



2019 Q3 REVIEW: SUMMER STUTTER FOR EQUITIES

Equity markets were volatile over Q3 2019, selling off in August before recovering in September. In year-to-date terms, returns of all asset classes remain ahead of cash in sterling terms, although equity returns are flattered by a low start to the year and a weak pound. UK property remains a notable laggard (table 1).

Stocks slumped in August against a backdrop of slowing economic data and intensifying tensions between the U.S and China. However, as central banks responded with policy easing and President Trump struck a more conciliatory tone around China trade, equity markets recovered in September. Greater returns over the quarter were experienced in bond markets. A backdrop of geopolitical uncertainty, slowing growth and central banks easing policy saw yields in many countries, including Italy, pushed to all-time lows (chart 2). It was a particularly volatile month for GBP, as the October 31 Brexit deadline drew closer.

We added increased our equity allocation during the August panic, taking profits during the rebound. Please see our [current multi asset positioning](#) blog post for the latest information on our active strategies.

Chart 1: Global Stocks Rebound in Volatile Quarter

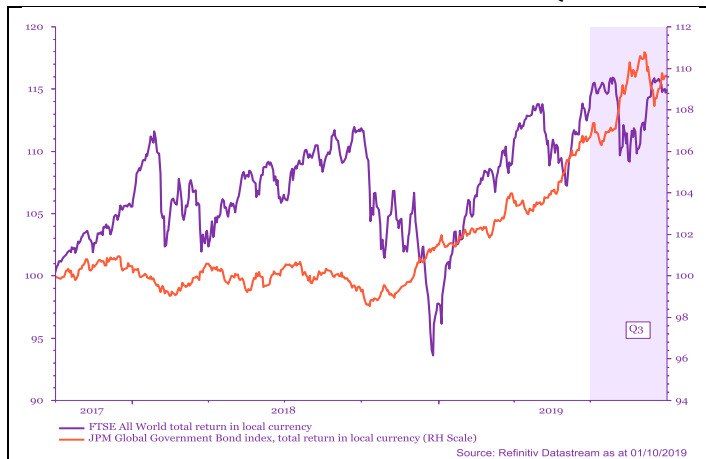


Chart 2: 10Y Sovereign Yields Falling to New Lows



Table 1: Sterling-based annual returns from major asset classes 2007-2019 YTD

Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	YTD
1	EM Stocks +37.4%	Gilts +12.8%	EM Stocks +62.5%	EM Stocks +23.6%	Gilts +15.6%	EM Stocks +12.8%	Global Stocks +21.2%	Property +19.5%	Property +13.9%	EM Stocks +35.4%	EM Stocks +21.1%	Property +7.5%	Global Stocks +20.8%
2	Commodities +14.3%	Cash +5.7%	UK Stocks +30.1%	Commodities +20.5%	Property +8.1%	UK Stocks +12.3%	UK Stocks +20.8%	Gilts +13.9%	Global Stocks +4.4%	Commodities +33.3%	Global Stocks +14.0%	Cash +0.6%	UK Stocks +14.4%
3	Global Stocks +11.2%	Multi Asset -10.4%	Global Stocks +20.6%	Global Stocks +17.2%	Multi Asset +1.6%	Global Stocks +12.1%	Property +11.0%	Global Stocks +12.2%	Multi Asset +1.8%	Global Stocks +30.3%	UK Stocks +13.1%	Gilts +0.6%	EM Stocks +11.4%
4	Cash +6.0%	Commodities -10.9%	Multi Asset +12.6%	Property +14.7%	Cash +0.6%	Multi Asset +7.1%	Multi Asset +7.3%	EM Stocks +7.9%	UK Stocks +1.0%	UK Stocks +16.8%	Property +11.2%	Multi Asset -1.2%	Gilts +11.2%
5	Multi Asset +5.5%	Global Stocks -18.5%	Commodities +5.9%	UK Stocks +14.5%	UK Stocks -3.5%	Gilts +2.7%	Cash +0.5%	Multi Asset +6.5%	Gilts +0.6%	Multi Asset +12.1%	Multi Asset +6.3%	Global Stocks -3.1%	Multi Asset +8.5%
6	UK Stocks +5.3%	Property -22.6%	Property +1.9%	Multi Asset +11.7%	Global Stocks -6.9%	Property +2.3%	Gilts -3.9%	UK Stocks +1.2%	Cash +0.5%	Gilts +10.1%	Gilts +1.8%	Commodities -5.7%	Commodities +6.6%
7	Gilts +5.3%	UK Stocks -29.9%	Cash +1.0%	Gilts +7.2%	Commodities -12.7%	Cash +0.6%	EM Stocks -5.3%	Cash +0.5%	EM Stocks -10.3%	Property +2.6%	Cash +0.3%	EM Stocks -7.6%	Property +1.6%
8	Property -5.4%	EM Stocks -34.8%	Gilts -1.2%	Cash +0.6%	EM Stocks -18.4%	Commodities -5.4%	Commodities -11.2%	Commodities -11.8%	Commodities -20.3%	Cash +0.4%	Commodities -7.1%	UK Stocks -9.5%	Cash +0.5%

Source: RLAM, DataStream as of September 2019; Property Return as of July 2019. Multi Asset returns are based on the benchmark returns of Royal London Global Multi Asset Portfolio (GMAP) Balanced Fund.



MARKETS: BONDS BOUNCE ON FRESH STIMULUS

- Global stocks retraced losses from a sudden August sell-off, to post modest gains over the volatile quarter.
- Developed market equities outperformed emerging markets. Japanese equities outperformed, helped by a depreciation of the Yen towards the end of the quarter.
- Global sovereign yields fell as central banks began easing and economic data signalled further slowdown.
- Oil prices fell on geopolitical uncertainty and fears of demand slowdown. The price spike following the attacks in Saudi Arabia was not sustained as investors expect a quick restoration of full output.

FX	1 GBP buys	Q3 (vs GBP)	YTD
USD	1.23	3.3	3.7
EUR	1.13	-0.9	-1.3
CHF	1.23	1.1	2.2
JPY	132.9	3.0	5.2
AUD	1.82	-0.7	-0.6
CAD	1.63	2.1	6.7

CB rates	Rate (%)	chg in Q3 (%)	YTD (%)
Fed	2.00	-0.50	-0.50
BoE	0.75	0.00	0.00
ECB	-0.50	-0.10	-0.10
BoJ	-0.06	0.01	-0.01

Bond Yield	Yield (%)	chg in Q3 (bps)	YTD chg (bps)
US 10 Year	1.66	-34	28
UK 10 Year	0.49	-35	9
EU 10 Year	-0.57	-24	-19
JP 10 Year	-0.22	-6	-5

Note: Standard indices sourced from DataStream and Bloomberg; Property data as of July 2019.

For professional clients only, not suitable for retail investors. Past performance is not a reliable indicator of future results. The value of investments and the income from them is not guaranteed and may go down as well as up and investors may not get back the amount originally invested. The views expressed are the authors own and do not constitute investment advice. For more information on the fund or the risks of investing, please refer to the fund factsheet, Prospectus or Key Investor Information Document (KIID), available via the relevant Fund Price page on www.rlam.co.uk. All information is correct at October 2019 unless otherwise stated. Issued by Royal London Asset Management Limited, Firm Registration Number: 141665, registered in England and Wales number 2244297; Royal London Unit Trust Managers Limited, Firm Registration Number: 144037, registered in England and Wales number 2372439; RLUM Limited, Firm Registration Number: 144032, registered in England and Wales number 2369965. All of these companies are authorised and regulated by the Financial Conduct Authority. Royal London Asset Management Bond Funds Plc, an umbrella company with segregated liability between sub-funds, authorised and regulated by the Central Bank of Ireland,

As of 30-Sep-19

Multi Asset	Local Currency		GBP	
	Q3	YTD	Q3	YTD
UK Stocks	1.3	14.4	1.3	14.4
Global ex UK Stocks	1.3	17.8	3.6	20.8
Gilts	6.2	11.2	6.2	11.2
UK Cash	0.2	0.5	0.2	0.5
UK Property	0.5	1.6	0.5	1.6
Commodities	-1.8	3.1	1.4	6.6

Equity Regions	Local Currency		GBP	
	Q3	YTD	Q3	YTD
UK	1.3	14.4	1.3	14.4
North America	1.7	20.5	4.9	24.8
Europe ex UK	2.4	20.7	1.6	19.4
Japan	3.5	9.2	6.6	14.6
Pacific ex Japan	-1.1	12.4	0.0	13.1
Emerging Markets	-1.8	9.0	-0.5	11.4

Global Equity Sectors	Local Currency		GBP	
	Q3	YTD	Q3	YTD
Consumer Discretionary	0.9	19.4	3.2	22.3
Industrials	0.4	19.5	2.4	22.2
Financials	0.5	15.0	2.2	17.6
Consumer Staples	5.3	20.7	7.1	23.2
Utilities	7.2	20.7	9.1	23.2
Healthcare	-0.4	9.1	1.9	12.0
Energy	-3.7	8.2	-2.1	11.0
Materials	-2.6	12.0	-1.4	14.0
Communication Services	4.1	13.1	6.1	15.9
Information Technology	3.2	29.4	6.1	33.0

Bonds	Local Currency		GBP	
	Q3	YTD	Q3	YTD
Conventional Gilts	6.2	11.2	6.2	11.2
Index Linked Gilts	7.8	16.3	7.8	16.3
GBP Credit	3.7	10.0	3.7	10.0
Global High Yield	1.1	10.9	0.8	9.7

Commodities	Local Currency		GBP	
	Q3	YTD	Q3	YTD
Energy	-4.5	5.6	-1.4	9.2
Agriculture	-6.1	-5.0	-3.1	-1.9
Industrial Metals	2.4	7.2	5.8	10.8
Precious Metals	5.3	12.8	8.7	16.6



registered in Ireland number 364259. Registered office: 70 Sir John Rogerson's Quay, Dublin 2, Ireland. All of these companies are subsidiaries of The Royal London Mutual Insurance Society Limited, registered in England and Wales number 99064. Registered Office: 55 Gracechurch Street, London EC3V 0RL. The Royal London Mutual Insurance Society Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. The Royal London Mutual Insurance Society Limited is on the Financial Services Register, registration number 117672. Registered in England and Wales number 99064. Our ref: TH RLAM W 0048