Butterfield

Fourth Quarter 2015

Investment Review

BUTTERFIELD BANK
FOURTH QUARTER 2015 INVESTMENT REVIEW

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SUMMARY OF MARKETS AND OUTLOOK

STRATEGY

1.38%. It doesn't seem like a very exciting number, but that's what the S&P 500 returned for 2015. For returns to US Dollar-based investors, that was about as good as it got, with plenty of sectors, geographies and sub-indices providing negative absolute returns. One might have done slightly better than the S&P in very, very high grade corporate debt, and US Treasuries also eked out small positive gains. In equities, the only better idea would have been to embrace Japan's Quantitative Easing program and invest wholeheartedly in Japanese equities (whether hedged back to USD or in JPY made little difference). Inevitably, this leads to the question of where to be positioned in 2016.

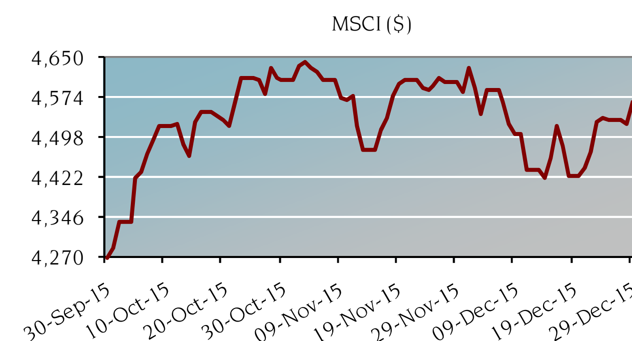
Butterfield Asset Management enters the year in the position of being equal weight equities, having reduced our overweight to the asset class in late 2014. The cash generated from the reduction in equities was allocated to remain in cash, although more recently, where applicable, we moved to an overweight alternatives position. Naturally, not all investment mandates require an alternatives exposure and in these instances, portfolios maintain a higher cash weighting. We moved into alternatives to protect against an increase in volatility during the second half of 2015, predicated on the presumption that markets would become nervous in the run up to the first increase in base rates in the US since June 2006. We were right about the volatility, but not strictly the cause for such an increase and in the short term, the alternative allocation has underperformed cash. Still, asset protection through an investment in volatility-dampening hedge funds is a place we are comfortable with for the first half of 2016.

In the fixed income markets, the Fed followed through on market expectations and lifted rates in December off of the zero bound to a new range of 0.25% to 0.50%. The angst surrounding this move, always telegraphed as the beginning of a "gradual" increase in rates, was largely misplaced and the financial markets have absorbed the hike, if not in stride, at least without massive intervention from the Fed to keep the rate stable. We believe that there could be up to 100 basis points of further tightening in 2016, which would still leave the "path" of tighter money very subdued versus prior periods of monetary tightening in the US. It is with this forecast in mind that we remain underweight fixed income as an asset class for the beginning of 2016, and we also carry less interest rate risk than our relevant fixed income market indices.

SUMMARY OF MARKETS AND OUTLOOK

EQUITIES

For calendar year 2015, the global stock market, as measured by the benchmark MSCI World index, declined by 0.87%. For the most part, 2015 can be viewed as a tale of two halves. There was steady if uncertain progression during the first five months, with the benchmark hitting a new high during May, despite increasing levels of volatility. Thereafter, the market began to sputter, price reversals became more significant and concerns around a Chinese slowdown resurfaced. This reached a crescendo in August and September, with a decline from the May peak of almost 15%, midway between a classic "correction" (-10%) and a more concerning and potentially prolonged "bear market" (-20%). Rate rises were put on hold once more and as falling energy prices were portrayed as a boon to consumers, markets duly took note and rebounded, although the recovery has not been particularly convincing.



The relatively modest move from MSCI World during the year masks some very significant variations in the underlying country indices. The markets in Canada, Australia and Norway have been impacted by the negative sentiment toward commodity producers, with declines in US Dollar terms of 24.2%, 15.6% and 15% respectively for 2015. On the positive side, the major contributors have been the markets in Japan and Denmark, which have risen by 9.6% and 23.5% respectively in US Dollar terms. Although the US component of the index posted a modest gain of 0.7%, its contribution to the overall return was important as it has a significant weighting of 57%.

Emerging Markets have also struggled, with the benchmark index down 14.92% at year end. Whilst there are obvious short-term concerns around rising interest rates and a stronger dollar, a small allocation remains appropriate for those portfolios which seek exposure to faster growing and potentially higher return parts of the globe.

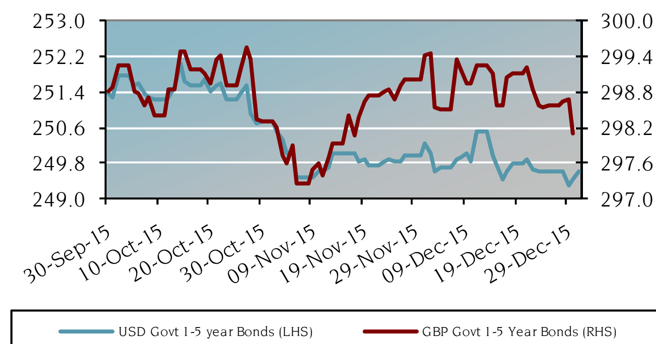
Given the UK market's large exposure to energy and materials, segments impacted by the aforementioned Chinese slowdown, and negative pricing environment across the commodity markets, the FTSE 100 index has also been disappointing with a decline of 1.32% for the year.

Readers may recall that in December 2014 we reduced our equity weighting from overweight to equal weight, having determined that markets had become a little extended, earnings growth was unlikely to fill the valuation gap, and that the potential increase in return from taking additional equity risk was no longer merited. Looking forward we see no reason to change our "cautiously optimistic" view. Future equity market returns are likely to be muted by historical standards, but this is similar story for returns from all other asset classes, including cash. Companies with dominant positions that have been through these cycles before will continue to prosper, whilst dividend yields remain reasonably attractive despite the increase in stock prices during the last few years. By investing in those companies with strong balance sheets we reduce (although do not eliminate) a degree of risk. Adding those factors together makes us comfortable that even though 2016 may witness more than its fair share of unpredictability, in the longer term it is right to remain neutrally weighted to equity.

SUMMARY OF MARKETS AND OUTLOOK

FIXED INTEREST

2015 has been a year of limited returns from high grade, international bond markets. The most recent quarter has seen bond markets in the US and UK give up a few basis points, whilst European bond markets have moved higher by a similar magnitude. Overall, this has left investors in major bond markets in a similar position to where they had started the year. Benchmark Government Bond Indices just about pushed into positive territory, but a widening of credit spreads negated the change in underlying interest rate expectations.



The year marked a divergence in Central Bank policies from the major economies, with the US raising interest rates for the first time, the UK standing still, while the ECB continued its quantitative easing program and cut interest rates below the zero bound. It is therefore interesting to see that nominal returns in base currency across US Dollar, Sterling and Euro-denominated bonds are largely the same. However, the movement in currencies over the period is an entirely different story.

From an economic perspective, the Federal Reserve have been sufficiently confident in the outlook to finally end the “will they/won’t they?” debate, by increasing interest rates at their December FOMC meeting. After an aborted attempt to raise rates in September, markets gained sufficient composure such that the December announcement was met with muted reaction. However, this may largely be to do with the accompanying statements that suggested that any further monetary tightening would be data dependent and very gradual in nature.

Through much of the year, we were of the opinion that the Bank of England was waiting for the US to raise interest rates and it would then follow in relatively short order. However, it has become increasing likely that rates will not head higher in the UK in the near term. Employment data, in terms of falling unemployment and rising wages, continues to point towards tightness in the economy and a potential trigger for tighter policy. Conversely, economic growth appears to be rolling over, driven by a weaker international outlook and the strength of Sterling versus the Euro. This appears to be driving the BoE at present, which is now likely to remain on the sidelines through the Spring.

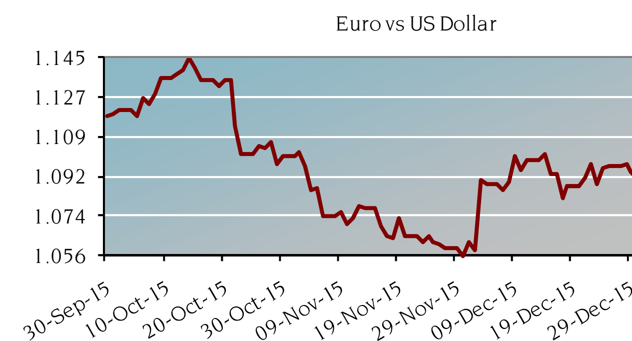
Turning to Europe, despite some signs of initial successes from its quantitative easing program, the European Central Bank has eased policy further, by extending the QE program and pushing official rates deeper into negative territory. The ECB is now set to continue the EUR60bn per month asset purchase program through March 2017, in an ongoing bid to push inflation back towards 2% in Europe. With this in mind, interest rates are unlikely to go higher, which will be reflected across the Euro yield curve.

As we look forward to 2016, expectations are broadly similar to 2015, with an underlying fear of higher interest rates being balanced by a difficult global economic backdrop, which calls for continued monetary support. In this environment, we would anticipate that bond yields remain relatively well anchored by low interest rates, although the potential for yields to push higher from surprise growth or inflation data limits our desire to hold too much interest rate risk in client portfolios as we begin the year. To this extent, we shall continue to hold a higher than normal allocation in cash and/or short-dated bonds as we begin the year. In line with our equity view, we are comfortable with maintaining a level of corporate risk, so shall maintain credit exposure in portfolios at this time.

SUMMARY OF MARKETS AND OUTLOOK

CURRENCY

In keeping with what was consensus opinion at the start of the year, 2015 ultimately proved to be a year of US Dollar strength, however overall gains were perhaps a little more muted than many had initially expected. Over the course of 2015, there were a number of "false dawns" as to when the US Fed might begin to raise interest rates and the Dollar's value rose only to then fall away, as the timing of a policy change kept being pushed further out.



Ultimately, it was the relatively positive US economic data releases in October, particularly in respect employment, that paved the way for the Federal Reserve's long awaited interest rate hike on 16th December 2015. As is often the case within financial markets, the old adage of "it's better to travel than arrive" again held true and the Dollar gave back a little ground post the Fed's announcement. During 2015, the Dollar appreciated by approximately 10% against the Euro, just under 5.5% versus Sterling and a more marginal 0.3% in terms of the Yen.

Looking forwards, whilst the Fed remains cognisant of the risks of tightening too quickly, it's likely that interest rate differentials will continue to dictate trends within global currency markets and as such we expect that the Dollar will remain well supported during 2016.

The European Central Bank (ECB) remains focused upon maintaining an extremely accommodative stance in terms of monetary policy through 2016. Whilst some commentators had expected an announcement of further monetary stimulus at the December policy meeting, the ECB ultimately reiterated their commitment to existing strategies and the Euro recovered a little ground versus the Dollar post this news. Whilst the Fed and the ECB pursue divergent policies, it is difficult to see a scenario other than an ongoing firmer trend in the Dollar.

In contrast to their general guidance in the first half of 2015, recent pronouncements and commentaries from the Bank of England (BoE) suggest that UK rates will remain unchanged in the near to medium term. The lack of an imminent rise in interest rates, combined with some longer term uncertainty created by the upcoming UK referendum on Europe, has seen Sterling remain under pressure versus the US Dollar during the second half of 2015. Having enjoyed a period of relative support during the first half of last year, the Pound has fallen in value by over 6% against the US Dollar and by just under 4% versus the Euro during the second half of 2015.

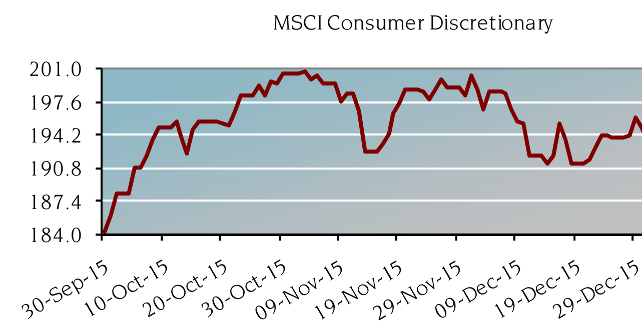
As we move through 2016, despite a relatively positive economic backdrop we expect Sterling to remain under pressure versus the Dollar, as a rise in UK rates gets pushed further back and uncertainty increases in the run up to the referendum on Europe.

Having lost some further ground during the early part of the October, the Yen staged a recovery on the back of improving economic data. Looking longer term, we remain of the view that the Bank of Japan (BoJ) will continue take action to sustain economic growth and maintain a positive trend in core prices. Therefore, as long as the BoJ and the Fed continue on divergent tacks, the likelihood of material appreciation in the Yen's value appears limited for now.

SECTOR REVIEW

CONSUMER DISCRETIONARY

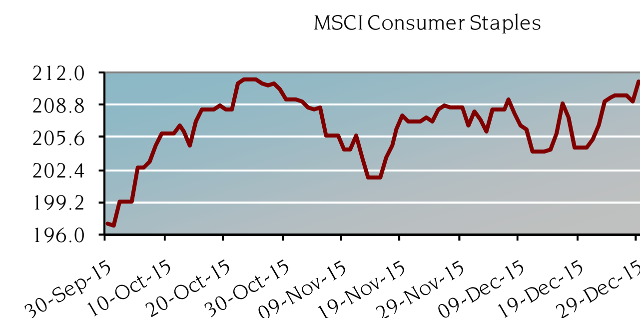
The Consumer Discretionary sector rose 5.48% during 2015, making it one of the better performing areas of the market. This gain is despite the turmoil caused by the Volkswagen scandal and the much-vaunted Chinese slowdown, with much of that bad news offset by a continued fall in energy prices, low interest rates and a gradually improving job market. This is particularly the case in the US and UK, where unemployment levels are close to or lower than normal levels. These factors no doubt drove the retail industry to outperform other areas in the sector, where a double-digit gain offset a lacklustre performance from automobiles, consumer durables, consumer services and media, which were either flat or marginally down for the year. Despite these economic improvements, wage pressure largely remains absent and inflation looks to be under control, perhaps the result of an increased use of technology to drive efficiencies.



We remain equal weight the sector, anticipating increased levels of volatility during 2016 created by bouts of market uncertainty as economic growth periodically struggles to maintain its momentum. Rates have also recently risen in the US, signalling the end of a decade-long period of decline. It is a sector that has performed well in the long term, so we are open to increasing our weighting should the right valuation opportunity occur. However, it is important to be patient when waiting for such an event, and we feel that on balance current valuations do not justify such a move.

CONSUMER STAPLES

The Consumer Staples sector rose 6.35% during 2015, a performance that was significantly better than that of the overall market. Its trajectory during the year also largely reflected that of the broader benchmark, rising a little less, declining by around 10% mid-year and then bouncing a little better than the main index. Stalwarts in the food, beverages & tobacco industry have largely been responsible for the sector's positive gain, with the pricing power of habit-forming businesses displaying their staying power once more.



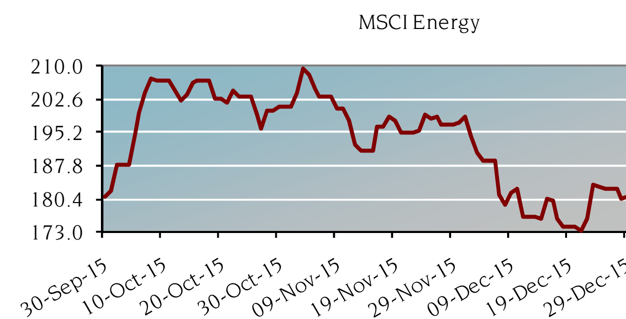
Despite the recent US interest rate rise, dividend yields in the sector remain attractive, well-covered and in many cases continue to grow. The strength of their balance sheets also compares favourably with those of their government counterparts. On the negative side, increased exposure to emerging markets during the last decade will be a burden in the short term, although many multinationals will see it as an opportunity to entrench themselves in local markets at the long-term expense of their domestic competitors.

Overall, we feel it makes sense to maintain our exposure at equal weight for now. Valuations remain stretched, if admittedly for very good reasons, which tempers our enthusiasm somewhat until a better buying opportunity arises.

SECTOR REVIEW

ENERGY

The Energy sector recovered some ground during October and early November only to lose momentum, as concerns around how long the global oil market will remain oversupplied again dominated sentiment. As a result, the sector posted a decline of 0.72% during the fourth quarter versus a 5.5% gain in the broader market.



The past year has proved a particularly difficult period for all participants within the Energy sector. The downturn began back in November 2014 following OPEC's decision to shift focus on maintaining market share and abandon its previous strategy of managing supply to protect prices.

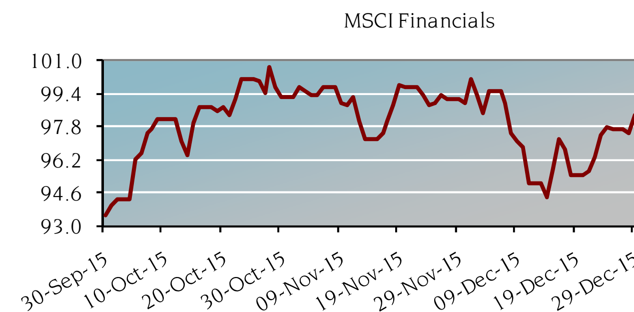
At their most recent meeting in early December 2015, OPEC signalled that their production quota would remain unchanged, therefore maintaining a strategy focused on rebalancing the global oil market as a consequence of demand growth and lower production outside OPEC, particularly within the US. Whilst some divisions exist within OPEC, current policy looks set to continue for now as the dominant suppliers, such as Saudi, have the financial flexibility to take a longer-term perspective.

Since our last update at the end of the third quarter, spot oil prices have again come under renewed pressure in what remains an extremely volatile market. Having recovered to trade at just under USD50 during October, the price of a barrel of West Texas Intermediate (WTI) again fell below USD40 to end the year at USD37.04, some 30.47% below the level it which it began 2015.

Whilst we remain of the view that the oil price will ultimately recover on the basis that global oil demand expectations remain reasonably solid, combined with reduced E&P CAPEX globally, we continue to believe that this process of re-balancing may take longer than initially anticipated. We therefore maintain a "neutral" position and our emphasis from a stock perspective remains toward the major international integrated companies that have the balance sheet strength to sustain attractive dividends within an extended period of lower prices.

FINANCIALS

The Financials sector has increased in value by 4.23% over the most recent quarter, although recent gains have not been sufficient to reverse overall loses for 2015 which stand at 3.37%. With regard to relative performance, the sector has failed to keep up with the broad market over the quarter and year, trailing by 2.5% on a twelve-month view.



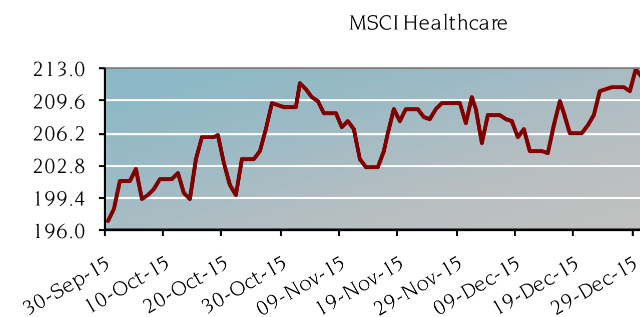
Over recent quarters, we have gradually moved the sector to a neutral weighting from an underweight position. This move has been driven by various factors. In the first instance, many of the tail risks weighing on the industry have receeded as a combination of capital raising and revised regulation have adjusted the industry structure to that which was prevalent at the time of the financial crisis. In addition, loan demand is rising, margins are set to improve with the first interest rate rise in the US and balance sheets have been largely cleaned up.

Looking forward, the industry will continue to face numerous challenges. Ongoing regulatory reviews will keep capital formation at the fore, so future returns will be influenced by the ability of companies to increase their distributions whilst meeting capital requirements. However, valuations within the sector (earnings and book value) are at a sufficient discount to the broader market, such that a neutral, rather than underweight, allocation is justified at this time.

SECTOR REVIEW

HEALTHCARE

The MSCI World Healthcare Sector Index recovered well from a disappointing third quarter, posting an increase of 6.98% in the final quarter of the year. This most recent gain takes the full-year performance for the sector to 6.6%, which represents the second best performance of the ten sectors that comprise the headline MSCI World Index. The full-year performance from the Healthcare sector was significantly greater when compared to the broader index, which fell by 0.87% during 2015.



A number of factors helped to support share prices across many areas of the Healthcare sector during the year, including evidence that the US Affordable Care Act (ACA) is leading to higher sales and an increase in merger and acquisition (M&A) activity.

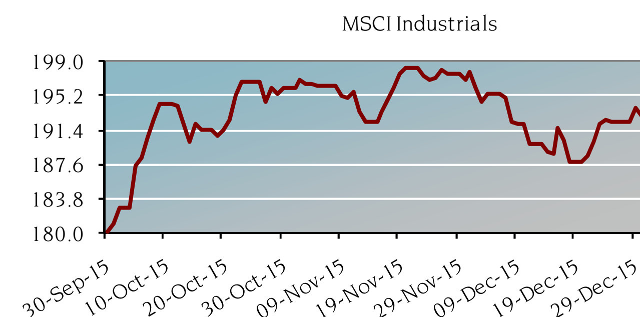
The ACA has helped over 16 million Americans who previously didn't have medical insurance to get health cover. This has opened up the US healthcare market to a huge number of new patients who may have previously gone without treatment, resulting in an increase in sales for companies across the medical supply chain, with hospitals, pharmaceuticals and equipment manufacturers seeing particularly strong growth. We continue to believe that the ACA has potential to provide an ongoing uplift in sales as the US population remains tilted toward an aging demographic, and the use of medical care is likely to intensify.

According to Bloomberg data, there have been over 3,200 M&A deals in the Healthcare sector during the year, with a total value of over US$970 billion; double the value of deals in 2014. Whilst such a significant increase can be a sign that company management are being forced into "buying" growth, we feel that it indicates the attractive long-term outlook for the sector. The large number of deals that have been announced will undoubtedly lead to valuations being pushed higher across the group, so we remain focused on companies that show relatively attractive valuations and have good organic growth potential.

We remain overweight the sector based upon the very attractive long-term fundamentals factors that we discussed in the past, such as aging populations and the advancement of medical science. We are mindful that valuations have been pushed up in the past year, so we continue to closely monitor for signs of overvaluation within the sector, and focus on companies that are more attractively valued and are likely to benefit from the positive secular trends that are in place.

INDUSTRIALS

The Industrials sector fell 2.06% during a challenging year, marginally behind the broad market. Concerns over global demand, particularly from the hitherto growth engine of China, had a knock-on impact for makers of heavy industrial machinery and recipients of large-scale capital expenditures. Transport, in particular, faced a torrid time as falling energy prices reflected not just an abundant level of supply but also concerns over global end-user demand. Technological shifts are also worrying CEOs, with fears that their own products may become commoditised as did the PC industry, where the financial benefits of change now reside firmly with the owners of data.



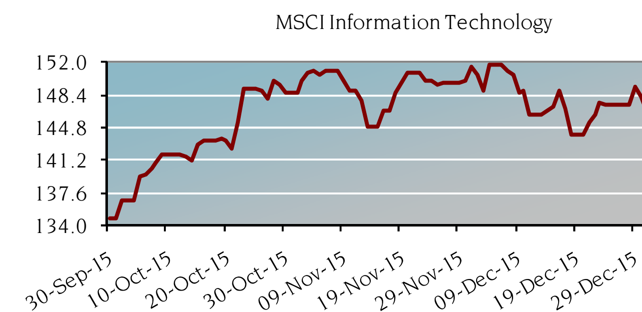
We remain equal weight the sector and do not anticipate a near-term change. Many of the industrial world's business models are dependent on key factors outside their control, such as geopolitics and commodity pricing, whilst "visibility" within the group is frequently low. Opportunities do exist but they must be picked carefully.

Valuations are reasonable but do not currently offset the aforementioned issues, so until there is either a clear market mispricing or a sustainable pickup in cyclical demand, it is an area of the market that only provides fair value.

SECTOR REVIEW

INFORMATION TECHNOLOGY

During the fourth quarter, the MSCI World Information Technology Sector posted the best performance of the ten sectors that comprise the MSCI World Index, rising by 8.85%. For 2015 as a whole, there were divergent returns from the industries that comprise the Information Technology sector, with the Software and Services group rising by 14.25%, whilst the Hardware & Equipment and Semiconductor industry groups fell by 8.91% and 4.28% respectively. This resulted in a gain for the sector of 4.76%, the fourth best performance of the all the sectors, and a significant outperformance of the 0.87% decline from the headline MSCI World Index.



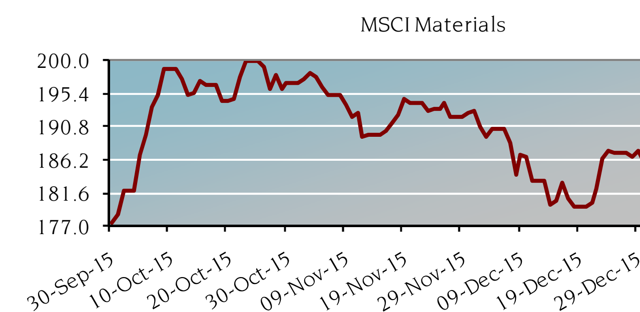
The wide differential in returns from companies within subsets of the same sector demonstrates a clear shift in investor sentiment, with high valuation multiples being placed on companies that are associated with the "cloud", whilst more mature technology companies are being discounted due to their lower growth characteristics. Whilst there are some very exciting growth opportunities from businesses that are delivering their services to a wide audience via the Internet, it is important to remain selective in this area and focus upon companies that have a commitment to shareholder return.

The large valuation gap that has opened between the Internet-based companies and the more traditional parts of the sector in the past 12 months has undoubtedly created some interesting opportunities in the more unloved names within the sector. Whilst these companies are not at the forefront of growth, we think good returns can be achieved with investments in attractively valued, cash-generating businesses whose management teams are dedicated to enhancing shareholder value.

Although the relatively fast growth that is occurring for some companies in the sector is attractive, given the stretched valuations in those areas we are neutrally positioned. We have a preference for companies that have the scale and cash flow generation to provide a stable base from which to take advantage of the continued evolution of technology.

MATERIALS

The Materials sector fell 15.26% during 2015 and was the second worst performing sector over the year. There was notable divergence between the sub-sectors, with Construction & Engineering outperforming the market, Chemicals and Containers & Packaging performing much in line, whilst Metals & Mining significantly underperformed. The post-2011 weakness in commodity markets continued apace with a precipitous 25.41% fall in the price of copper and 38.86% decline iron ore.

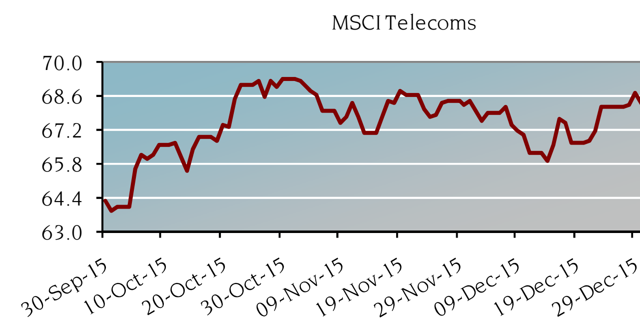


Lower commodity prices have created an environment in which consumers of raw materials have benefited at the expense of producers. Chemical companies and packaging companies have performed relatively well, whereas the mining sector has had a torrid year. We have written about the reasons for this over the year, but overall the combination of increasing supply and slowing demand, have created an over-supplied commodity market that has caused a perfect storm for companies mining and producing raw materials. Company earnings expectations have been revised consistently lower throughout the year and it is going to require some stability in underlying commodity prices before we will see these stabilise. We expect corporate restructuring and rationalisation to continue next year, and we are likely to see dividend cuts as companies focus on protecting their balance sheets. Overall, we remain equal weight the sector as there is a lot of bad news already priced into mining stocks, whilst other sub-sectors continue to benefit from lower commodity prices and reasonable global growth.

SECTOR REVIEW

TELECOMMUNICATION SERVICES

The Telecoms sector performed well this year, returning 2.53%. This compares favourably to the broad market which fell 0.87%. Most of the returns came from the sector's attractive dividend yield of circa 4%.



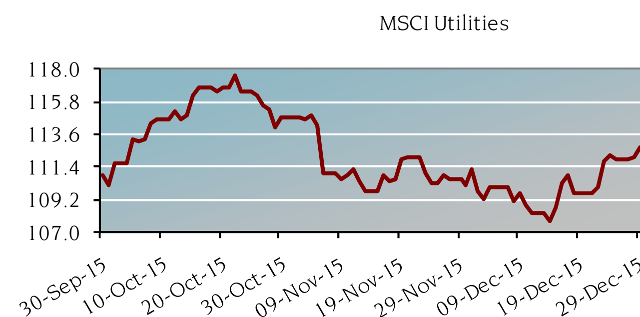
Earnings growth has been weak this year, dropping by 6%, although earnings are expected to recover through 2016 by 13% and a further 5% the following year. Valuations remain stretched with the sector trading at multiple of 19.4 times earnings versus a five-year median of 15.8 and a ten-year median of 15.4. This is marginally ahead of the MSCI World which is trading at a multiple of 19.3 times earnings.

In the US, the wireless market is likely to remain highly competitive. Pricing pressure from market leaders such as Sprint and T-Mobile is weighing on industry margins, whilst the threat of cable operators entering the business could compound the issue. However, the key question for 2016 is whether the companies' balance sheets will sustain the expensive spectrum investments required to remain competitive at a time when many of them are trying to reduce leverage.

Conversely, the outlook is different in Europe. The incumbents who have already made significant network investment have outperformed their peer group. Capital expenditure is now expected to drop in the coming year as 4G coverage approaches completion for many operators. This, coupled with the likely lower spectrum outlays next year will reduce pressure on cash flow generation.

UTILITIES

The Utilities sector underperformed the broad market during the final quarter, as the Federal Reserve increased interest rates by 0.25%. It has been a similar story for the year, with the sector falling by 6.61% versus 0.87% for the MSCI World Index. There has been substantial divergence in the sub sectors, with water utility companies performing strongly relative to the poorly performing electric and gas utility companies.

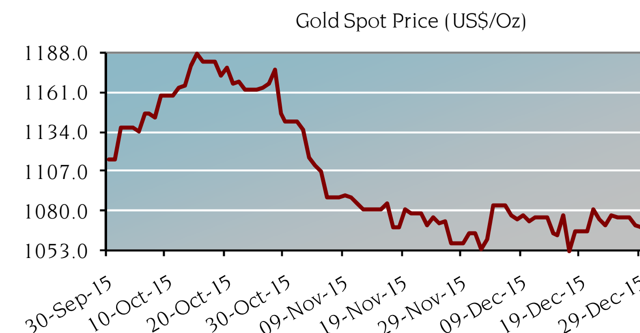


Earnings have dropped by 16% in 2015, but are expected to rebound strongly in 2016 by 18%. The sector yields 3.9% and is amongst the top-three highest dividend yielding sectors, with premiums to government debt at a 10-year high. Whilst the yield advantage in the sector is positive, the sector continues to look expensive from an earnings perspective. At present, the sector is trading at a multiple of 21.4 times current earnings, which is both at a premium to historical averages and also to the market as a whole.

We remain underweight the sector, in line with our current underweight weighting to fixed income. Utility companies have steadily been increasing leverage since 2010, which has been facilitated by the historically low interest rate environment. Given the heavily indebted nature of the industry, an increasing interest rate trajectory will have a negative impact on earnings by directly increasing borrowing costs. Higher interest rates will also take the shine off the dividend yield, which has been an attractive feature in a low interest rate environment.

GOLD

As investors anticipated that the Federal Reserve would raise interest rates, the US Dollar strengthened over the quarter, pushing the price of gold down by 4.74%, to close the period at US$1,062.07 per ounce. This most recent decline takes the full-year reversal to 10.6%, the third consecutive year that the price has declined.



The strength in the US Dollar led investor sentiment to remain negative during the quarter, leading to a 190 ton reduction in long derivative positions and ETF holdings. This takes the fall in speculative long positions to over 400 tonnes for the year as a whole. In an environment where the market is generally sanguine regarding the systemic risks within the financial system, it is likely that negative investor sentiment toward gold will continue to lead to a reduction in speculative interest.

In terms of supply, it is likely that mine production in 2016 continues at the same rate as the past three years, with growth from new developments being offset by cost controls and declining production at more mature sites. With a relatively subdued price, supply from recycling is unlikely to rebound, we therefore expect that the overall supply picture will remain largely unchanged. In a lower price environment, demand from the physical markets tends to be well supported, as jewellery makers seek to take advantage of the lower price to build inventory.

Whilst the physical market is an important source of demand, speculative positions still effectively represent over 1,400 tonnes of inventory, and will therefore remain the key factor in determining the price of gold. Whilst we do not see a short-term catalyst that is likely to lead to a change in investor sentiment, we believe that there are sufficient uncertainties to warrant a position in gold in some portfolios. This is largely based on our concern that uncertainty and volatility will persist in an environment where Central Banks in the US and UK are seeking to unwind some of the monetary stimulus that has been undertaken in the past decade, whilst their counterparts in Europe, Japan and China are easing policy.

QUARTERLY STATISTICS

EQUITY INDICES

EQUITY INDICES	3 Month % Change 30 Sep 15 to 31 Dec 15	6 Month % Change 30 Jun 15 to 31 Dec 15	9 Month % Change 31 Mar 15 to 31 Dec 15	12 Month % Change 31 Dec 14 to 31 Dec 15
Global				
MSCI World Index	+5.50	-3.41	-3.11	-0.87
MSCI World Index (Sterling)	+8.35	+3.08	-2.40	+4.83
MSCI World Index (Euro)	+8.57	-0.86	-4.34	+10.39
MSCI Emerging Markets Index	+0.66	-17.36	-16.78	-14.92
United States				
Dow Jones Industrial Average	+7.70	+0.18	-0.11	+0.21
S & P 500 Index	+7.04	+0.15	+0.43	+1.38
NASDAQ Composite Index	+8.71	+1.01	+3.06	+6.96
Europe				
Continental Europe - Dow Jones Euro Stoxx 50	+5.68	-4.09	-9.68	+6.42
France - CAC Index	+4.48	-2.62	-5.16	+11.94
Germany - DAX Index	+11.21	-1.85	-10.22	+9.56
Switzerland - SMI Index	+3.58	+0.54	-1.67	+1.15
UK - FTSE 100 Index	+3.71	-2.64	-5.33	-1.32
Far East				
Asia - MSCI Asia Pacific Index (US Dollars)	+6.94	-8.72	-8.13	-1.96
China - Shanghai Composite	+15.93	-17.26	-5.57	+9.41
Hong Kong - Hang Seng Index	+5.42	-15.49	-9.47	-4.06
Japan - Nikkei 225 Index	+9.64	-5.11	+0.20	+11.00
MSCI World Sectors				
Consumer Discretionary	+5.28	-1.43	-0.33	+5.48
Consumer Staples	+6.16	+4.96	+3.96	+6.35
Energy	-0.72	-18.67	-19.61	-22.80
Financials	+4.23	-5.63	-4.09	-3.37
Healthcare	+6.98	-3.04	-1.56	+6.60
Industrials	+6.74	-3.02	-4.08	-2.06
Information Technology	+8.85	+3.26	+2.86	+4.76
Materials	+4.28	-16.14	-16.86	-15.26
Telecommunications Services	+6.32	-2.51	+0.80	+2.53
Utilities	+1.33	+1.39	-1.56	-6.61

QUARTERLY STATISTICS

BOND INDICES

	3 Month % Change 30 Sep 15 to 31 Dec 15	6 Month % Change 30 Jun 15 to 31 Dec 15	9 Month % Change 31 Mar 15 to 31 Dec 15	12 Month % Change 31 Dec 14 to 31 Dec 15
Bloomberg Bond Indices - Global Bond Index (US Dollars)	-1.59	+0.46	-1.45	-3.19
Bloomberg Bond Indices - Global Bond Index (Sterling)	+1.90	+8.09	+0.03	+3.33
Bloomberg Bond Indices - Global Bond Index (Euro)	+1.52	+3.36	-1.00	+8.75
Bloomberg Bond Indices - US Govt 1-5 Year	-0.70	+0.10	+0.07	+1.00
Bloomberg Bond Indices - UK Govt 1-5 Year	-0.17	+0.79	+0.34	+0.89
Bloomberg Bond Indices - Canada Govt 1-5 Year	+0.27	+0.42	+0.57	+2.17
Bloomberg Bond Indices - Euro Govt 1-5 Year	+0.40	+1.11	+0.47	+1.36

FOREIGN EXCHANGE RATES

	3 Month % Change	6 Month % Change	9 Month % Change	12 Month % Change
Sterling versus US Dollar	-2.63	-6.30	-0.73	-5.44
Sterling versus Euro	+0.20	-3.84	-1.99	+5.30
Sterling versus Swiss Franc	-0.15	+0.16	+2.01	-4.88
Sterling versus Canadian Dollar	+0.50	+3.80	+8.26	+12.58
Sterling versus Japanese Yen	-2.20	-7.78	-0.53	-5.16
US Dollar versus Euro	+2.83	+2.57	-1.29	+10.20
US Dollar versus Swiss Franc	+2.55	+6.91	+2.78	+0.59
US Dollar versus Canadian Dollar	+3.22	+10.77	+9.07	+19.05
US Dollar versus Japanese Yen	+0.44	-1.57	+0.21	+0.30
Trade Weighted US Dollar Index	+2.32	+4.99	+2.52	+10.96

COMMODITIES

	3 Month % Change	6 Month % Change	9 Month % Change	12 Month % Change
Reuters/Jefferies CRB Commodity Price Index	-9.09	-22.46	-16.86	-23.40
Gold Spot $/Oz	-4.74	-9.52	-10.28	-10.60
Silver Spot $/Oz	-4.44	-11.62	-16.28	-11.56
Brent Crude Index (London)	-23.26	-40.29	-34.30	-36.28
Crude Oil Futures (New York)	-17.85	-37.72	-22.18	-30.47

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