



2019 & Q4 REVIEW: A VERY STRONG YEAR

After a dismal 2018, global equities posted their third best annual returns in the last three decades in 2019, in local currency terms, fuelled by a US-led easing in monetary policy. This performance was surpassed only by the technology bubble of 1999 and the immediate recovery from the financial crisis in 2009. All asset classes we monitor experienced a positive return over 2019 in sterling terms and all beat cash (table 1).

Stocks continued to rise in Q4 2019 as several key risks reduced. The US and China agreed a 'Phase One' trade deal, a no deal Brexit was avoided and the probability of a US recession faded. Emerging Market equities were stand out performers over the quarter but over the year the US continued its trend of outperformance (chart 1). Amid the 'risk on' environment, global sovereign yields rose over the quarter, detracting from the stellar returns posted by global bonds over the year (chart 2).

We were overweight equities consistently over 2019, adding to exposure during temporary market panics. Please see our [current multi asset positioning](#) blog post for the latest information on our active strategies.

Chart 1: US Continued to Outpace Other Equity Regions

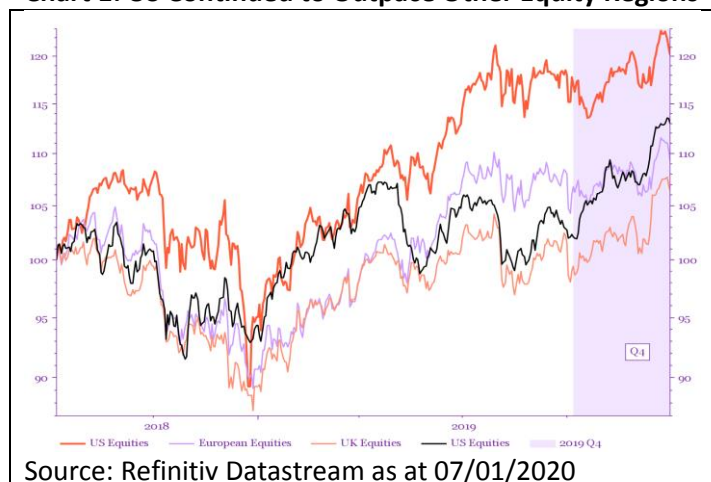


Chart 2: Good Year for Bonds Despite Q4 Yield Rise

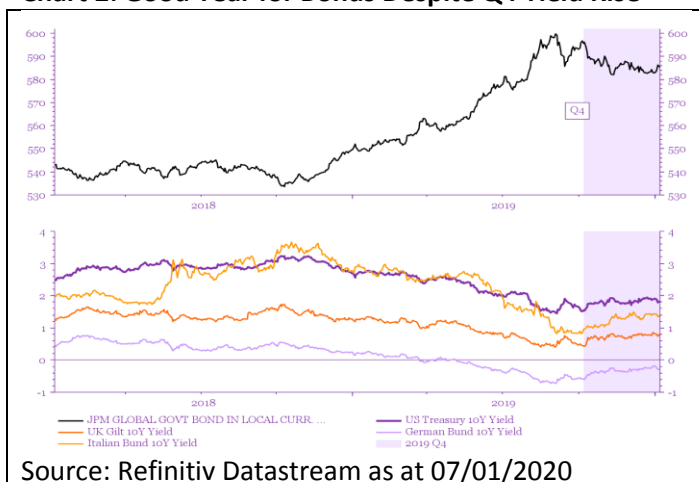


Table 1: Sterling-based annual returns from major asset classes 2007-2019

Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
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 +22.6%
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 +19.2%
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 +15.9%
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%	Multi Asset +8.9%
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%	Gilts +6.9%
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 +3.5%
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 +2.0%
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 +0.7%

Source: RLAM, DataStream as of January 2020; Property Return as of October 2019. Multi Asset returns are based on the benchmark returns of Royal London Global Multi Asset Portfolio (GMAP) Balanced Fund.



MARKETS: STOCKS END STELLAR YEAR ON A HIGH

As of 31-Dec-19

- A remarkable year for equities ended on a strong note, with global stocks hitting fresh heights in December, boosted by the agreement of a 'Phase One' trade deal between the US and China.
- Global sovereign yields rose from their lows in Q4 amid the global risk-on environment but remained much lower for the year, as central banks pivoted to easier policy.
- Oil prices rebounded over the quarter as the Organisation for Petroleum Exporting Countries (OPEC+) agreed to further production cuts and tensions rose in the Middle East.
- Sterling reversed its losses against other currencies as the December general election led to a strong Conservative majority.

FX	1 GBP buys	Q4 (vs GBP)	2019
USD	1.33	-7.3	-3.9
EUR	1.18	-4.6	-5.8
CHF	1.28	-4.3	-2.3
JPY	144.0	-7.7	-2.9
AUD	1.89	-3.5	-4.2
CAD	1.72	-5.5	0.9

CB rates	Rate (%)	chg in Q4 (%)	2019 (%)
Fed	1.75	-0.25	-0.75
BoE	0.75	0.00	0.00
ECB	-0.50	0.00	-0.10
BoJ	-0.07	0.00	-0.01

Bond Yield	Yield (%)	chg in Q4 (bps)	2019 chg (bps)
US 10 Year	1.92	25	-77
UK 10 Year	0.82	33	-46
EU 10 Year	-0.19	39	-43
JP 10 Year	-0.01	21	-1

Multi Asset	Local Currency Q4	Local Currency 2019	GBP Q4	GBP 2019
UK Stocks	4.2	19.2	4.2	19.2
Global ex UK Stocks	8.2	27.4	1.5	22.6
Gilts	-3.9	6.9	-3.9	6.9
UK Cash	0.2	0.7	0.2	0.7
UK Property	0.2	2.0	0.2	2.0
Commodities	4.4	7.7	-2.9	3.5

Equity Regions	Local Currency Q4	Local Currency 2019	GBP Q4	GBP 2019
UK	4.2	19.2	4.2	19.2
North America	8.9	31.2	1.4	26.5
Europe ex UK	5.3	27.0	0.9	20.5
Japan	8.4	18.3	0.2	14.8
Pacific ex Japan	5.9	19.1	1.7	14.9
Emerging Markets	9.9	19.8	4.0	15.9

Global Equity Sectors	Local Currency Q4	Local Currency 2019	GBP Q4	GBP 2019
Consumer Discretionary	7.4	28.2	0.8	23.3
Industrials	6.3	27.0	0.0	22.2
Financials	7.4	23.5	1.5	19.3
Consumer Staples	1.1	21.9	-4.5	17.7
Utilities	1.2	22.1	-4.7	17.4
Healthcare	12.8	23.0	5.9	18.6
Energy	3.9	12.4	-1.4	9.4
Materials	7.2	20.0	1.8	16.1
Communication Services	2.1	15.5	-3.8	11.5
Information Technology	14.0	47.5	6.6	41.8

Bonds	Local Currency Q4	Local Currency 2019	GBP Q4	GBP 2019
Conventional Gilts	-3.9	6.9	-3.9	6.9
Index Linked Gilts	-8.5	6.4	-8.5	6.4
GBP Credit	-0.7	9.3	-0.7	9.3
Global High Yield	2.7	13.8	2.3	12.2

Commodities	Local Currency Q4	Local Currency 2019	GBP Q4	GBP 2019
Energy	5.8	11.8	-1.6	7.5
Agriculture	7.1	1.7	-0.4	-2.2
Industrial Metals	-0.2	7.0	-7.2	2.8
Precious Metals	3.7	17.0	-3.5	12.5

Note: Standard indices sourced from DataStream and Bloomberg; Property data as of November 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 Information page on www.rlam.co.uk. All information is correct at January 2020 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, 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 0051.