DART CAPITAL

Issued: May 2017

Market Commentary - April 2017

INVESTMENT TEAM

Richard Whitehead
CEO
richard.whitehead@dartcapital.com

Alexander George
ASSOCIATE DIRECTOR OF RESEARCH
alexander.george@dartcapital.com

Chris Bellchambers
ASSOCIATE DIRECTOR OF INVESTMENT
chris.bellchambers@dartcapital.com

Andrew Savage
INVESTMENT MANAGER
andrew.savage@dartcapital.com

Elections again dominated the market environment over April, with a market friendly result in the first round of the French election helping boost European equities in particular. On the domestic front, markets reacted positively to the news that the UK electorate faces another trip to the ballot box in June.

The mid-month announcement of a snap election to be held in early June helped drive a strengthening of sterling, with markets anticipating that a large Conservative majority in the upcoming vote would bolster the UK government's hand when negotiating the country's exit from the EU. Whilst markets have priced in a resounding victory for the Tory party, there remains widespread scepticism over whether a trade deal will be agreed by the time of our formal exit from the EU in March 2019. Initial estimates showed the domestic economy's growth slowed to 0.3% quarter-on-quarter (q-o-q) over Q1, driven largely by a slowdown in household spending amid higher prices on essential goods, most notably fuel. On a more positive note, the manufacturing sector grew 0.5% over the period, aided by the weakness of sterling which has made exported goods more competitive on international markets. This month's bounce-back in sterling, along with a global weakening of commodity prices, has helped drive a sharp outperformance of small and mid-cap stocks – which tend to be more domestically exposed than their larger counterparts - over the last 6 weeks to the end of April. Over the month of April, the NUMIS Smaller Companies index returned 3.8% which compared to a 2.6% loss for the benchmark for larger companies, MSCI United Kingdom Large Cap index. The Pound gained 3.2% against the US Dollar over the month.

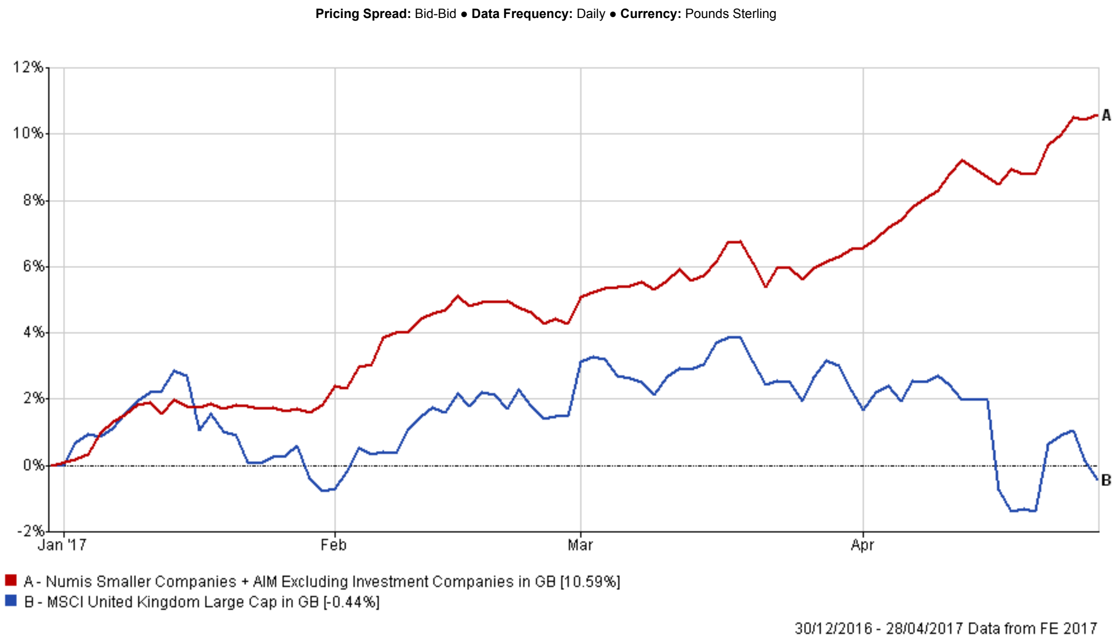
Dart Capital
4 Eastcheap London EC3M 1AE

Tel: 020 7283 1117
Fax: 020 7283 0891

Dart Capital Limited is registered in England and Wales.
Company number: 2146006

Dart Capital Limited is authorised and regulated by the Financial Conduct Authority.
FCA registered number: 137569

continued



Many market commentators have seen the French election as a potential flashpoint for the region, with a worst case scenario that two anti-establishment candidates – foremost among which is the right-wing, anti-EU candidate, Marine Le Pen - would make it through April's first round of voting. As a result, markets reacted positively to the first round result, with central-ist, pro-EU candidate Emmanuel Macron gaining the largest share of the vote and now seen as the likely winner of the second round of voting at the time of writing. European markets reacted strongly on the news and were the top performing major region over the period, with MSCI Europe ex-UK ending the month up 2.2% in local currency terms. Eurozone growth has remained buoyant over recent months, with the IHS Markit survey showing broad based business activity at its highest level for six years in April with both the services and manufacturing sectors expanding strongly

Initial estimates showed that US economic growth slowed to 0.7% annualised over the first quarter, although at least some of this slowdown was blamed largely on temporary factors which dragged down the reading, including seasonal weakness which tends to lead to a rebound later in the year. Whilst consumer and government spending were weaker than expected, perhaps of most concern was the sharp slowdown in auto sales as lending standards tightened following several years of strong growth in sales and loosening credit requirements. On a more positive note, business investment was strong over the first quarter boosted by a combination of far higher commodity prices than a year ago and the pro-business agenda of President Trump. In spite of the weaker first quarter GDP reading, the Federal Reserve are expected to raise interest rates by a further 25 basis points in June. From a sector perspective, the last two months have seen a marked rotation out of sectors which performed so strongly in the aftermath of Trump's November election victory, most notably banks and basic materials, the former of which had rallied strongly on the prospect of higher growth and bond yields. Conversely, the technology sector has returned to investors' favour on the back of strong earnings releases. The S&P 500 inched up 0.9% in Dollar terms over the month of April.

continued

Chinese growth beat expectations over the first quarter according to official figures, growing 6.9% when compared to a year ago, with particular strength coming from the retail sector. MSCI China A lost 1.5% over the period in US Dollar terms. The outlook for the Japanese economy has improved over recent months with the country's unemployment rate falling to 2.8% - a 22 year low - in the most recent reading. MSCI Japan gained 1.1% over the month in Yen terms.

Commodities struggled over April, with the Chinese government's attempts to curtail speculation and tighten credit standards, combined with signs that President Trump's infrastructure spending plans will be smaller than expected, negatively impacting investor demand. Particularly impacted were industrial metals, such as copper and iron ore, the latter of which fell 19.4% over the month in US Dollar terms. The oil price, as measured by Brent Crude, ended the month 2.1% lower as markets grew increasingly concerned over the high level of US oil inventories and the potential that OPEC's agreement to curb oil output may not be renewed.

Asset Class Performance – End April 2017 (in Sterling terms)

Asset Class	Dart Position	1 Month	3 Months	12 Months	Index
Cash	↘	+0.01%	+0.05%	+0.31%	Bank of England Base Rate
Fixed Interest	↘	+0.25%	+3.11%	+5.46%	iBoxx Sterling Gilts All Maturities in GBP
Equities - UK	→	-0.82%	+2.53%	+15.72%	MSCI UK All Cap in GBP
Equities - International	→	-2.01%	+2.24%	+28.65%	MSCI All Country World Index ex UK in GBP
Property	↘	+0.69%	+2.11%	+1.56%	Financial Express UK Property Proxy in GBP
Alternatives	↗	+0.01%	+0.05%	+0.31%	Bank of England Base Rate

Benchmarks are capital return which excludes income

Month to 30 April 2017

Treasury yields data supplied by Thomson Reuters

All other performance data supplied by Financial Express Analytics

Dart positions based on Dart mid risk strategy

↗ Overweight

→ Neutral

↘ Underweight