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Monthly summary | Investment companies

May 2019

Economic & Political Roundup

A collation of recent insights on markets and economies taken from the comments made by chairmen and investment managers of investment companies – have a read and make your own minds up. Please remember that nothing in this note is designed to encourage you to buy or sell any of the companies mentioned.

Roundup

Markets had another good month in April, with each of the indices in the adjacent chart rising by at least 2%. The US led performance once more as investors retreated from government treasury bonds, which resulted in yields widening (as their prices declined). Emerging markets had a good month as well, probably benefitting from the fact that it now appears the US Federal Reserve is unlikely to raise interest rates for the foreseeable future.

Global

More accommodative Federal Reserve boosts confidence as uncertainty lingers

Zehrid Osmani, manager of Martin Currie Global Portfolio, points to ongoing risks attributable to the China-US trade war impacting economic activity, rising interest rates putting pressure on equity valuations, and the growing risk of a recession. He also expects the Federal Reserve's more accommodative recent tone to support equity markets, at least in the near term. Simon Jeffreys, chairman of Henderson International Income Trust, believes the current uncertainty offers opportunities for patient investors.

United Kingdom

Opportunities remain despite downward growth revisions

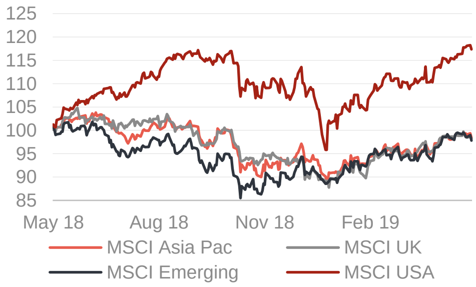
The managers of Mercantile Investment Trust are seeing value in small and mid-cap shares with expectations for earnings remaining…

Exchange Rate	30/04/19	Change on month %
GBP / USD	1.3032	0.0
USD / EUR	0.8917	0.0
USD / JPY	111.42	+0.5
USD / CHF	1.0193	+2.4
USD / CNY	6.7348	+0.3

Source: Bloomberg, Marten & Co

MSCI Indices rebased to 100

Time period 30/04/2018 to 30/04/2019



Source: Bloomberg, Marten & Co

	30/04/19	Change on month %
Oil (Brent)	72.8	+6.4
Gold	1283.53	(0.7)
US Tsy 10 yr yield	2.5018	+4.0
UK Gilt 10 yr yield	1.185	+18.5
Bund 10 yr yield	0.012	(116.7)

Source: Bloomberg, Marten & Co

UK (continued)

…generally positive. They note that the labour market is holding up well. Tom Bartlam, chairman of Jupiter UK Growth, expects volatility in the market, especially for domestically focussed UK companies, to continue until there is much greater clarity on Brexit. The managers of Invesco Perpetual UK Smaller Companies focus on the opportunities on offer from more attractive valuations and the still accommodative interest rate environment. David Warnock, chairman of Troy Income and Growth, also believes lots of businesses continue to look good fundamentally speaking, with dividend payments continuing to grow in many cases.

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Asia ex Japan

More accommodative Fed to benefit Asian markets over the near-term while wider economic growth should outperform once more

Charles Clarke, chairman of Aberdeen Asian Income, believes that the Federal Reserve's now dovish tilt in policy should bring some respite across Asia, potentially easing funding and financing costs for companies. He also references how structural trends, such as rising urbanisation and e-commerce, should allow regional economic growth to outperform the rest of the world. Pierangelo Bottinell, chairman of Symphony International Holdings, also discussed the long-term appeal of the regional as "economic power increasingly shifts towards the east." Kate Bolsover, chair of Fidelity Asian Values, also focuses on the region's likely outperformance in growth terms. The managers of Scottish Oriental Smaller Companies paint a more cautious near-term picture as concerns linger about how the regions markets react to ongoing concerns, namely regarding the potential for slowing growth globally. Pacific Assets' chair, James Williams, raises concerns about how the ongoing slowdown in Chinese demand might affect corporate profits regionally.

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Japan

Japanese markets continue be sensitive to events afar though there are signs the economy is on a firmer footing

M Neil Donaldson, chairman of Baillie Gifford Shin Nippon, says that there seems to be greater uncertainty in the world regarding global growth than at any time over the last 10 years. That aside, he believes corporate Japan's mood to be generally positive with tourism performing well and infrastructure spending growth strongly. Anja Balfour, chairman of Schroder Japan Growth Fund, believes the Japanese market has been overly concerned with events elsewhere, which do not apply to the same extent locally.

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Global emerging markets

Emerging markets still prone to sharp swings in 2019 while stimulus measures in China would boost confidence

Omar Negyal, Jeffrey Roskell and Amit Mehta, managers of JPMorgan Global Emerging Markets Income, believe that in economic, market and political terms, we are in uncertain territory. While they believe the current climate means markets are prone to sharp swings, their outlook for emerging markets in 2019 is broadly positive. Specifically, they believe China is preparing measures to stimulate its economy using different tools this time (much less about infrastructure spending) such as corporate tax cuts, tax cuts for individuals and rebates. They see the potential for renewed confidence in Chinese growth allaying some concerns about slowing global growth.

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Biotech and healthcare

Long-term outlook for the sector remains attractive while the appointment of Ned Sharpless as the new FDA commissioner should stabilise the US regulatory landscape

John Aston, chairman of International Biotechnology Trust, says the ongoing macroeconomic overhang has little to do with biotech's long-term prospects. An increasingly elderly population with greater medical needs, combined with the largest ever number of drugs in development and record approvals, mean the long-term outlook for the sector is strong. John also discusses why the appointment of Ned Sharpless, as the new FDA commissioner, should continue the FDA's scientifically driven strategy of rewarding innovation.

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Hedge funds

Volatility expected to remain while earnings will be under the radar more so than in 2018

The manager's at Highbridge Multi-Strategy Fund believe that markets are likely to remain volatile based on the heightened risks we see globally. Their view is that corporate earnings pose a greater threat now than this time last year and that political risks globally remain high.

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Debt

Shorter dated bonds preferred in the current climate while non-bank lenders continue to see growth opportunities

Although they remain cautious about credit quality in the loan market, the investment advisors at Fair Oaks Income Fund note that interest coverage ratios in the US are robust and the distressed ratio for US and European loans are well below historical averages. The managers of ICG-Longbow Senior Secured UK Property Debt Investments talk us through the current state of the property investment market while also highlights the relative strength of the industrials, logistics and regional markets. Paul Smith, manager of Acorn Income Fund, believes that the outlook for credit valuations still feels challenged, especially if slower growth and lower corporate earnings transpire. As such, he sees long dated/high duration credit continuing to be volatile and vulnerable to further capital losses. Given the uncertainty in the UK, Paul discusses why shorter dated bonds present better opportunities. Elsewhere, the managers of P2P Global Investments discuss why the specialist non-bank capital segment continues to be less affected by the wider headwinds by targeting under-served specialist asset classes.

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Property UK

Pockets of real estate looking good, which should perpetuate the demand for yield in an otherwise uncertain environment

Will Fulton, manager of UK Commercial Property REIT, says the ongoing uncertainty surrounding Brexit negotiations appears to be restraining business investment and household spending. He adds that sustained uncertainty implies elevated risk and this is impairing liquidity in the UK real estate market. While the overall real estate marker has been cooling, he points to differences at the sector level where industrials had another strong year in 2018. Robert Peto, chairman of Standard Life Investments Property Income, believes the commercial real estate market is not immune to the Brexit-related uncertainty, with uncertainty reducing liquidity and visibility of pricing in most areas of the market.

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Property - Europe

There are pockets of European property that are performing well

The property advisors for Phoenix Spree Deutschland take us through the Berlin property market and we also hear from the managers of Aberdeen Standard European Logistics Income and Mediterranean-focused Dolphin Capital Investors.

Environmental

Environmental markets made another structural leap forward in 2018

John Scott, chairman of Impax Environmental Markets, explains how the socio-economic drivers behind the growth of environmental markets gathered pace in 2018.

Other

We have also included comments on North America from North American Income Trust; Africa from the Africa Opportunity Fund; Latin America from the Aberdeen Latin American Income Fund; the commodities sector courtesy of Baker Steel Resources Trust; the re-insurance sector courtesy of Jed Rhoads, president of Markel Global Reinsurance, the parent company of the CATCo Reinsurance Opportunities Fund; and aviation leasing, courtesy of the managers of DP Aircraft

Contents

Global

(compare Global funds **here**)

Zehrid Osmani, manager of Martin Currie Global Portfolio: Our outlook for the market remains unchanged. Concerns remain focused on a combination of fears of a China-US trade war impacting economic activity, rising interest rates putting pressure on equity valuations, and the growing risk of a recession.

With respect to potential trade wars, the situation remains uncertain and we will need to continue to assess how this evolves. There is still a high likelihood that pragmatism prevails, and that a constructive dialogue around trade agreements happens between the two economic blocks. On the interest rates front, the Fed has surprised the market with its latest comment sounding more dovish, with the signalling of interest rate policy being close to neutral. This should be more supportive for equity markets, at least in the near term.

On the topic of recession, the weaker economic momentum across the US, Europe and China in particular is a concern. On China specifically however, we do not believe that the Chinese economy will see a hard landing; the Chinese authorities have enough levers to pull, which they are doing, which should mean the economy should stabilise. The flattening yield curve in the US is unnerving investors (as explained above in the Market comment section).

Given that we are in the later stage of the longest expansionary economic cycle, it is valid to focus on the growing risk of a recession in the next two to three years. For us, however, it is not so much about whether a recession will happen. The more important aspect to reflect on and analyse is what shape could the next recession have; specifically, will it be a shallow or deep recession, and will it be short lived or longer lasting? We believe we are more likely to see a short and shallow recession, which would be an opportunity for long term investors such as ourselves to increase exposure to quality equities for the next growth cycle.

In conclusion, market volatility remains elevated, and risk aversion is high. While this makes the market direction uncertain in the near term, it typically provides a good opportunity for long-term investors to gain exposure to equity markets for the next growth cycle. In such conditions, it is a good time to be a long-term unconstrained investor.

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Simon Jeffreys, chairman of Henderson International Income Trust: In the absence of positive economic data, political events continue to preoccupy investors' minds. Whilst this is understandable, some sectors and equity markets have started to price in these concerns. Timing market movements in the short term is a notoriously difficult process, but for patient investors with longer time horizons, periods of uncertainty often provide good investment opportunities. We are hopeful that this is one of those times.

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United Kingdom

(compare UK funds **here**)

Guy Anderson, Martin Hudson and Anthony Lynch, managers of Mercantile Investment Trust: The short-term outlook for the UK economy remains mixed, with Brexit uncertainties a negative factor and official Bank of England forecasts for UK economic growth becoming more subdued. On the positive side, UK unemployment dipped to 4% in late 2018 and is near to a 44-year low. Combined with an employment rate of 76%, this has driven wages up, increasing consumer spending power. Whilst political uncertainty has certainly been suppressing consumer confidence, as and when this dissipates confidence could improve and thus provide a platform for an upturn in domestic economic growth.

The prospect of generally weaker economic momentum and unpredictable trade politics are likely to be factors this year: we are already seeing slower estimates for global growth, driven in part by the risk of a trade war between the US and China. Only time will tell how this saga plays out but right now it is at least a 'low growth rather than no growth' environment.

Expectations for earnings growth remain positive and, with the market having de-rated, lower company valuations provide us with opportunities. We maintain our view that, regardless of UK and European politics and the testing macro backdrop, the favourable dynamics of medium- and small-sized companies will continue to drive superior returns over the long-term. Looking back over the last 60 years or so, mid and small cap stocks in aggregate have outperformed the overall market in two years out of three. Over the last 20 years, the benchmark has outperformed the FTSE 100 by more than 6% per annum.

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Tim Scholefield, chairman of City Merchants High Yield: At the start of 2019 many of the key sources of economic and political uncertainty which overshadowed markets for much of the past 12-18 months appear no closer to resolution. It therefore seems that trade tensions, the direction of monetary policy, particularly in the United States, the health of the Chinese economy, and of course Brexit will continue to preoccupy financial markets for the foreseeable future.

That said, it is the health, or otherwise, of the corporate sector which is ultimately the key determinant of high yield performance, and in this respect, there are grounds for cautious optimism. For example, the economic backdrop currently appears to be one of slowdown rather than widespread or protracted recession and while corporate profit margins are likely to have peaked in 2018, their decline over the coming year seems likely to be gradual.

The re-pricing of the market in 2018 has undoubtedly provided greater opportunities to invest in bonds which provide sufficient compensation for the risk to investors.

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Tom Bartlam, chairman of Jupiter UK Growth: With such a vast range of potential Brexit outcomes it is understandably difficult , for the market to reach a sensible view of the prospects for the UK and UK-based companies for 2019 and into the future. Share prices have therefore been volatile, and volatility can be expected to continue, especially for domestically-focused UK businesses, until there is much greater clarity about what will happen with Brexit.

Beyond the UK, the economic situation is also coloured by uncertainty. The federal government shutdown in the US, combined with the Federal Reserve's apparently hawkish stance on monetary policy, and fears of an economic slowdown in China, badly spooked markets towards the end of 2018. These anxieties have receded somewhat subsequently, helped by clarification of the Federal Reserve's policy intentions, and stock markets rallied in January.

From a stockpicker's perspective, there are some very lowly-valued stocks in the UK market at the moment, which potentially provide opportunities in the event of what the markets may regard as a positive or even middling outcome to Brexit.

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Jonathan Brown, manager, and Robin West, deputy manager, Invesco Perpetual UK Smaller Companies: In forming our investment strategy, we remain keenly aware that debt and demographics are significant forces holding back economic growth. While increasing financial leverage enhanced global growth over the last 40 years, it has left governments and consumers with unprecedented levels of debt. Only a sustained period of GDP growth can meaningfully reduce debt ratios. Economic growth is derived from the size of the working population combined with their level of productivity. However, the working age population in G20 countries is now declining and significant productivity improvements are proving elusive. For this reason, we believe the relatively anaemic growth we have seen since the financial crisis will continue for some time to come.

There are always uncertainties to be navigated, and the coming year is no exception with Brexit, trade wars and a global economic slowdown. In light of this, we continue to favour stocks with "self-help" characteristics that enable them to grow independently of the economy. This can include the restructuring of underperforming businesses, sector consolidation, roll-out strategies or market share gains led by innovation.

The valuation of many stocks reduced materially over the last few months of 2018 which presents us with opportunities to invest in great businesses at sensible valuations. Additionally, there is likely to be a pause in the interest rate increases we have seen over the last 18 months, which should support equity markets. So we are far from disheartened.

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Fraser Mackersie and Simon Moon, managers, Acorn Income Fund: The final quarter of 2018 was particularly challenging as expectations of rising interest rates in the US triggered a sharp sell-off in equities globally. At the time of writing the terms of our exit from the EU remain unclear and although we believe the overall operational impact on our holdings has been limited to date, it has clearly affected investors' appetite for UK equities. We remain hopeful of a satisfactory outcome emerging from this disappointing episode in British politics, although exactly what shape any agreement will take remains to be seen. In the meantime equity valuations are increasingly appealing, companies overall remain in relatively good health and dividend payments continue to grow.

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David Warnock, chairman of Troy Income and Growth: During the early months of 2019 the UK equity market moved increasingly to price in a relatively benign Brexit outcome. Domestically focussed equities, including many UK banks and retailers, rose particularly strongly and sterling also hit a nine-month high of 1.33 to the dollar as the prospect of a 'no deal' appeared to ebb. With a number of failed votes on Theresa May's deal and some alternative paths, the Chancellor's spring statement provided the welcome news that the UK economy has been 'remarkably robust'. In response the Bank of England voted unanimously at the March meeting to maintain UK interest rates at 0.75%, stating that "the economic outlook [for the UK] will continue to depend significantly on the nature and timing of EU withdrawal, in particular: the new trading arrangements between the European Union and the United Kingdom; whether the transition to them is abrupt or smooth; and how households, businesses and financial markets respond.

Over the past six months, Sino-US trade talks, the Fed's rate decisions and the thoroughly time-worn subject of Brexit have featured heavily on market sentiment. Uncertainty still abounds in regard to at least two of these issues. Meanwhile, increasingly frequent pieces of weak economic data remind investors that we are likely in the latter stages of a mature bull market.

In the case of Brexit, a balance between exposure to the UK domestic economy and resilient dollar earnings continues to seem prudent.

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North America

(compare North American funds **here**)

James Ferguson, chairman of North American Income Trust: Despite several periods of volatility, particularly during December 2018, major North American equity market indices recovered and moved higher over the 12-month period ended 31 January 2019, buoyed by generally upbeat economic data reports and positive corporate earnings news. This offset investors' concerns regarding rising interest rates and the trade policy of the Trump administration.

US trade policy took centre stage in the markets several times during the period under review. In mid-2018, investors began to fear that several US trading partners would impose retaliatory tariffs on imports from the US in response to the Trump administration's levies on imported steel and aluminium from Canada, Mexico, and member nations of the European Union. However, the US and Europe subsequently agreed to avert a trade war, easing worries about possible US tariffs on European car imports. At the beginning of December, the US and China announced a temporary truce in their trade war. At the date of this report, negotiations between the US and Chinese governments had not produced a permanent trade agreement.

On the economic front, the US government's estimate of gross domestic product (GDP) growth for the third quarter of 2018 was revised down 0.1% to 3.4% due to modest markdowns to consumer spending and exports. This remains above normalised growth rates for the economy but showed a deceleration from the prior quarter where growth moved above 4%. The US Department of Labour reported that US payrolls expanded by a monthly average of roughly 232,000 over the six-month period, while the unemployment rate moved up 0.1 percentage point to 4.0% as more jobseekers entered the market. Furthermore, average hourly earnings increased 3.2% over the period.

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Asia ex Japan

(compare Asia ex Japan funds **here**)

Susan Platts-Martin , chair of Witan Pacific Investment: Whereas in the previous two years the region performed strongly, 2018 saw nearly all countries in our benchmark fell. China performed the worst, returning a negative 13% over the period as the on/off nature of trade negotiations weighed on investor sentiment and economic indicators softened. Indonesia and Thailand were the exceptions, benefiting from an improved economic environment, strengthening currencies and a rapid decline in oil prices in the latter half of the year. These economies are also considered to be less exposed to the knock-on effect of the US/Chinese trade uncertainty than many of their regional peers.

Markets have made a strong start to 2019, although ongoing macro-political concerns are likely to cause bouts of increased volatility, such as the uncertainty experienced in February and December 2018. However, many of these risks appear reasonably well recognised, with all but the worst outcomes for trade negotiations, elections (in India and Indonesia) and failure of renewed Chinese stimulus, reflected to some degree in prices. The lower oil price should be beneficial for the region and valuations are below historic norms and comparators outside the region.

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Pierangelo Bottinell, chairman of Symphony International Holdings: Following a strong start to 2018, we are now beginning to see slower growth in many economies as less accommodative fiscal policies begin to take effect. Although the weaker investor sentiment in late 2018 and early 2019 have reduced market valuations, we do not view this negatively. Aside from more interesting opportunities coming to market, the gradual removal of excess liquidity is reducing imbalances across the global economy and therefore also the risk of a more dramatic downward cycle. There are a number of economic and geopolitical risks that could further impact the global business environment in 2019, such as the ongoing trade tensions between the US and China and the possibility of a disorderly exit by the United Kingdom from the European Union.

There is also political uncertainty surrounding the elections in Thailand, where Symphony has material investments, which may have an impact on the perception of businesses operating there. From experience, governments tend to lean towards pro-market policies, so we feel that the effect of these risks will be short-term in nature. Nevertheless, economies, particularly in Asia, will continue to grow. Increasing consumption from a growing middle class, market liberalisation and growing intra-regional trade is shifting the economic power increasingly towards the east.

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Charles Clarke, chairman of Aberdeen Asian Income: 2018 was a tumultuous time for Asian markets, especially following the good run enjoyed the previous year. Political posturing and protectionism dampened returns in the region but sentiment has been improving as the US and China look to reach a mutually agreeable trade agreement. However, investors had to contend with heightened political risks outside Asia, including Brexit and volatile commodity prices, which added to the uncertain environment.

There are no quick fixes for prevailing headwinds so it is likely that market volatility will persist. An immediate resolution to US-China trade tensions appears elusive, given the issues at stake. The global macro backdrop remains weak while further deceleration in China could have a ripple effect across the region. In addition, political uncertainty could ratchet higher as voters in Indonesia and India go to the polls.

That said, the Fed's now dovish tilt in policy should bring some respite across Asia, potentially easing funding and financing costs for companies. Financial deleveraging should leave China on a better footing as Beijing rolls out consumption-led stimulus to shore up the domestic economy, while ensuring sustainable growth. In the longer term, Asia's compelling investment case remains intact. Regional economic growth still outpaces the rest of the world. Structural trends, such as premiumisation (ie attempting to make a brand or product appeal to consumers by emphasising its superior quality), rising urbanisation, e-commerce and electrification, should continue to underpin the upward trajectory and drive corporate earnings.

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Mike Kerley, manager of Henderson Far East Income: Asia Pacific ex Japan markets had a roller coaster ride over the six months to the end of February 2019. The period started poorly as the trade dispute between the US and China ramped up while the fear of rising interest rates in the US caused further uncertainty culminating in the worst fourth quarter performance for global equities in many years. Markets rallied at the beginning of 2019 as trade worries eased and weakness in the US economy reduced the expectations of interest rate rises. By the end of the period markets had regained most of their losses with the FTSE All-World Asia Pacific ex Japan index down only 1.3% in local currency terms and 3.7% in sterling.

While equity markets have ridden out the volatility the pressure has certainly been felt in corporate earnings. Results across the region have generally been disappointing with the countries and sectors most exposed to trade and the global cycle most impacted. Earnings growth forecasts for 2019 are now firmly in single digit, down from mid-teens less than twelve months ago, while the recent rally in stock markets has stretched valuations beyond longer term averages. It is fair to say that at this point in the cycle markets are being driven by political and macro forces rather than company specific fundamentals.

Within this malaise there have been pockets of strength. The collapse of Vale's tailings dam in January 2019 and the subsequent closure of similar capacity on safety and environmental concerns have kept iron ore prices elevated. Supply side reform in China has also curtailed production in steel, cement, aluminium and coal and as a result the materials sector has performed much better than the economic numbers would suggest. Defensive sectors also performed well most notably telecommunications and real estate which were less volatile in the downturn but also participated in the new-year rally as the expectation of higher rates waned making their dividend yields more attractive relative to bonds.

At the country level Indonesia was the standout performer, rising 7% in sterling terms. The momentum in the economy is improving supported by resilient coal prices and falling inflation which has left room for the central bank to cut interest rates later in the year. High real interest rates have been supportive of the rupiah while the elections in April 2019 appear to favour incumbent President Joko Widodo whose popularity has remained high and who is beginning to see the benefits of Indonesia's much needed spending on infrastructure.

Despite the obvious impact from the trade dispute with the US, which has negatively impacted export volumes, China and Hong Kong were the only other two markets that posted positive returns in local currency terms. Recent data suggests that the Chinese economy is beginning to show some positive trends following the targeted measures implemented by the government in late 2018. The latest purchasing managers indices indicate a return to growth while property sales and consumer activity is proving resilient. The increased weighting of mainland 'A' shares in the MSCI regional indices has also proved supportive as foreigners continue to add to their China allocation.

The worst performing market was India, which fell 11.7% in sterling terms. The reason for the decline can be attributed to uncertainty around whether Modi will be re-elected in the April/May elections, high equity market valuations relative to the rest of the region and an earnings trajectory which refuses to deviate from its downward path. More importantly the confidence of the domestic investor has been dented and the flows into mutual funds, which have driven the market over the last few years, has slowed considerably.

The export orientated markets of Korea and Taiwan were also weak over the period. Unsurprisingly the impact from the trade war was not unexpected but the weakness in the demand for products such as smartphones and PC's had a significant impact on the profitability of these technology centric markets.

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Manager's report for Scottish Oriental Smaller Companies: The last six months have echoed other recent periods for Asian stock markets - a sell-off caused by concerns about falling growth and rising interest rates has been mitigated by governments and central bankers making soothing noises. What did become apparent throughout 2018 is that normalisation of interest rates and withdrawal of the excess liquidity that was injected into the system by the world's central bankers over the last decade will not be straightforward. We believe that the current economic climate offers a backdrop of considerable risk for investors and increasingly less flexibility for policymakers. Interest rates are probably too low and the levels of liquidity remaining from printing money are too high.

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James Williams, chairman of Pacific Assets: A year ago, I highlighted concern about the effect that contraction of liquidity might have on risk asset values around the world. Although pressures on interest rates and liquidity appear to have eased, we are seeing an economic effect with signs of a slowdown in some key economies, and a fall in manufacturing. Within the Asian region, Chinese demand has slowed notably. It remains to be seen how much impact this trend will have on corporate profits.

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Kate Bolsover, chair, Fidelity Asian Values: Asia remains the most dynamic region in the global economy. So, while a value-based approach to investing is currently out of favour, we continue to believe that the long-term potential to find good companies to invest in remains intact. The region will present stronger growth opportunities than those available elsewhere in the world due to robust domestic demand and an expanding middle class. It is also possible that potential changes in the monetary policy stance of major central banks and geopolitical tensions could lead to market volatility.

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Mohammed Azlan bin Hashim, chairman of Aseana Properties: The global economy started 2018 with robust and synchronised growth. However, as the year progressed, growth trends deviated and momentum faltered as a result of the moderating activity and heightened risks due to elevated trade tensions between the world's two largest economies, the US and China. Restrictive trade measures such as tariffs and import duties introduced by these economic powerhouses have posed more downside risks and threatened global economic growth. Similarly, some large emerging markets and developing economies have experienced significant financial market stress and struggled with tighter liquidity and capital outflow. The global economic environment is likely to remain challenging in 2019 amid increasing interest rates and rising trade protectionism. The World Bank has estimated global economic growth to soften to 2.9% in 2019 amid rising downside risks.

Against the subdued global growth backdrop, Malaysian GDP growth moderated to 4.7% in 2018, compared to 5.9% in 2017. The Malaysian economy experienced a period of uncertainty subsequent to the electoral transition in 2018 as the nation anticipated the effects of the newly implemented economic policies by the current Government. Nevertheless, measures are being taken by the Malaysian Government to mitigate further economic slowdown such as improving the nation's debt servicing cost by securing the samurai bonds at a coupon rate of 0.65%, which is expected to avoid a credit rating downgrade. Bank Negara Malaysia ('BNM') has kept the nation's overnight policy rate at 3.25% which indicates sustained economic expansion and resilient domestic demand, with private consumption remaining as the main growth pillar. The Ringgit saw a mixed performance in 2018 as the local currency was dragged down by a sharp change of sentiment in the second quarter due to adverse external factors such as the trade tensions between USA and China as well as the prospect of higher interest rates in the USA. However, the Ringgit improved slightly during the last quarter of 2018 and appreciated marginally to close at RM4.1356/US$1.00.

In contrast, the Vietnamese economy remained buoyant in 2018 with GDP growth of 7.1%, the strongest expansion since 2011, exceeding the target of 6.8%. The strong GDP growth was driven by strong domestic demand and a dynamic export-oriented manufacturing sector. Foreign direct investment growth remained as one of the primary factors for Vietnam's strong GDP growth, with a record high of US$19.1 bn of FDI being disbursed in 2018. Low business operating cost and strong macroeconomic growth continued to attract foreign investments into Vietnam. However, given its high trade openness and limited fiscal as well as monetary policy buffer, Vietnam's economic outlook is susceptible to downside risks and external volatilities amidst the ongoing USA-China trade war. The country's GDP is expected to grow at a slower pace of 6.6% in 2019 as a result of the tightened monetary policies introduced by the Vietnamese Government and the slowdown in global demand.

In parallel with the slowdown of the Malaysian economy, the nation's property market remained soft in 2018. Imbalances observed in the property market continued to persist, evidenced by the increase in unsold completed units by 48.4% to 30,115 units based on records from the valuation and property services department of Malaysia. The recent increase in real property gains tax from 5% to 10% for foreigners and 0% to 5% for Malaysians, for property disposals after the fifth year, could dampen the local property market further. In a bid to boost the property sector, the Government has proposed to implement certain measures such as easing home financing requirements for first time home buyers, reducing compliance cost and implementation of industrialised building systems to reduce the cost of housing.

On the back of Vietnam's robust economic growth, the country's property market in 2018 continued to be stable, with supply on the rise and is expected to remain bullish in 2019. The number of foreign investors purchasing luxury properties in Vietnam has been on the rise following the easing of foreign ownership regulation back in 2015. In addition, infrastructure improvements, including the construction of Metro Line No.1 and the opening of the Ho Chi Minh City-Long Thanh-Dau Giay Expressway, have significantly improved the development landscape in the city's eastern area over the last few years.

However, Vietnam's property market is still vulnerable to downside risks stemming from the new regulation set by the State Bank of Vietnam ('SBV') which increases the risk weighting for real estate loans from 200.0% to 250.0% from 2020 onwards which will significantly disincentivise banks from lending to the property sector. Since January 2019, SBV has also reduced the proportion of short-term funds available for medium and long-term loans from 45.0 % to 40.0%, a move which will reduce banks' liquidity and therefore hinder property developers' access to funds.

2018 was a challenging year for the Malaysian property market as a result of the post-election sentiment which affected investors' confidence and consumer spending. For 2019, the general outlook for the Malaysian property market seems to be one of cautious optimism, with recovery expected in the mid to longer term. In contrast, the property market in Vietnam has performed well in 2018 and is expected to be sustainable with robust growth in 2019.

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Japan

(compare Japan funds **here**)

M Neil Donaldson, chairman of Baillie Gifford Shin Nippon: There seems to be greater uncertainty in the world regarding global growth than at any time over the last 10 years. However, the company's strategy of seeking to identify smaller Japanese companies with strong growth potential means that the performance is more dependent on the ability of those companies to take advantage of their opportunities than on the global economy.

Similar themes to last year are still prevalent. There is still an ongoing labour shortage and access to experienced labour is arguably one of the biggest issues for companies in Japan. Retaining staff and introducing mechanisms and technologies to assess employee satisfaction and reward performance are massive challenges.

There is some cyclical slowdown in certain sectors but corporate Japan's mood is generally positive but cautious. Inbound tourism remains strong and there is strong growth in infrastructure projects supporting the Rugby World Cup in 2019 and the Olympic and Paralympic Games in 2020. Companies are also gradually seeing the need to invest capital expenditure for the future and are taking a less short-term view.

We remain positive. The start-up environment for companies on our radar is changing. Government policies are more supportive. There is generally better access to capital and more importantly there is a new attitude to creating wealth and starting exciting, disruptive technology businesses.

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Anja Balfour, chairman of Schroder Japan Growth Fund: It was disappointing to see Japanese shares fall as much as Western markets in the October 2018 shake-out. Many of the possible triggers behind the latter - concern about rising interest rates, historically high share ratings, US and UK political uncertainty, etc. - do not apply to anything like the same extent in Japan. The result is a local market that seems unduly concerned with overseas events.

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Global emerging markets

(compare global emerging market funds **here**)

Omar Negyal, Jeffrey Roskell and Amit Mehta, managers, JPMorgan Global Emerging Markets Income: In economic, market and political terms we are in uncertain territory. Global growth momentum has slowed, trade frictions remain, and markets are prone to sharp swings. We do not expect these issues to be fully resolved any time soon so volatility may well remain elevated in the months ahead. But barring a dire outcome relating to trade or the US dollar, neither of which is our base case scenario, we see a broadly positive outlook for emerging markets in 2019.

Following the slowest growth in China's modern era, we believe Chinese authorities are preparing to step up their efforts to boost growth through fiscal and monetary means. However, unlike the infrastructure project-oriented stimuli of the past, we expect measures such as corporate tax cuts, tax cuts for individuals and new incentives for consumers, like the car rebates used in the past. Given that China has been cited as one of the primary sources of the global slowdown, measures to boost growth could stem some of the fears still prevalent in the market.

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Vietnam

Vu Huu Dien, manager of Vietnam Enterprise Investments: After a difficult 2018, most market participants have a cautious view of 2019. However, as we believe Vietnam's strong economic fundamentals and macro story are still largely intact, having already corrected to just 12.x times forward 2019's PER, there is a strong case for the stock market to find its footing in the year ahead. Additionally, the Government has reiterated its commitment to continue focusing on the long-term development of the financial market. The long-awaited covered warrant is due to be launched in 2019 whilst instructions have been issued to several major state-owned enterprises ("SOEs") to restructure their organisations in preparation for IPO. There is still an ample pipeline of private company IPOs and SOE privatisations however, heightened market volatility had halted this for much of the second half of 2018. As such, we believe that we are likely to see some of these opportunities returning to the market.

Within this market landscape we believe stock-picking will become more important than ever as the market becomes more diverged between the fundamentally good stocks and trading stocks.

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South Korea

Manager's report for Weiss Korea Opportunity Fund: The performance of the Korean stock market as a whole was poor in 2018. Prices of Korean stocks fell even more than prices in other markets. This poor performance was in the face of the relative strength of the Korean economy, which grew significantly faster than Japan's and Western Europe's, and roughly the same as the U.S. economy. Usually, the better-performing economies are not associated with the worst-performing stock markets. One possible explanation for the price fall of the South Korean market relative to other markets may be the threat of a U.S.-China trade war. Korean goods are major components of Chinese exports to the U.S., and thus a turndown in Chinese exports to the U.S. would have a disproportionate effect on the Korean economy. The imminent threat of a more serious U.S.-China trade war seems to have subsided, but U.S. policy has become exceptionally unpredictable. The current U.S. administration does not seem bound by previous norms nor constrained by Congress, so the risk of national security concerns being used to enforce tariffs or quotas is a serious threat to global investors.

More generally, investors may justifiably fear a slowdown of the Chinese economy, which would hurt the profits of Korean exporters. Since exports to China are a major contributor to Korean GDP, a fall in those exports would have knock-on effects throughout the Korean economy.

On the Korean domestic front, there was considerable turmoil–on 23 August, the appeals court sentenced the impeached president, Park Geun-hye, to 25 years in prison on corruption charges. The new administration increased the minimum wage by 10.9% for 2019 to 8,350 won (approximately $7.35) per hour. For comparison, the minimum wage in 2010 was 4,110 won per hour, and the minimum wage in the U.S. is currently $7.25 per hour (this is the federal minimum wage; state and local minimum wages can be significantly higher). These large increases in the minimum wage have been accompanied by increases in the labor force participation rate. The magnitude of the effect of a higher minimum wage on wages in manufacturing is unclear. A higher minimum wage may also push up demand. The net effect on profits is likely to vary by market segment.

President Moon has called for the national pension service (NPS) to take a more active role in policing corporate governance at the chaebols (a South Korean conglomerate). The NPS has been shifting its allocation from bonds toward equities, making it a major shareholder for many Korean companies. The hope is that this higher equity position coupled with a more activist stance will induce Korean firms to emphasize the interests of shareholders rather than those of the founding family. The risk is that the NPS will become politicized and will be more responsive to the dictates of the ruling party. However, the government is concerned about the solvency of the NPS and thus is likely to have a common interest in increasing the profitability and dividend yields of the firms in which the NPS is invested.

Thailand

Nicholas Smith, chairman of Aberdeen New Thai Investment Trust: The ongoing trade issues are likely to remain uppermost in investors' minds. With negotiators from China and the US scheduling a new round of high-level talks, tensions may ease. Given that economic growth has already been damaged, both sides want the deal to succeed. A more complex dispute over technological advancement may be harder to resolve. It is clear that the US is seeking to constrain China's growing influence in the technology sector, while the latter is unlikely to comply without a fight. Nevertheless, this clash seems relatively contained and does not appear to be detrimental to the broader macroeconomic environment. A more dovish stance from the Fed and the People's Bank of China should also help cushion any slowdown.

However, should a favourable outcome prove elusive, Thai exports, notably to China, may decelerate further. While this would prove disappointing, it is worth considering that the bulk of shipments go to near neighbours, such as Vietnam, Myanmar and Malaysia, and these remain intact. Domestic demand could also take up the slack. Private consumption makes up 50% of GDP. Tourism is still expected to be robust and contribute significantly to growth, given the positive spillover effects on the services sector, including financial services. Credit demand from both consumers and businesses remains firm.

The development of the eastern economic corridor, the government initiative to enhance Thailand's eastern seaboard, a crucial manufacturing base, continues to gain traction. This area attracts the most foreign direct investments. To connect industries, a further expansion of road and rail networks is needed, so spending on construction and infrastructure should increase, giving additional impetus to private investments.

The smooth delivery of government initiatives will depend on a domestic environment that guarantees policy continuity following the conclusion of the election process. The new government will be keen to maintain the solid growth momentum that the military junta had engineered and not to dismantle policies that have been put in place. This should reassure investors.

I am encouraged by Thailand's longer-term prospects, which remain undiminished. Corporate fundamentals are also sound.

Latin America

(compare Latin American funds **here**)

Managers (Aberdeen Asset Managers) of Aberdeen Latin American Income Fund: It is likely to be a volatile year for Latin America, as global concerns around trade developments, the direction of the US dollar as well as the oil price will continue to pose risks. Within the region, local politics, reform and infrastructure developments will determine investor sentiment. While the political calendar is much quieter than last year, when we saw elections in Brazil, Mexico and Colombia, the election in Argentina in October will keep investors excited. Beyond that, political volatility should be less impactful than 2018, allowing the region to focus on delivering stable, sustainable and inclusive growth. This should have a positive impact on corporate earnings and share prices. In the longer term, population growth, a more affluent middle class and low labour costs, should be positive for the domestic economy. The economic push will be supportive for most companies, in particular financials and consumer companies. Moreover, valuations remain compelling relative to their global peers.

We continue to believe that the region offers great value for long term investors. Latin American countries in general have seen their external balances improved in the last few years, while the rate hikes last year demonstrated the authorities' ability to react in the face of market pressures. We have also seen efforts to improve the fiscal balances, although there remains a lot to be done for many countries.

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Africa

Dr. Myma Belo-Osagie, chairperson of the Africa Opportunity Fund: 2018 was a difficult year for emerging, as well as world, markets and the fund also felt this pressure. Recovery stalled in Africa as rising commodity prices in the first half of the year fell in the last quarter of 2018. Prices of Africa's commodity exports fell as prices of its imports rose, inflicting deteriorating terms of trade on several economies. Partially offsetting those negative commodity price trends, annual export production in some countries, like Nigeria, rose. Some statistics sketch the broad outline of 2018 commodity price declines for African exporters: prices of crude oil fell 20%; cobalt 27%; copper 20%; and robusta coffee 15%. In contrast, prices of imports such as white maize and yellow maize (crucial imports for African consumers) rose 15% and 21% respectively. Another impediment was the US Federal Reserve's four interest rate increases which encouraged outflows of investor funds - particularly foreign investor funds - from emerging and frontier markets. Ineluctably, financial conditions tightened in Africa.

As financial conditions tightened, Africa's capital markets suffered losses even though the economies of countries like Cote d'Ivoire, Senegal, Ghana, Kenya and Egypt were forecast to perform as well or better than expected - a 7.4% GDP growth rate for Cote d'Ivoire, 7% for Senegal, 6% for Ghana, 6% for Kenya, and 5% for Egypt - thereby affirming the short term disconnect between stock markets and national economies. Of course, in the long term, the performances of stock markets and national economies will tend to synchronise, although one must be cautious: industries and economies can perform as hoped in the long run while prescient investors disappear and die in downdrafts, stock market collapses and any number of short to medium term risks.

Several African governments responded to the contracting financial conditions by seeking both to strengthen the effectiveness of state institutions and to increase the quantum of national revenues under their control - actions that should in the long term have beneficial implications for the economies of the African continent even though it may take several years to expunge the image of Africa as a deeply corrupt continent. For example, South Africa has taken significant steps to tackle the high level of corruption that has bedeviled it for many years. Kenya's Director of Public Prosecutions also initiated prosecutions of prominent Kenyan officials for breach of trust and other criminal conduct. To date, those steps and prosecutions have demonstrated that in too many countries large infrastructure projects, like power plants and substations, blend malfeasance with inflated costs, late completion, low performance, and onerous debt burdens.

Other countries like Zambia, Tanzania, and the Democratic Republic of the Congo raised royalties on foreign mining companies to increase revenue, regardless of the terms of existing tax stabilisation agreements with foreign mining companies. In contrast, a third set of countries, like Ghana and South Africa, is attempting to collect more taxes from their own residents. At a minimum, Africans have to fund governmental operating expenditure from tax revenues.

The recognition by some countries that they themselves should bear this responsibility is valuable and important progress towards increasing financing for vital development.

Raising the levels of integrity and competence of African states is a deliberate and painstaking endeavour. It is one that may inflict pain on Africa investors as, for example, assets inflated by corruption are written down, or bank failures caused by egregious corporate governance lapses tighten liquidity and slow temporarily the tempo of economic activity. AOF suffered that type of pain in Ghana in 2018 as the Bank of Ghana restructured the banking sector by revoking the licenses of several banks, taking over five insolvent banks, and forcing the re-capitalisation of the entire industry. Ghana's government had to increase its debt by $1.2bnin Q3 to inject fresh capital into those banks, followed by rising interest rates and a 12% decline of Ghana's stock market in Q4.

The establishment of the African Continental Free Trade Area (ACFTA). The ACFTA agreement, signed in Kigali, Rwanda, in March 2018 is a significant attempt to reduce barriers to intra-African trade. 52 African countries have signed this agreement, with Nigeria, Tanzania, and Eritrea as the non-signing laggards. 22 countries must ratify this treaty to bring it into force. To date, 19 countries, including South Africa and Kenya, have done so. It will take decades, and considerable physical investment in transport infrastructure, for the full benefits of this agreement to be manifest in the daily lives of Africans. Yet, long before those benefits are realised, this African continental free trade zone should prove to be a fecund source of intense intra-African competition and larger profits for multinational African companies.

More immediate contributors to African development will come from the natural gas and oil discoveries to be brought into production in the next decade. They will generate both substantial foreign exchange earnings for their host countries and ample, reliable, and competitively priced domestic energy supplies. Globally, efficient domestic energy supplies have been a crucial ingredient in the successful industrialisation of national economies. Efficient domestic energy supplies should play a similar catalytic role in African industrialisation in the next two decades. Some of the biggest global natural gas discoveries are reaching final investment decision stage in West and East Africa. The Greater Tortue natural gas field discovered in 2015 in Senegal and Mauritania by Kosmos Energy is estimated to hold up to 60 trillion cubic feet.

Final investment decision for phase 1 development of this gargantuan field was taken in December 2018, with first gas expected in H1 2022. This project will supply both the domestic gas needs of Senegal and Mauritania and the European natural gas markets. Mozambique's Rovuma basin projects hold more than 100 trillion cubic feet of natural gas (approximately 55% of Nigeria's 2017 natural gas reserves). Anadarko, ENI and Exxon Mobil expect to announce their final investment decisions by the end of H1 2019, with first production around 2025. Domestic, regional, and Asian gas needs will be supplied from this basin. The huge potential impact on Mozambique's future is embedded in a fact and a forecast: Mozambique's 2017 GDP was $12.3bn. The anticipated government taxes alone from the Rovuma basin, over the life of that basin, is forecast to be $77bn, implying that the Rovuma basin gives the Mozambican government a great opportunity to raise the living standards and skills of its citizenry.

The several developments discussed above herald a period in the 2020s in which the industrial capacities of African companies could be enlarged and deepened to the mutual benefit of governments, workers, and investors.

2019 Outlook

AOF begins 2019 with caution. There are increasing signs of economic weakness in China, Europe, and the United States. Another year of subdued commodity prices and African currencies is eminently possible. Yet, the demonstrations in countries like Sudan and Algeria against incumbent rulers, the relatively peaceful elections in Nigeria, and the dramatic changes in Ethiopia's polity and policies show that Africans want a freer and more democratic continent. There is also increasing recognition that improving the integrity, competence, and fiscal strength of African states is essential for rapid African economic development and, by implication, the multiplication and growth of the African companies that will be the bedrock of Africa's future economic development.

These positive developments should take root in the continent over the next few decades, making Africa progressively more attractive to investors as its GDP per capita, its youthful population, and its educational and productivity levels all continue to rise. We hope that rising GDP rates in Africa will enlarge the emerging African middle classes, improve government finances, and open up investment opportunities.

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Biotech and healthcare

(compare biotech and healthcare funds **here**)

John Aston, chairman of International Biotechnology Trust: The short-term macroeconomic overhang has little to do with biotechnology's long-term prospects, since the need to treat patients isn't related to stock market sentiment. However, the market retraction has given investors the opportunity to gain exposure to a sector with exciting growth prospects.

The US mid-term elections ended in political gridlock, with the Democrats gaining control of the House and the Republicans gaining control of the Senate, thereby limiting political and regulatory changes in the medium-term. Political preferences aside, the outcome is positive for investors. Whilst FDA Commissioner Scott Gottlieb announced his resignation in early March, his successor, Ned Sharpless, looks set to continue the FDA's scientifically-driven strategy of rewarding innovation, further stabilising the regulatory landscape.

An increasingly elderly population with greater medical needs, combined with the largest ever number of drugs in development and record approvals, mean the long-term outlook for the sector is strong.

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Debt

(compare debt funds **here**)

Manager's (Axa) of Volta Finance: Like every prudent investor, we are alert for signs of imbalances that could cause volatility. We identify the US administration, the continuous increase in corporate debt and, the difficulty in reaching a deal regarding Brexit as potential sources of risk for our markets.

We have been impacted in terms of mark-to-market from the risk-off attitude that developed in Q4 2018 in most markets. Although we believe we are near or at the end of both the credit and the economic cycles we are still pretty constructive for 2019, not foreseeing any significant deterioration in the coming quarters.

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Robert Sharpe, chairman of Honeycomb Investment Trust: To date, we have seen minimal direct impact from the UK referendum vote to leave the European Union. However, looking ahead, we continue to position ourselves to address the economic challenges and opportunities that may arise as the long-term effects of Brexit become clearer.

The company's UK mild upside scenario sees UK GDP growth average 3 per cent over the next few years, something that has been achieved since the mid-2000s driven by a relaxation of fiscal austerity combined with a significant shift toward a Brexit, where the UK opts to remain a member of the single market. Consequently, unemployment falls back to around 3 per cent and productivity growth rises. The benign probability of default and loss given default mean that loan losses are likely to remain well below long run averages.

The company's UK downside scenario sees the UK enter recession in mid-2019. GDP falls by less than 1 per cent, making it very mild by historical standards. Unemployment rises to 6 per cent by the start of 2021. As a result, wage growth slows and inflation falls quickly back below target. Interest rates remain at 0.25 per cent until the third quarter of 2021, but increased unemployment introduces forced sellers into the property market and house prices fall.

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Investment advisors report for Fair Oaks Income Fund: While we continue to be cautious about credit quality in the loan market, average leverage of US loans decreased from 5.2x in Q3 2017 to 5.0x in Q3 2018 while interest coverage was robust at 3.5x as at Q3 2018 The distressed ratio in the US and Europe, defined as percentage of loans trading below 80c, continues to be well below the historical averages As a consequence, according to a quarterly survey published by S&P Global Intelligence in December 2018, loan managers expect the default rate to reach 2.16% in December 2019. From the same survey performed in December 2017, loan managers had predicted a higher default rate for December 2019 at 2.65%. The market's low default expectations are also supported by the very limited amount of loans set to mature over the next three years.

The notional of loans maturing in 2019-2021 has fallen from US$572 bn in 2015 to US$102 bn in 2018 Loan recovery rates, however, will likely be influenced by prevalence of covenant-lite ("cov-lite") loans. The dominance of cov-lite loans and their impact on defaults and recoveries was the subject of significant press coverage in 2018. Cov-lite loans have become the market standard and unrealistic investment constraints insisting on investment in loans with maintenance covenants may force managers to invest in weaker issuers (which are unable to issue under market standard terms). In our view, the prevalence of cov-lite loans is likely to result in lower default rates, lower recoveries and lower spreads.

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ICG Longbow, Investment advisor for ICG-Longbow Senior Secured UK Prop Debt Investments: Annual UK GDP growth for 2018 was 1.4%, reflecting the ninth consecutive year of growth, with monthly figures for January and February 2019 also being strong and ahead of consensus expectations. Looking forward, the Office for Budget Responsibility (OBR) is forecasting continued growth for each of the next five years. The OBR does expect growth to temper in 2019 (to 1.2%), however the public finances are in the strongest position since the financial crisis and appear well placed to weather any softening.

The UK employment success story continues. The labour market is essentially at full capacity, with 473,000 more people in work in January 2019 compared to the prior year, and the employment rate of 76.1% at an all-time high. Last year we reported that the unemployment rate of 4.3% was the joint lowest since 1975; it has since fallen further, to 3.9%. Unfilled vacancies are reported at 863,000, further highlighting positive labour demand.

Brexit

An extension to 31 October 2019 of the Article 50 deadline to avoid a disruptive "no deal" Brexit has recently been agreed between the UK and European Union. It appears that the vast majority of both Parliament and the Government are strongly against leaving without a deal; the EU also wishes to avoid a no deal scenario. Intensive political debate will continue although the end game is still as murky as ever.

Ongoing Brexit uncertainty is affecting business and consumer confidence and further delay will not be helpful.

In the event of a "no-deal" Brexit, we foresee a period of volatility in the property market as it reacts to the increased uncertainty which will provide opportunity.

In what we may call a 'normalised' Brexit scenario, and as we detail below, consensus opinion in the property markets has for some time been that the outlook for returns will be driven by income in the coming years, given the extended market cycle and ongoing structural weakness in retail.

Occupational Demand/Supply

The occupational markets (outside of retail) remain broadly positive, driven by strong employment data and job creation. In the office markets, central London take up in 2018 was slightly ahead of the prior year, whilst in the regions, the strongest performers were Glasgow and Manchester, easily surpassing 2017 take up. Glasgow in particular saw take up 64% above the 10-year average, according to CBRE Bristol and Birmingham reportedly remain strong, albeit are both hampered by lack of available supply. Take up in the South East, at 3.5 m sq. ft., was the highest since 2007.

Industrial and logistics take up continues to be positive. According to CBRE, 2018 logistics take up of 31.5 m sq. ft. was comfortably above the 10-year average of 21.4 m sq. ft. and a new annual record. Rental value growth was also positive, at 5.2% in the 12 months to December 2018.

This represents a marked contrast with the retail market, where CBRE report average prime rents on UK high streets falling 4.4% in 2018, with double digit declines in Scotland, Wales and the North West. It should be highlighted the above excludes secondary and non-core locations, and even then may be understating the true extent of the decline - by way of example in March 2019 Next plc reported that in lease renewals concluded for 28 stores during the year, it achieved average like-for-like rental reductions of 29%. The falling rents are reflective of the high volume of store closures during the year (many through the controversial CVA process) and less competition for space.

Property Investment Market

In the investment market, Lambert Smith Hampton's regular investment transaction bulletin showed that 2018 was a strong year for volumes, with £16.6 bn of transactions in Q4 taking the annual total to £61.8 bn, modestly ahead of 2017 and the second highest for a decade. This is even more impressive when considered in the light of a slump in retail investment volumes 28% below the 10-year average.

Industrial investment was at a record high with £8.4 bn transacted, and office volumes were 29% above the 10-year average, led by central London (£16.9 bn) where Brexit does not appear to have deterred overseas purchasers, particularly from the Far East, from making sizeable commitments (albeit some may be taking advantage of the favourable exchange rate).

Towards the end of 2018 and in particular in early 2019, the data show that volumes have softened, with total investment in January and February 2019 only half the level of the prior year. This has been reflected in our own experience as investors borrowing finance took a more cautious approach to decision making amidst what at the time appeared to be the peak of the Brexit turmoil. We have seen a material increase in activity from late-February onward and, as and when more clarity emerges on Brexit, we expect this trend to continue as the weight of money allocated to UK property remains strong.

All-property capital values rose by 2.1% during 2018, a meaningful slowdown from the 5.2% growth reported in the prior year, and largely driven by a 6% fall in retail values. Total returns fell to 7.5%, from 10% a year earlier. Looking forward, IPF consensus forecasts show total returns averaging circa 3% during 2019 and 2020, before rising to 4.9% in 2021. In each case the outlook for returns is expected to be driven by income, albeit rental value growth is expected to be subdued, particularly given the ongoing structural weakness in retail.

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Paul Smith, manager, Acorn Income Fund: Liquidity conditions are still tightening; the Fed has tried to reassure the market that its path is data dependent whilst the ECB still appear on a slow but sure course towards tighter monetary policy. Meanwhile the Bank of England has continually raised concerns about the tightness of UK labour markets with a lack of clarity on how the UK will exit the EU seemingly the main barrier to further rate hikes. In the meantime, uncertainty weighs on business and consumer confidence. Against this backdrop, the outlook for credit valuations still feels challenged, especially if slower growth and lower corporate earnings transpire. We maintain that long dated/high duration credit will continue to be volatile and vulnerable to further capital losses.

Whilst inflation in the U.S. has fallen, some members of the U.S Federal Reserve have suggested that it is considering letting inflation run hotter in some periods to balance out periods of undershooting and this should mean that inflation risk needs to be priced higher. Markets also seem too complacent that falling inflation is a foregone trend especially as wage growth continues to rise and could work its way into higher output prices as companies look to sustain margins.

Of course, the weakness in some UK corporate bonds provides an attractive opportunity especially when the instrument is short dated, giving greater visibility over the earnings and debt profile.

Importantly the relationship between bonds and equities appears to be less predictable these days and the safest government bonds feel like an expensive hedging tool for risk assets, given the unwinding of ultra-loose monetary policy and the low yields on offer. The historical negative correlation benefits of bonds rising when equity markets fall seems to be a much more uncertain relationship as we witnessed at various points during the last year. Holding some investments with different drivers of returns from traditional bond markets, as well as shorter duration, more defensive bond holdings, is therefore important in endeavouring to deliver a more absolute return profile.

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Manager's report for P2P Global Investments: There exists a substantial opportunity for non-bank capital to earn attractive risk adjusted returns by targeting under-served specialist asset classes with high quality products that meet customer needs. While the performance from the inherited portfolio continues to be more volatile than expected, the manager has made substantial progress in repositioning the portfolio towards structured and secured assets, a program which will continue into 2019.

To date, there has been minimal impact from the UK referendum vote to leave the European Union. However, looking ahead, the situation will continue to be monitored to address the economic challenges and opportunities that may arise as the long-term effects of Brexit become clearer. In the current more competitive mainstream lending environment, it is particularly important to maintain prudence and discipline. In addition, with household borrowing at high levels, and the regulatory framework remaining an ever-present factor as consumer credit regulation continues to develop, it is intended to proceed with caution.

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Kevin Ingram, chairman of VPC Specialty Lending Investments: The market outlook for technology enabled lenders in the United States, as well as in other geographies, remains positive as it becomes broadly accepted as an institutional asset class and both lending and equity investment volumes continue to grow. Increased awareness amongst consumers and a competitive product offering are driving the demand side of the equation which has allowed the Company's investments to continue to grow without sacrificing credit quality. This growth validates the Investment Manager's thesis that technology will continue to disrupt the financial and lending industries in much the same way it has reshaped other industries over the past 30 years. By providing a better user experience and strong customer satisfaction the industry is filling a hole in the market that banks do not adequately serve. I believe the Company and the Investment Manager are playing a pivotal role in this change by providing capital to talented entrepreneurs to help them scale their businesses are driving positive change for consumers and small businesses across the world.

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Private equity

(compare private equity funds **here**)

Mark Tennant, chairman of BMO Private Equity Trust: The board has continued to monitor the potential impact of Brexit upon the company . While the impact of Brexit on financial markets both in the UK and the EU cannot be assessed, any volatility would be managed as part of our normal investment processes. Any other consequences are considered to be minimal.

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Geoffrey Vero, chairman of EPE Special Opportunities: The UK economy continues to face considerable questions over its future trajectory given the uncertainty surrounding the European Union exit process, with the Bank of England predicting a potential contraction in UK GDP should an exit occur on unfavourable terms. However, underlying economic momentum is mixed, with slowing GDP growth in the fourth quarter of 2018, while the labour market and wage growth remain robust. The Board will continue to assess ongoing political developments and their implications for UK markets and the portfolio.

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Hedge funds

(compare hedge funds **here**)

Manager's report, Highbridge Multi-Strategy Fund: In 2018 the dramatic return of volatility permeated through markets as investors grappled with the shift from quantitative easing (QE) to quantitative tightening (QT). Evidence of the turbulent year was widespread: 2017 saw the S&P 500 (the "S&P") deliver a 22% return on 6% volatility with zero months of negative returns, while 2018 saw it deliver a return of -4.3% on 17% realized volatility. Additionally, 2018 marked the worst annual total return for the S&P since 2008 while realized S&P volatility was the highest on record since the 2011 European debt crisis.

Looking ahead, we think that markets are likely to remain volatile based on the heightened risks we see globally. We believe corporate earnings pose a greater threat now than this time last year and that political risks globally remain high. Another critical component to our view is how the Federal Reserve will react to macro data and leading indicators. While the US/China trade situation looks close to a positive resolution, we believe it remains a risk factor as there is still uncertainty as to how the negotiations evolve and how long the current tariffs remain in place.

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Financials

(compare financial funds **here**)

EJF Investment Manager, manager of EJF Investments: The manager continues to believe that the company's current portfolio of CDO equity investments, as well as its other investments, are well positioned to achieve attractive risk adjusted returns in line with the company's investment objective.

We believe a new era has begun with the latest merger transaction involving two large regional banks, BB&T Corporation and SunTrust Banks, Inc. In 2019, we have already seen two M&A transactions valued at over a $1bn. This compares to the entire year of 2018 having only six deals valued at more than $1bn. We believe these transactions highlight the Federal Reserve's recent loosening of regulations for regional banks. On 31 October 2018, the Federal Reserve put out a notice of proposed rulemaking outlining a modified set of standards for banks with minimum assets of $100 bn. As part of these standards, the Fed revised its tier categorizations which impacts banks with assets totalling $250 bn to $700 bn in assets. We believe this was a signal to banks and the market that under proper parameters, growth up to $700 bn in assets will not be treated as punitively as was previously the case. Yet again, we see regulators incentivizing the sector to consolidate and become stronger, a trend we believe will continue.

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Re-insurance

(compare insurance and re-insurance funds **here**)

Jed Rhoads, president and chief underwriting officer of Markel Global Reinsurance, parent company of the CATCo Reinsurance Opportunities Fund: With 2017 and 2018 being two of the four worst insured loss years on record, the retrocessional reinsurance market has entered into a period of hardening market conditions with reduced capacity compared with previous years, leading to stronger product demand. Separately, on the back of these two heavy loss years, the entire insurance-linked securities industry is currently navigating its way through new challenges such as unprecedented amounts of trapped capital, loss creep leading to severe loss development and a higher frequency of events in recent years compared with the relatively benign period between 2011 and 2016.

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Leasing

(compare leasing funds **here**)

DS Aviation GmbH & Co. KG, asset manager for DP Aircraft: The financial year 2018 is expected to close with airlines´ collective net profit of USD 32.3 bn according to the International Air Transport Association (IATA). The organisation slightly lowered its expectation since summer by USD 1.5 bn. In 2019, net profits are anticipated to amount to USD 35.5 bn which would mark the tenth consecutive year of profit. In 2019, expectations are that 1 per cent of the Gross Domestic Product (GDP) will be spent on air transportation; a total amount of USD 919 bn.

European airlines´ break-even load factors are the highest within the regions as they operate in a very competitive market and meet high regulatory costs. Nevertheless, European carriers are expected to post a net profit of USD 7.5 bn in 2018 which is expected to be in the same range this year. In 2018, capacity grew by 5.7 per cent while demand rose by 6.4 per cent compared to the previous year. The average load factor increased to 74.5 per cent. IATA expects that capacity in 2019 will grow stronger than demand and that the load factor will slightly drop by 0.3 percentage points.

Airlines of the Asian-Pacific region are expected to post a net profit of USD 9.6 bn in 2018 which is anticipated to increase to USD 10.4 bn in 2019. Although capacity and demand will grow slower than in 2017, these growth rates are still going to be the highest among the regions. While capacity is expected to grow by 7.6 per cent in 2018 and 7.1 per cent the following year, demand is anticipated to increase by 8.5 per cent and 7.5 per cent respectively. Therefore, load factors are assumed to increase to 67.4 per cent and 67.7 per cent in turn. In this region, the newly established low-cost carriers in particular show a remarkable growth.

IATA runs a project to identify the key drivers of change to support the aviation industry in preparing for challenges and opportunities within the next 20 years. Fifty main drivers have been grouped into five categories: Society (e.g. a growing middle class in China and the Asia-Pacific region or global ageing), Technology (e.g. alternative fuels and energy sources or 3D printing and new manufacturing techniques), environment (e.g. personal carbon quota or pandemics), economy (e.g. price of oil or open data and radical transparency) and politics (e.g. trade protection and open borders or shifting borders, boundaries and sovereignty).

The latest published Boeing outlook (current market outlook 2018-2037) raised the number of expected deliveries from 41,030 commercial aircraft with a total market value of USD 6.1 trillion to 42,700 aircraft with a value of USD 6.3 trillion within the next 20 years. Both Boeing and Airbus continue to forecast that the global passenger and freighter fleet will double by 2037. According to Airbus 37,390 commercial aircraft will be newly delivered within the next twenty years; 26,540 aircraft will be to meet increasing demand while 10,850 deliveries will replace older aircraft. Boeing forecasts traffic to grow by 4.7 per cent on average. Airbus expects that in 2037 around 85 per cent (2017: 30 per cent) of the emerging country populations will travel by air. In 2018, according to IATA 1,780 new aircraft had been delivered amounting to an investment volume of USD 80 bn. Around half of the new deliveries will replace older aircraft which - in times of high fuel costs - becomes more economical.

Property - UK

(compare UK Property funds **here**)

Will Fulton, manager of UK Commercial Property REIT: The ongoing uncertainty surrounding Brexit negotiations appears to be restraining business investment and household spending. With trend growth estimated to be lower, the output gap largely closed, and a relatively weak global backdrop, it is hard to see a substantial acceleration in economic growth, which slowed to just 0.2% increase to GDP in the final quarter.

The real estate market has largely followed suit with returns slowing as each quarter of 2018 passed to reach only 6% for the calendar year, with no capital growth in the second half of the year. However, the average masks major differences at the sector level. While industrial real estate had another strong year and delivered returns of 16.4%, retail's return for the year was negative at -0.5%, according to the MSCI IPD quarterly index. This represented the largest spread of returns across the three traditional commercial sectors in any 12-month rolling period since the index began in 2000. The FTSE UK REIT index deteriorated significantly in the second half of the year to record a -12.8% total return in 2018. This was weaker than the wider stock market, where the FTSE 100 and the FTSE All-Share returned -8.7% and -9.5% respectively. The hierarchy of preferred real estate sectors remains largely unchanged with industrials and income-focused stocks remaining the top picks, and wide discounts for the major retail specialists.

Occupational markets continue to behave quite differently across sectors, with structural forces being the key drivers. The familiar pattern of falling retail rents, modest upticks in office rents and robust growth in industrials is little changed. However, the risk of more serious declines in the retail sector is affecting investor sentiment. The structural challenges facing the retail sector are now beginning to be reflected in MSCI IPD data with the majority of retail experiencing declining rental values. With few retailers expanding, aside from the value operators, this rental trend is expected to continue through 2019.

The industrial sector continues to be the stand-out performer in the UK real estate market, although MSCI IPD data suggests that rental growth is beginning to moderate. However, with vacancy rates remaining exceptionally low and interest in available industrial space healthy, the necessary drivers are still in place to support further rental growth for the sector.

At £62.1 bn, according to Property Data, UK real estate investment volumes in 2018 were only down 5% on 2017, itself a very strong year, and substantially more than 2016's total of £52 bn. This high level of activity came despite the uncertainty facing the market and increasing caution and selectivity among investors towards the end of the year. Notably, 2018 saw the highest ever volume of transactions in the alternative space, at nearly 30% of all deals by value. This sector is fast becoming mainstream and represents the property types falling outside the traditional 'retail', 'office' or 'industrial' definitions. Meanwhile, retail volumes were less than 10% of the total and the £1.3 bn of shopping centre transactions was the lowest annual sum since Property Data's records began in 2000.

There is significant uncertainty around the near-term political outlook and, by extension, the economic outlook. Sustained uncertainty implies elevated risk and this is impairing liquidity in the UK real estate market. The paucity of buyers is affecting pricing visibility and that may ultimately lead to a lack of confidence in valuations, with little evidence to base them on. With the risk that this uncertainty is prolonged the short-term outlook for UK real estate carries risk to values.

However, absent Brexit risks, fundamentals in the market are generally robust. Low vacancy and the structural support for demand are set to drive industrial rents higher, while office vacancy is low in central London and has fallen significantly in the regions, which should support occupational markets despite caution on the part of tenants. We expect further declines in value across the retail sector in 2019 and an end to Brexit uncertainty is unlikely to offset the market's concerns around the sector's structural issues or nervousness around some key tenants. After a long period of strong total returns, with 10.6% per annum delivered from September 2009 to September 2018, it is intuitive that value across the market is now hard to unlock. But with prices now falling in many segments, some investors may be insufficiently discerning to accurately price assets relative to their true long-term worth in a turbulent market. While buyers will always be wary of further post-purchase falls in value in such a market, strong performance over the medium to long term can still be achieved, if assets are purchased below their long-term worth. Fundamentally good quality assets can be swept up in negative sentiment and may transact at levels that look favourable in the longer term offering good opportunities for shrewd investors.

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Robert Peto, chairman of Standard Life Investments Property Income: The outlook for the next 12 months is clouded by the ongoing Brexit negotiations and whether the UK leaves the EU with or without a deal or, indeed, leaves at all. The outcome of this debate will, to a huge extent, determine whether business investment and confidence starts to pick up and sentiment starts to improve, or investment is held back and GDP growth remains muted. Based on leaving the EU with a deal, our manager forecasts GDP growth of 1.0% in 2019.

The commercial real estate market is not immune to the Brexit-related uncertainty. While the real estate fundamentals are strong – comparatively high yields compared with other asset classes, prudent leverage, limited development and lower than average vacancy rates – uncertainty is reducing liquidity and visibility of pricing in most areas of the market. The principal exception to this is assets with long, secure income streams, which remain highly sought after and in short supply.

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Chris Russell, chairman of F&C Commercial Property: Investors have remained cautious given the uncertainty in the macro-economic and political spheres, with income protection a major consideration. We would expect this to persist as Brexit and its aftermath unfolds and should global growth slow and UK interest rates rise. We anticipate further problems in the retail sector which will drive valuations lower. The next two years are therefore predicted to be a period of relative weakness. However, the market is expected to be supported by its income return and continued interest from overseas buyers. Over the longer-term, we are forecasting a modest recovery with total return performance underpinned by the income return.

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Property - Europe

(compare European property funds **here**)

Property advisory report for Phoenix Spree Deutschland: During the past decade, Berlin has developed into one of Europe's most vibrant and dynamic cities. Economic and population growth have substantially outstripped nearly all other European cities. Today, services account for 85% of Berlin's economic output and growth in knowledge-based and future-oriented sectors offer a bright future for Berlin's economy and labour market compared with other European cities which have relied more heavily on manufacturing and exports.

Since 2009, employment has increased by more than 30% in aggregate and this development serves as a solid basis for residential market demand in Phoenix Spree's core Berlin residential market.

Whilst manufacturing accounts for one out of four jobs across Germany as a whole, it plays a subordinated role in Berlin, with only one out of eight employees employed in this sector. Berlin has clearly positioned itself as an innovation hub. As its "new world" economy continues to grow and flourish, the city's inward migration trends increasingly reflect the new skills demanded by the labour market. Employment growth has mainly taken place in services, where more than 200,000 jobs were newly created between 2013 and 2018. Almost half of these new jobs were in three services sectors only. First, professional, scientific and technical services; second, other business services; and third, the information and communications sector.

The changing population and employment demographics are reflected in Phoenix Spree's own tenant structure. Analysis of new tenancies signed during 2018 shows that new tenants attracted to Phoenix Spree's rental proposition are almost exclusively from the services sector, over 39% of new leases signed are by tenants that have relocated either from another German city or from another country and only 18% are native Berliners.

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Manager's report for Aberdeen Standard European Logistics Income: We believe that many of the key drivers behind the demand for logistics space in Europe remain strong and are likely to be long-term and structural in nature rather than linked to the economic cycle. There is evidence of logistics rental growth in some European markets, and we expect this to pick up for key logistics hubs and urban locations, where supply constraints start to come into play. A stabilisation of yields will lead to a stabilisation of new development projects competing for tenants, and increased construction costs are likely to also influence asking rents.

The high demand for logistics investment from real estate investors has resulted in a sharp re-pricing of the sector, with average prime logistics yields in Europe coming down from 5.5% to 5.1% over the last 12 months. We are still optimistic regarding the performance of logistics real estate investments at the current pricing, but we believe stock picking is increasingly important as yields become lower. Rental growth prospects are very different across sub-markets and locations and need to be factored into acquisition considerations.

In response to the strength of the logistics market rally, Aberdeen Standard Investments surveyed a wide range of warehouse and distribution centre occupiers (conducting interviews with 123 supply chain specialists in 29 countries) to examine the true strength of the occupier base. The survey "The European Logistics Survey - the trends shaping the future of Logistics Property" revealed some new trends emerging in the European logistics sector. These include shifts in technological influence across the supply chain, a surprising level of engagement in sustainability initiatives and results that reinforce the shift of demand towards the consumer and urban locations. However, these trends create substantial tensions between policy, the environment, competing uses and the need to satisfy last mile parcel delivery on a scale never seen before in Europe. The results confirm our view that the momentum in the sector is likely to be sustained, but with an increasing level of complexity.

The impact of logistics operations on the environment is also a critical part of sustainability strategies being employed in the sector. We believe this preference from occupiers is something we should be increasingly focused on, both for new acquisitions and in our asset management plans for logistics properties currently held within the company's portfolio.

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Investment manager's report for Dolphin Capital Investors: Mediterranean region market dynamics:

Greece

The completion of Greece's third financial assistance programme in August 2018 and the issuance for the first time since 2010 of a 10-year Greek state bond in March 2019, marked the termination of the country's 8-year reliance on EU financial stability funds and its return to a stronger economic footing

Furthermore, tourist arrivals and revenues posted new records in Greece during 2018. According to the provisional data issued by the Bank of Greece, more than 30 m tourists arrived in Greece in 2018, recording a rise of 10.8%, while travel revenues exceeded €16 bn for the year, up 10% compared to 2017.

The vast majority of tourists, amounting to 21.4 m out of the 30 m who travelled to Greece, were European citizens from another EU member state. Another 8.7 m tourists came from countries outside of the EU.

The increase in the number of tourists over the past year came mainly from inside the EU, as the number of EU nationals visiting the country increased by 15.1 per cent over the previous year. The number of non-EU tourists over that same period increased by only 1.3 percent compared to 2017's numbers.

According to the Greek tourism confederation, tourism traffic and revenues are expected to remain similar for 2019.

Cyprus

Cyprus welcomed 3.93 m tourists in 2018, an increase of 7.8% compared to 2017 which was also a record year. The UK and Russia constitute the main sources of tourism for Cyprus, with visitor proportions at 33.7% and 19.9% respectively. Cyprus tourism organisation forecasts for 2019 anticipate another successful year.

In addition, according to "Cyprus real estate market report- The Insights" (KPMG, December 2018), the Cypriot economy continued its positive growth in 2018 and the positive economic performance over the past years has led to a series of upgrades of Cyprus' sovereign rating by various international credit rating agencies. With regards to the latest update by S&P, Fitch and DBRS, Cyprus sovereign rating was upgraded to "Investment Grade" with stable outlook, signalling the strong performance and improvement of the Cypriot economy.

Real estate activity continued its upward trend in 2018, with residential sales contracts showing an increase of 21%, while non-nationals in 2018 bought 103% more properties compared with Q1-Q3 2017, reaching a 48% share of the overall market.

Croatia

A record of almost 20 m tourists visited Croatia in 2018, demonstrating a 6.5% uplift compared to 2017, while 106 m overnight stays were recorded representing 4% more than the previous year, according to the Ministry of Tourism. Istria was the most popular region this year, followed by Split.

In addition, more than €1 bn was invested in tourism during 2018 and the investment in 2019 is expected at a similar level.

Demand for luxury real estate was up by 25% compared to 2017 and the prices of luxury real estate rose by 10-15%, reaching €5,000 to €6,000 per m2 as reported by Sotheby's. Positive market trends are expected to continue in 2019, with an expected price growth of up to 10%, followed by an even greater growth in demand for luxury real estate.

Turkey

After the end of the crisis connected to heightened alarm over security, Turkey registered a boom in tourism in 2018 as more than 39.5 m tourists visited the country, with a nearly 22% year-on-year increase according to the Ministry of Tourism. The majority of foreign visitors were from Russia (+26.5% on 2017). Tourism revenues rose to US$29.5 bn in 2018, with a 12.3% increase compared to the previous year.

The boom was also supported by the depreciation of the Turkish lira compared to euro and dollar, mainly driven by the Fed's tightening monetary policy, the widening of the current account deficit and political uncertainty.

The tourism and hotel market in Turkey has shown great resilience to the crisis of the past two years as the market recovered after seeing a sharp decline in performance measures. However, foreign investors' interest in the Turkish real estate market has shown a significant decrease over the last three years due to political and economic uncertainty.

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Commodities and natural resources

(compare commodities and natural resources funds **here**)

Manager's report for Baker Steel Resources Trust: The outlook for mining and metals continues to be uncertain with the limited recovery seen in 2016 and 2017 seemingly having paused in 2018. This has constrained the number of new mines being brought into production and correspondingly the amount of exploration to discover and define new ore bodies.

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Environmental

(compare environmental funds **here**)

John Scott, chairman of Impax Environmental Markets: Over the course of 2018, global equity markets were volatile. The reasons for this included deteriorating trade relationships such as those between China and the USA, and growing concern that interest rates might rise and growth rates decline. In the last three months of the Year global equities fell sharply, culminating in the worst performance during December since the 1980s. Smaller companies (global small caps), core investments for IEM, were particularly vulnerable, significantly underperforming the broader market.

The socio-economic drivers behind the growth of environmental markets gathered pace in 2018. We saw the global controversy surrounding plastics usage escalate further. In January 2018 China, previously the world's biggest recipient of waste materials, banned the importation of 24 categories of waste and recyclates. As waste piles up in regions around the world the need for solutions grows and Governments are under growing pressure to act.

Companies and Governments introduced strategies to target plastic waste. The European Union ('EU') Parliament, and the EU Council, agreed to put clear restrictions on disposable plastic products like straws and cutlery. The UK Government indicated that by 2022 it would introduce a new tax on all plastics that contain less than 30% recycled materials.

Efforts to reduce CO2 emissions also made some progress. In December, at the United Nations 24th conference of the parties (COP24) meeting in Poland, the 'rule book' was established for the Paris Agreement. It sets out the operational rules governing how the agreement will be implemented to limit temperature increase to 2 degrees centigrade above pre-industrial levels. China showed leadership by choosing to support similar rules across industrialised and industrialising countries.

QuotedData

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