How we did in 2016

Our Prediction	What Happened	Score
Volatility will remain high throughout 2016. With central bank stimulus now limited in certain regions, asset prices will more than likely adjust downwards in line with fundamentals and not necessarily in keeping with economic and corporate growth. Macro headwinds and negative sentiment will only accentuate these swings. We strongly believe this will create opportunities through market mispricing, so by maintaining higher levels of cash and being active allows downside protection and capital gains.	The opening of 2016 brought the largest early year market declines in over a decade. Indices in Europe and China entered into Bear markets with falls in excess of -20%. High risk investors who withstood the volatility and held onto falling positions were eventually rewarded as markets recovered towards the end of Q1. Brexit and Trump shocks were predicted to be the catalyst for severe market falls but presented diverse opportunities, particularly in FX where Sterling fell over 20% against other global currencies. The volatility also heralded the opportunity for active investors to reallocate to Gold miners, which following 4 years of declines, rallied to return in excess of 100% through the first half of the year.	**5/5**
Global growth to stabilise in 2016 at around 3.2%. We feel risks to our global outlook are tilted to the downside with the slowdown in China, the collapse in energy and commodity prices, and a divergence in monetary policy from a gradual tightening in the US to increasing liquidity in other developed regions including the Eurozone and Japan. Without significant intervention (political as well as central banks) we believe a period of prolonged global secular stagnation will follow, resulting in lower global financial markets by the end of 2016.	The early part of the year certainly warranted a cautious outlook to global growth and alongside the political shocks which unfolded, growth is estimated at 2.4% in 2016 by the World Bank. As predicted stagnation was looking to be the major economic concern in the year but significant intervention was indeed triggered. Moves by BoJ, ECB, Fed alongside a 'Pro Business' President in the White House, means that a synchronisation of global economic policies has finally been achieved. This was viewed positively by markets towards the end of the year, albeit to the detriment of government bond and defensive sectors notably in the US.	**4/5**
Geopolitical events will lead to a more fragmented world into 2016, with potential negative spikes for financial markets. Populism has gained significant ground in many countries, particularly in Europe. The collapse in oil prices has increased tensions and may further destabilise the Middle East region. Brexit fears have negatively impacted share prices in the UK and continue to drive Sterling to much lower levels.	2016 will be marked in political history as one of the most surprising and significant on record, more than likely heralding in an era of global populism. Following the shock of Brexit and the election of Donald Trump, populist parties in Italy and Austria have gained ground towards the end of the year. While investors increasingly began to view these events as positive for stocks, Sterling has struggled against the ongoing uncertainty around Brexit and remains significantly lower against global counterparts – rewarding those invested in USD, CHF and EUR amongst others.	**5/5**

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Inflation once again this year to remain subdued in developed markets, below 2%. With global debt still at significantly high levels and global manufacturing negatively impacting wage growth, financial markets may become more concerned with lack of growth than increased demand and inflation. The likelihood of further stimulus in the Eurozone and Japan will also dampen inflation expectations. We are not convinced central banks in the UK and the US will tighten policy as much as they have forecast. Base Rates expectations UK 0.75% and US 1% by end 2016.	Inflation remained below 2% while rate hikes expectations in the UK and US were revised down throughout the year. The US eventually carried out their solitary rate hike for 2016 in December.	**5/5**
China transitions to a more sustainable balanced economy. Moving from manufacturing, commodity and investment driven to a more established consumer-led economy has brought a sharp slowdown in economic growth. As such we feel a positive outcome from this transition, albeit over the medium term. The authorities have been keen to point out the extent of pent up consumer demand and its here we see potential for certain sectors to benefit within the shorter term.	Despite initial concerns regarding growth in the region, China's economy has shown signs of stabilising with GDP growth unchanged at 6.7% throughout most of 2016. Renewed stimulus efforts helped boost the materials and manufacturing sector as the country still tries to transition softly.	**3/5**
Additional monetary and fiscal stimulus in Japan, Eurozone and China will inevitably increase risk appetite in financial markets. Although many doubt the long-term effectiveness of such measures it will provide short-term opportunities and as such the major indices in these regions should move higher for periods as a result of these interventions.	Monetary stimulus was present in all three regions and did indeed increase risk sentiment, however these events were for the most part over-shadowed by the significant political turmoil that influenced markets throughout the year.	**4/5**

Consumers in developed markets are likely to continue benefiting from low inflation, low interest rates and savings in energy bills due to the dramatic fall in oil prices. Consumer sectors both discretionary and staples are showing good earnings growth, although valuations and prices became stretched in 2015, we feel these sectors will outperform over the next 12 months.	Consumer sectors were mixed across the individual developed regions with the staples sector in the UK benefitting from FX gains after Brexit and investor flows to defensive stocks. In contrast the sector lagged due to the late Trump rally and subsequent flight from bonds and their overvalued defensive market counterparts. Discretionary sectors fared better but could not keep pace with sectors such as materials and energy which were boosted by the extreme political environment.	**2/5**
Connectedness via the Internet of Things will continue. Allowing homes, card appliances and devices to share information for greater efficiency safety and convenience. Global standards and protocols are bringing security and order to the Internet of Things. As a result we can expect broader adoption by increasingly assured consumers throughout the world.	Ongoing adoption is evident with tasks such paying for goods and controlling home appliances remotely via smartphones now a common practise in many homes. 2016 saw ongoing expansion and adoption with one of the more significant developments being the US allowing commercial drones to operate without the need for special exemption. While retail delivery is the obvious long term beneficiaries, more immediate benefits can be found for industries like Energy and Agriculture.	**5/5**
Closer to home, we believe many Scottish firms can continue to innovate and take advantage of technology trends on a global scale. Tech hubs are now well established in cities like Dundee, Edinburgh and Glasgow, with prominent links to the $90Billion video game industry. We continue to witness a transition in sector market value from traditional industries such as natural resources to technology. Going forward we see opportunities in firms making global footprints in gaming, cloud virtual reality solutions.	Scotland has continued to expand its footprint in the global technology sector in an exciting year that has contrasted the struggles of the traditional Oil and Gas industry. Many companies have made their mark on a global scale, from Skyscanner's acquisition by China's Ctrip.com for £1.4bn to the IPO of Edinburgh based FreeAgent, who's share price subsequently rose 18% in the final 2 months of the year. In 2016 Edinburgh was voted the Best City to locate a Tech Business alongside being named British Entrepreneurial City of the Year.	**5/5**
Currencies will continue to reflect interventions by central governments throughout the world. Dollar strengthen was a key theme for us in 2015 and we expect this to continue but not to the same extent in relation to Sterling or Yen. Euro weakness should become more apparent with our prediction of further stimulus measures by the ECB in 2016.	Political events for the year meant USD finished significantly higher against GBP over the year gaining +20% at the height of Brexit's turmoil. Against the Euro there were still gains following ongoing stimulus efforts, albeit more muted at approximately +8%. The BoJ negative interest rate strategy in January pushed the currency pair to 121 before falling back below 100 in Q3. The Trump result saw investors rushing back into the USD with the currencies finishing more or less where they started the year around 117.	**5/5**