Mayfair Capital Limited Investment Newsletter

PUBLISHED QUARTERLY • JANUARY 2018 ISSUE

GLOBAL MARKETS 2017 ROUND-UP

❖ United States

The S&P 500 ended a strong year with a fourth-quarter gain of 6.6%. Markets rallied on news of the long-awaited tax reform bill, with big permanent cuts for corporations.

US equities were also supported by generally positive macroeconomic data, including better-than-expected third-quarter GDP growth of 3.0% (annualised). Employment data over the period was partly distorted by the effects of the hurricane season. However, non-farm payrolls rose by a stronger-than-expected 228,000 in November, although wage growth remained subdued.

As had been widely anticipated, the US Federal Reserve (Fed) lifted interest rates by 25 basis points (bps) in December. The Fed also raised its growth forecasts for 2018 to 2.5% from 2.1%.

The quarter also saw robust corporate earnings, particularly from the technology sector. However, the utilities sector underperformed.

❖ Eurozone

Eurozone markets ended 2017 on a negative note. Profit-taking after this year's gains and a stronger euro were in part to blame for the downward move. The healthcare, telecoms and financials sectors underperformed, while materials was the top gainer. Within healthcare, some corporate updates disappointed the market.

Data showed the eurozone's economy recovery continuing. The region's GDP grew by 0.6% in the third quarter, albeit a slight slowdown from 0.7% in Q2. Meanwhile, inflation was 1.5% in November 2017, up from 0.6% in the same month in 2016. The unemployment rate fell to 8.8% in October, the lowest rate since January 2009.

In October, the European Central Bank (ECB) announced that quantitative easing would be extended to September 2018, but that the pace of purchases would be reduced from €60 billion per month currently, to €30 billion.

❖ United Kingdom

The FTSE All-Share index rose 5.0% over Q4, amid further evidence of a sustained recovery in the global economy. This was underlined as the International Monetary Fund (IMF) upgraded its global growth forecast for 2017 to 3.6%.

Despite a sluggish economy, the Bank of England's (BoE) monetary policy committee (MPC) raised interest rates for the first time since November 2007, from a record low of 0.25%, back to 0.50%. Annual consumer price index (CPI) inflation reached 3.1% in November, breaching the BoE's upper target. The UK Budget did little to dispel the fears around the UK economy, as the Office for Budget Responsibility downgraded its GDP growth forecasts. However, hopes rose towards the end of 2017 around progress with Brexit negotiations.

❖ China

Q3 GDP growth was stable at 6.8%. The 19th Communist Party Congress was held during October and emphasised a focus on the quality of growth and addressing structural risk. Following the Fed's December hike, the People's Bank of China (PBoC) did hike some rates by 5 bps. The PBoC also preannounced a targeted cut to the required reserve ratio, to take effect in January 2018.

❖ Emerging markets

Emerging markets recorded a strong gain in Q4, with political developments supporting gains.

South Africa was the strongest market, as pro-reform candidate, Cyril Ramaphosa, was elected as leader of the African National Congress. This development increased the prospect for a return to more orthodox policy after elections in 2019.

Greek equities rallied as the country reached agreement with international creditors over reforms, paving the way for the dispersal of further bailout funds.

India also outperformed as the government announced plans for a major recapitalisation for state-controlled banks.

In contrast, Mexico posted a negative return and was the weakest index country. This was largely attributable to peso weakness, amid concern that negotiations to modernise Nafta may collapse.

❖ Global Bonds

Corporate bonds had good positive total returns, outperforming government bonds. Investment grade credit saw stronger returns than high yield, aside from in Europe, as the latter experienced challenging conditions in November, having reached elevated valuations.

❖ Commodities

The Bloomberg Commodities index posted a robust return in Q4 of +4.7%, underpinned by a rally in industrial metals and energy. Nickel (+22%), copper (+12%) and iron ore (+12%) posted the strongest gains, as Chinese demand remained firm. With measures aimed at lowering environmental emissions (which have led to an increase in supply discipline), upward pressure was put on prices.

Brent crude surged +18.2%, primarily driven by an agreement among Opec and a number of non-member countries such as Russia, to extend production cuts to the end of 2018.

In contrast, agricultural commodities lost value, notably wheat and palm oil.

In precious metals, gold gained +1.8%, while silver was up +1.7%.

Contact us:
Mayfair Capital Limited,
16a Dufour's Place,
Soho,
London,
W1F 7SP

Tel: +44 (0)203 795 4964
Web: www.mayfair-capital.co.uk

PORTFOLIO ASSET ALLOCATION

Mayfair Capital Limited's Investment Committee continually monitors a range of instruments and considers the opportunities and challenges presented by an ever-changing macroeconomic and market environment. This due diligence extends to the range of portfolios that we build for our clients.

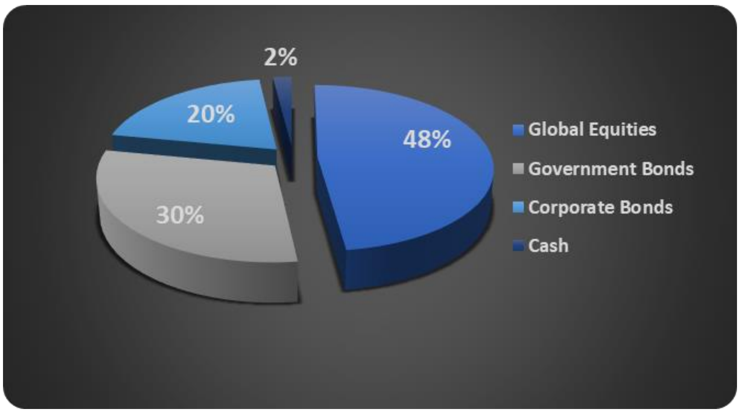
We appreciate how each client is unique, with different investment objectives and goals, multiple time horizons and specific attitudes to risk. This means that our experienced advisors will tailor-make each and every client portfolio, working together with the Investment Committee, as well as the client, to design the portfolio which in our opinion, best suits their investment objectives.

That being said, Mayfair Capital Limited has noticed that the majority of its clients tend to broadly fit into 3 main portfolio types: 'Adventurous', 'Balanced' and 'Cautious'. These can then be adjusted to match the specifics of each client - for example, if they prefer ethical investing, want to focus on eco-friendly/green companies, would rather concentrate their holdings within the UK, or simply have a preference between growth and income. Furthermore, the percentage weighting of each asset class can be shifted as and when desired, both at inception and throughout the life of the portfolio.

The below shows the generic make-up of these 3 main portfolio types and the asset allocation breakdown within them. As previously mentioned, clients are not just bundled into one, but these categories are used as a starting point from which to further tailor to their specific needs and requirements, and each client will work closely with their advisor to achieve this.

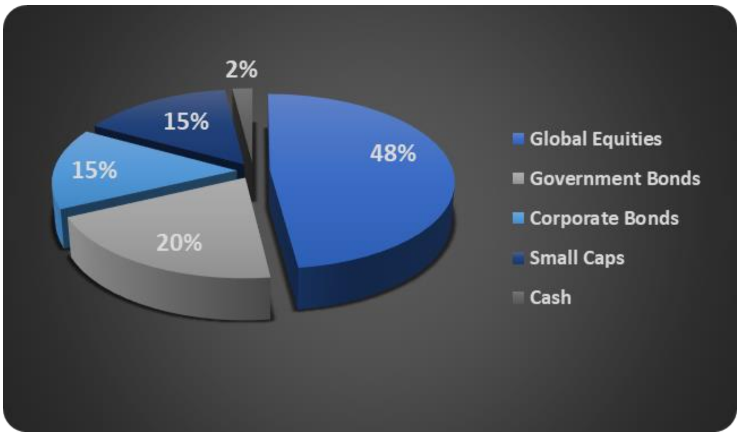
CAUTIOUS PORTFOLIO

Typically, this portfolio will be for clients with a low risk appetite and will tend to have a bias towards fixed income



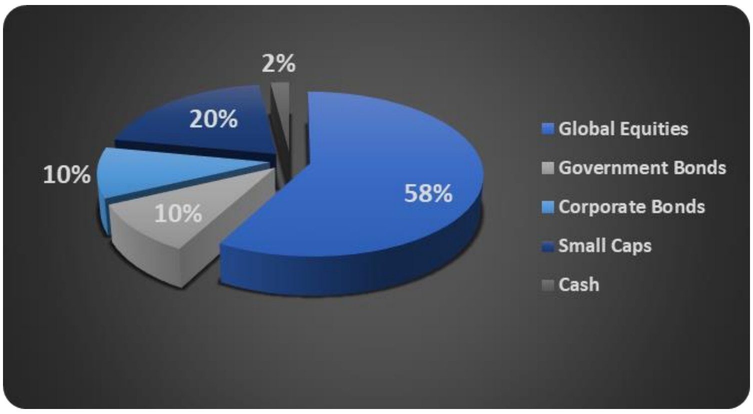
BALANCED PORTFOLIO

This is our most common portfolio type and will generally find a balance between risk and reward, with slightly more equities



ADVENTUROUS PORTFOLIO

For those with a more adventurous risk profile, this portfolio will focus more on higher risk small cap companies and corporate bonds



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