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The **Lloyds Bank Private Banking research** examines the movements in the FTSE All Share Total Returns Index over the past year (October 2012 - October 2013) across 10 industry sectors. Data is measured at an end-of-month index value.

Improving economy helps boost UK equities

FTSE All Share Total Returns index 25% above pre-crisis peak

Total returns earned by UK equity shareholders have averaged 16.9%¹ over the past twelve months, according to latest research from Lloyds Bank Private Banking. This compared with an average return of 12% in the preceding 12 months. The increase in average returns on the FTSE All Share Total Returns Index appears to have been driven by an improving economy, rising consumer confidence and growing household spending. Eight of the ten leading industry sectors have seen shareholders enjoy double digit returns in the past year.

Since 2009, when the FTSE All Share Returns Index fell to the second lowest reading since the index began in 1986, total returns on UK equities have averaged 126% - an average annual rate of 18% - . The majority – almost three-quarters – of this return is attributable to the 92% rise in equity prices² over the period. This has more than reversed the decline from the peak of the market in July 2007 to March 2009 when the FTSE All Share Total Returns Index fell by 45%. The Total Returns Index currently stands 25% higher than in July 2007.

Consumer Services the best performing sector over the past year

Equities in the Consumer Services sector have provided the highest average returns, 33.7% in the past year (See Table 1) - double the returns for the stock market as a whole. This sector, which includes retail, media, and travel & leisure, has seen a resurgence in equity values as growth in household spending has picked up in the year to July, rising by close to 2%³ in real terms.

Five other market sectors have seen returns out-perform, or match, the FTSE All Share Total Returns Index in the past year. Shareholders in Technology stocks have seen average returns of 29.7%. This sector's relatively strong performance is grounded in increased IT investment as firms strive to make efficiency gains through improved IT systems. While innovations in the "digital universe" (e.g. software-as-a-service and other cloud computing services) is helping businesses reduce costs and raise productivity.

Technology stocks are followed by Telecom (with average total returns of 28.4%), Financials (26.9%), Industrials (26.7%) and Health Care (18.1%). The worst performing sectors have been Basic Materials (-1.7%) and Oil and Gas (1.1%). Weak residential construction in Europe has impacted negatively on the Basic Materials sectors, while in the UK construction output has been volatile in 2013.

Nitesh Patel, economist at Lloyds Bank Private Banking, commented:

" Our analysis of the FTSE All Shares Total Returns Index indicates that UK shareholders have seen returns in the past year grow on average by 16.9%, with share price growth accounting for three-quarters of this increase. Improving economic conditions, rising consumer confidence and higher household spending have helped to boost equity values, in addition, market surveys are also pointing towards rising exports and firms' investment intentions appear to be on the up, reflecting growing confidence in the domestic recovery and easing concerns about the euro-zone.

"This positive outlook raises expectations of higher potential future corporate earnings growth, which are feeding into higher equity prices, potentially providing shareholders with higher average returns."

Table 1: FTSE Share Total Returns Index annual* growth - %

Consumer Services	33.7
Technology	29.7
Telecom	28.4
Financials	26.9
Industrials	26.7
Health Care	18.1
Consumer Goods	15.2
Utilities	14.4
Oil & Gas	1.1
Basic Materials	-1.7
FTSE All Share Total Returns Average	16.9

Source: Thomson Datastream

* Twelve months to **7th October 2013**

Notes:

¹ **FTSE All Shares Total Returns Index** as at 7th October 2013; this index is calculated taking into account changes in equity prices and assumes reinvestment of dividends.

² **FTSE All Share Price Index** as at 7th October 2013; the Total Returns Index is based on this index but includes dividends.

³ Consumer Trends Q2 2013 - Office for National Statistics

Editors' Notes:

Any views expressed within this report are our current in house views as at 24 October 2013 and could be proved wrong and should not be relied upon as fact. Investment markets and conditions can change rapidly and as such the views expressed should not be relied upon when making investment decisions. The value of investments can go down as well as up. Past performance is not a guide to future performance.

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