

Sydney Charles Financial Services Ltd

Sydney Charles RATS

2016 Review

January 2017



2016 was a positive year for investors in the Sydney Charles RATS, the following is a summary of performance across the year from our two prominent investment managers.

Investec Wealth & Investments

Low Risk Strategy: +9.4%

Medium Risk Strategy: +13.9%

High Risk Strategy: +14.4%

2016 has proven to be a remarkably tumultuous year and most asset classes have experienced extreme volatility at some stage. For equity markets, the year ended up being a success with the FTSE All Share rising 12.45% and the S&P 500 up 30.6% although the latter figure is buoyed considerably by the weakness in sterling, which fell 15% versus the dollar.

The reason for this weakness was of course the UK's decision to vote for BREXIT and whilst the initial sell off in the UK equity market was mercifully brief, sterling continued its fall against most major currencies during the second half of the year. Whilst this weakness has hit domestically orientated stocks in the UK, it has of course helped the mega cap dollar earners that are listed in the UK which explains the strong rally in the FTSE 100. At the same time, commodities enjoyed their first good year for quite some time and prices rallied strongly across the board – led by the oil price that rallied 52%.

As the year progressed and equity markets continued to rally, we improved the diversification of the portfolio by lowering weightings in individual holdings and by increasing the number of underlying holdings. At the same time, we reduced the overall equity exposure and used the proceeds to purchase new holdings in both the Alternatives and Fixed Interest asset classes. Whilst we still remain cautiously optimistic on equities, we felt that some prudence was sensible bearing in mind how well the portfolio had done during the year.



Ravenscroft Investment Management

In terms of performance, all of our strategies performed well over 2016 and finished ahead of the peer group (as measured by the ARC and TMPI indices). The final performance figures for our funds during 2016 are as follows:

Huntress Global Income: +10.34%
Huntress Global Balanced: +14.17%
Huntress Global Growth: +16.91%

A portion of this performance can be attributed to the uplift provided by the effect of a weakening pound. Whilst sterling's depreciation did a lot of the "heavy lifting", the extent to which we were able to benefit from such a phenomenon is a natural benefit which stems from our investment process and our decision to allocate capital on a global basis. This diversified approach ensures that we are less affected by geographically-specific political and economic events – the outcomes of which we have no control over.

Across all strategies, our bond positions also universally produced positive returns during the year. This strong year for bonds (we seem to have said that phrase a lot in recent years!) was again driven by a confluence of factors. In the UK, core bond yields fell - boosting prices - on the back of concerns around the UK economy post the Brexit vote. This left our UK government bond positions boasting over a 10% total return for the year.

As we enter 2017, we remain defensively positioned across all strategies as, in our view, neither bonds nor equities look particularly cheap. We remained poised in liquid investments and ready to pick up any pockets of value as and when they occur.

If you would like to review your own scheme or if you have any questions please contact Paul McCormick on 739970 or email paul.mccormick@sydneycharles.co.uk

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Past performance is not a guide to future returns. You could get back less than the amount you invest.