomberg Emerging Markets Sovereigns TR Hedged GBP; EM% Corp: Bloomberg EM USD Corporate 10% Cap Hedged GBP; EM Local Sov: Bloomberg EM Local Currency Govt TR Unhedged GBP; Global Equities: MSCI ACWI Local Index; Commodities: Bloomberg Commodity TR Index; Global Property REITS: FTSE EPRA/NAREIT Global Index; Global Hedge Fund: HFRX Global Hedge Fund Index; British Pound: Bloomberg British Pound Index; Euro: Bloomberg Euro Index; US Dollar: Bloomberg US Dollar Index; EM Currency: JP Morgan Emerging Market Currency Index. Source: Bloomberg. Data as at 30/06/2017.

Fixed Income

- A raft of comments from central bankers including the European Central Bank president Mario Draghi and Bank of England governor Mark Carney pushed bond yields higher this month
- Inflation linked bonds performed poorly on lowered inflation expectations in Europe and the US
- High Yield credit was down more than Investment Grade credit mainly on weakness in energy prices

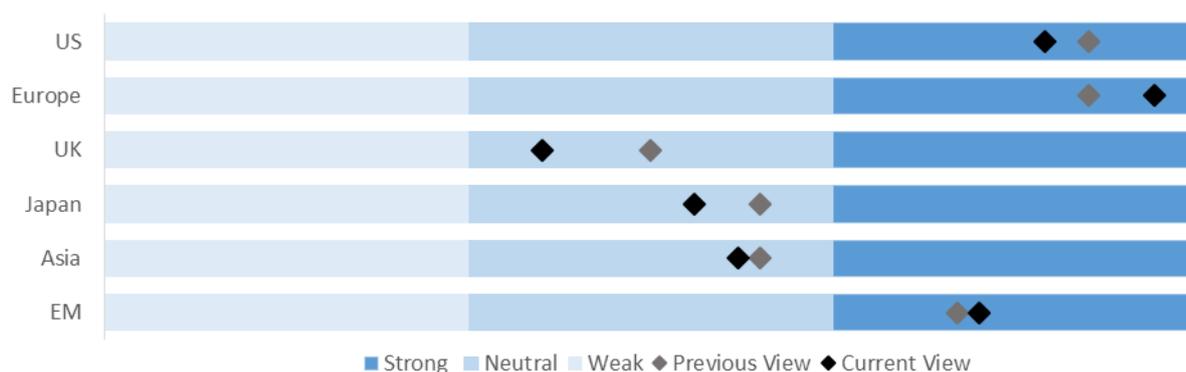
Equities

- Strong Euro and Sterling hindered large cap equity markets in Europe and the UK
- Most markets were trading within +/-1% for the first half of the month
- Towards the end of the month, Japan and Asia started to outperform while Europe and UK fell behind

Alternatives & FX

- Commodities fell slightly in June with oil declining -5.2% as export and rig count data continued to rise, whilst wheat climbed 18.5% on short covering and droughts across South Dakota
- Gold posted its first monthly decline since March, the fall was attributed to central banks moving to a more hawkish stance that caused real rates to move higher
- The US Dollar index continued its decline closing the month down -1.3% and taking its year-to-date decline to -6.6%

Signia Macroeconomic Outlook



Source: Signia Wealth. Data as at 30/06/2017.

- We remain most positive on the strength of the economic recoveries in the US, Europe and Emerging Markets, and hold a neutral stance in the UK, Japan and Asia.
- In the US we acknowledge the economy has been expanding for 8 years and is likely approaching its late cycle phase, whereas the European economic recovery is more mid-cycle and gathering steam
- We have revised down our UK economic outlook amidst heightened Brexit and political uncertainties

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