EB Wealth

QUARTERLY REPORT
Q2 2023

Global Overview

Global sector performance for the period 01/03/2023 - 31/05/2023				
Markets	**Country**	**Index (ex div) / Sector**	**3m performance up to 31/05/2023**	**12m performance up to 31/05/2023**
North America	USA	S&P 500	5.78%	1.15%
		Dow Jones	0.75%	-0.25%
		Nasdaq	13.67%	7.07%
UK	UK	FTSE 100	-5.92%	-2.12%
		FTSE All-Share	-5.33%	-2.65%
Europe	Germany	Xetra DAX	2.35%	8.87%
	France	Paris CAC 40	-1.87%	9.74%
	EU Countries	FTSEurofirst 300	-0.85%	3.05%
Asia	Japan	Nikkei 225	12.25%	13.23%
	China	Hang Seng	-11.57%	-14.85%
	India	Nifty 50	5.34%	13.34%
South America	Brazil	Sao Paulo Se Bovespa	3.78%	-2.71%
	Mexico	SE IPC	-1.38%	1.90%
Other Markets	South Africa	JSE FTSE ALL SHARE	-3.43%	4.12%
	Australia	S&P AUST	-2.21%	-1.66%
	Russia	RTS	10.42%	-12.64%
	Canada	S&P/TSX COMPS	-3.39%	-5.58%
Commodities	N/A	Gold	6.69%	6.84%
		Silver	10.77%	6.82%
		Brent Crude Oil	-13.25%	-36.60%
		Copper	-11.75%	-17.67%

*Based on the latest available data at the time of print.

The US dominated the performance table in Q2 with the tech-heavy Nasdaq fetching a 13.67% gain. This was led by a massive thrust toward artificial intelligence (AI), especially generative AI. Our own Brown Advisory US Equity fund returned 10% on the quarter.

Whilst the UK index posted losses of 5%, our TB Evenlode Income fund (within the UK Sector) posted gains of 3%, ranking its 3m performance in the first quartile. The BNY Mellon Brazil was the second-best performing fund across our portfolios, posting gains of 9%.

Unfortunately, with interest rates continuing to rise, bonds and gilts suffered significant losses. Despite being underweight in gilts and bonds and despite our funds outperforming, our cautious portfolios suffered from the dramatic market downturn. On the positive side, interest on cash is significantly more attractive now so we are increasing our cash allocation across all portfolios.

The Importance of Lasting Power of Attorneys (LPAs)

Despite the importance of having LPAs in place, it is still a widely overlooked aspect of prudent financial planning. In a departure from our usual "third person" style article, we are republishing a recent blog by one of our directors, Charlie McCall, which succinctly highlights the benefits of LPAs.

"Both my wife and I have parents with failing health, so we needed to get more involved with managing their financial and health affairs. We have now put LPAs in place for each of our parents, which allows us to make decisions on their behalf. For instance, I can now log into their bank accounts and manage any payments as well as keep an eye out for anything out of the ordinary. The Health & Welfare LPA allowed my sister to instruct the hospital to release Dad from hospital after a short stay, something that would have been much harder without the LPA.

While you can engage the services of a solicitor to manage the LPA process, it is possible to do it all yourself. I should add, however, that if your family circumstances are particularly complicated or one of the 'donors' (the person the LPA is being set up for) wishes to stipulate the circumstances in which others can act, then seeking legal advice may be the best option. It costs £82 to register an LPA.

In my family's case, Dad had been the one to take care of the finances but as he entered his 80s and his health took a downward turn, we could see bills were being left unpaid and he was no longer able to manage day-to-day finances. Dad agreed to an LPA and appointed Mum, myself, and my siblings as 'attorneys.' The HMRC LPA website is the place to start and you need to enter everyone's details and pay the registration fee. Then you print off the application and get everyone to sign. The LPA needs to have a 'certificate provider', who is an impartial person who helps protect the donor's interests by checking that the donor understands the LPA and is making it of their own free will. This person can be their GP or solicitor but doesn't have to be - and we found it quite time-consuming liaising with the GP for signatures – so, if possible, you may find it preferable to use a closer contact to act in this regard. The donor, certificate provider and attorneys all need to sign the respective sections and be witnessed. Please note that the application needs to be signed in order, so do pay attention to the instructions!

Once you have posted the completed application to the Office of the Public Guardian, it can take 20 weeks(!) before confirmation is sent out. Then there is a 6-week cooling off period. After this time, the LPA should be set up and the attorneys can start to share the LPA with banks and any other providers.

The Importance of Lasting Power of Attorneys (LPAs)

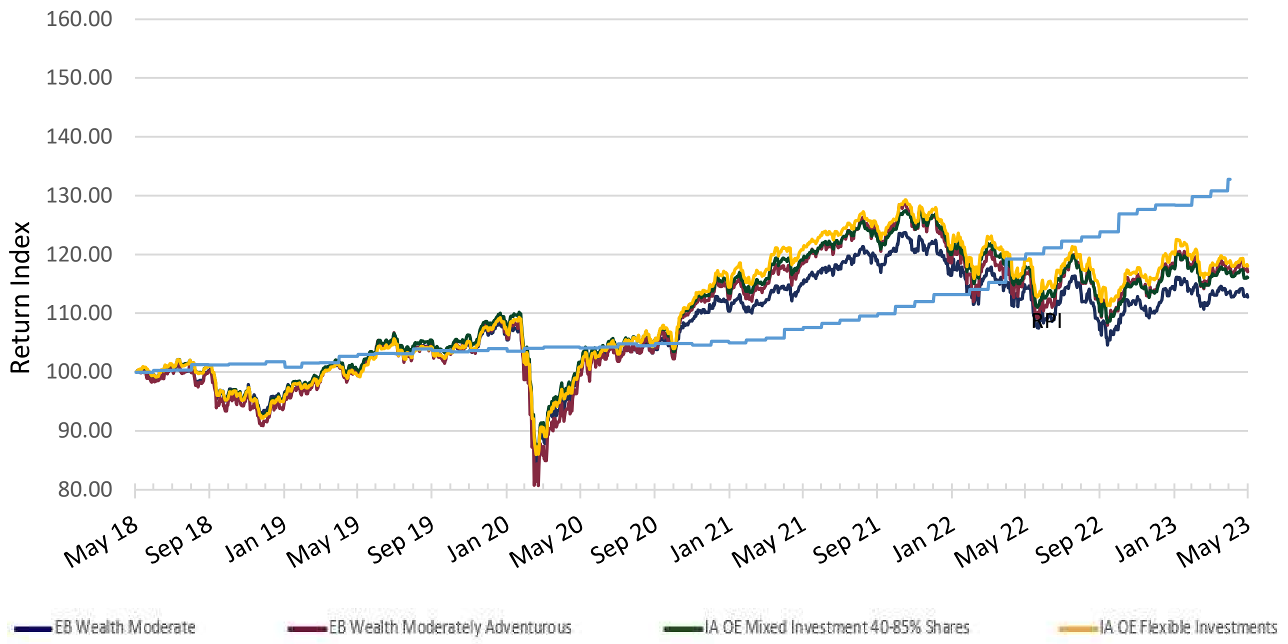
As well as appointing attorneys, the donor can appoint 'replacement attorneys' and the donor can give instructions to guide the way the attorneys make their decisions. Apparently, most donors do not add any specific instructions, but this is a personal choice. The following HMRC websites explain how LPAs work and how to begin the process:

HMRC website on LPAs
Online form to make an LPA

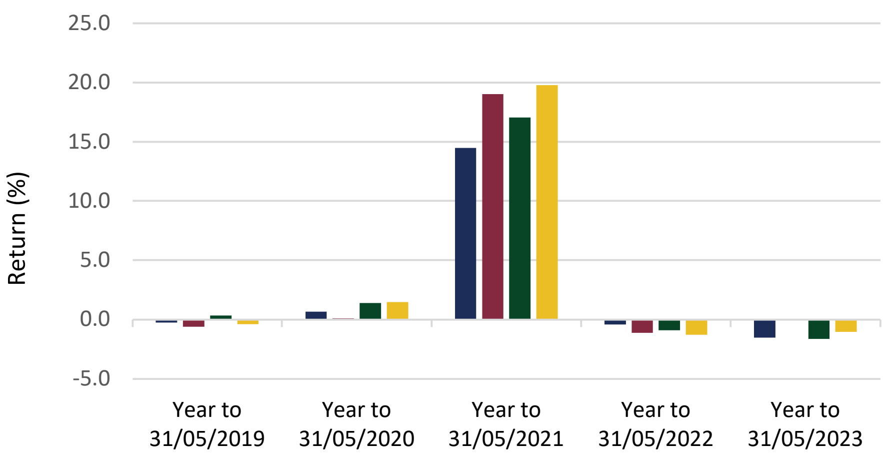
From my perspective, having LPAs in place for my parents has been a real time saver. Mum is delighted that someone else can take care of the family finances and it is one less thing for her to worry about. It does take time to get an LPA in place and it may be too late to apply if the donor is not deemed to have the mental capacity for the application."

Recent blog by Charlie McCall
Director, The EB Partnership

EB Wealth Portfolio Performance



This chart shows year-to-date performance of our Moderate and Moderately Adventurous fund portfolios over the last five years. We have also included the IA OE Mixed Investments 40-85% returns and IA OE Flexible Investments as benchmarks. Please see page 16 for more information in relation to the benchmarks.



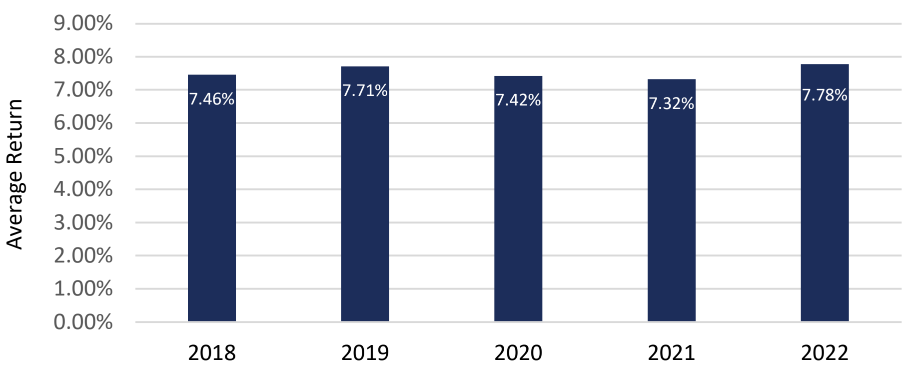
Discrete Annual Performance

This chart shows the discrete annualised performance of our Moderate and Moderately Adventurous fund portfolios over the last five years.

We also run Cautious, Moderately Cautious and Adventurous portfolios and information on these portfolios can be obtained upon request.

Structured Product Average Return

This chart shows the average return achieved on our structured product recommendations on a discrete annualised basis.



Market Commentary UK

Macroeconomic Highlights 01/03/2023 to 31/05/2023		
	Latest Reading	Compared to Previous Quarter
GDP Growth	0.1%*	Increased from 0%
Yearly Inflation	8.7%*	Fell from 10.4%
Wage Growth Including Bonuses	5.8%*	Fell from 5.9%
Unemployment Rate	3.9%*	Increased from 3.7%
Interest Rates	4.5%	Increased from 4.25%

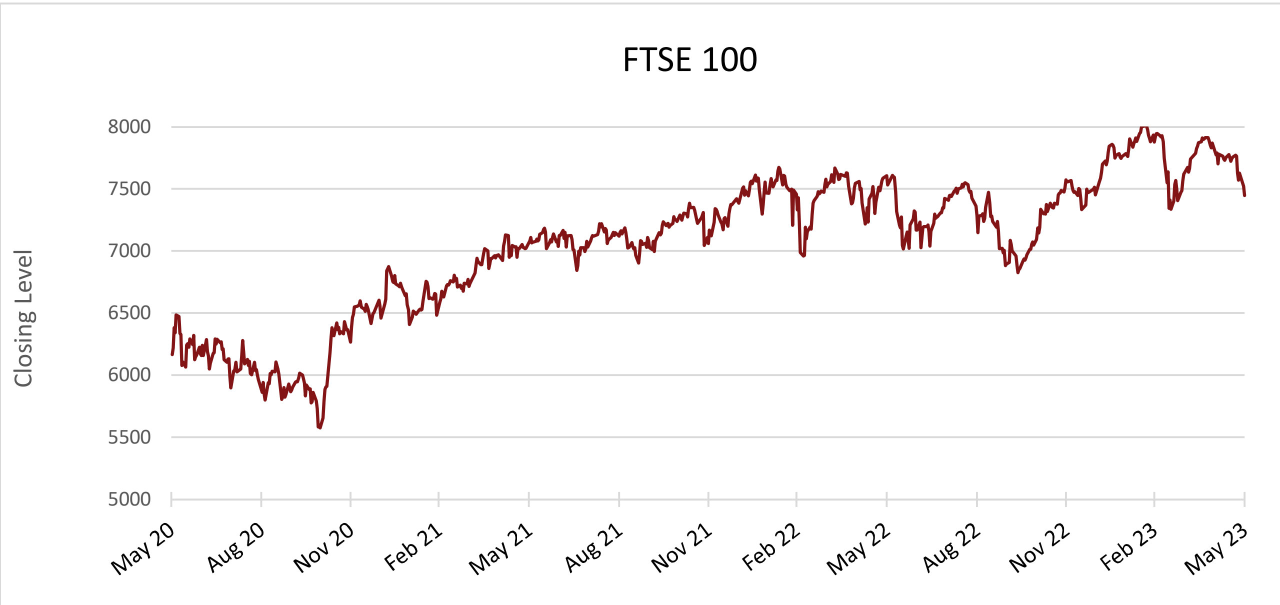
*Based on the latest available data at the time of print.

Market forecasts have been matched this time round, with GDP expanding 0.1% last quarter. Energy and basic materials were hit the hardest amid broad-based weakness in commodity prices. On the consumption side, household spending showed no growth on the quarter as incomes continue to be squeezed by high inflation.

Achieving 0.1% growth means that the UK economy is likely to avoid a technical recession this year as the two consecutive quarters of negative growth will be avoided. Weaker GDP growth is also a sign that higher interest rates are starting to bite and with lower growth, weaker demand should follow, helping to ease domestic inflation pressures.

The housing market continued to be a hot topic this quarter. Although it has fared reasonably well over the last year or so, that resilience is now being tested. Figures showed that the number of homes sold in April was 25% lower than the year before. Fewer mortgage offerings dampen the outlook further, almost certainly reducing demand for residential property. Around 1.8 million households need to re-mortgage this year, and the majority of those have not yet done so. They could be found in an even worse situation when they do so, given the likelihood of another interest raise from the Bank of England.

We will decrease our allocation to the UK next quarter in favour of the US.



Market Commentary US

Macroeconomic Highlights 01/03/2023 to 31/05/2023		
	Latest Reading	Compared to Previous Quarter
GDP Growth	2.0%*	Fell from 2.7%
Yearly Inflation	4.9%*	Fell from 6.4%
Wage Growth Including Bonuses	5.8%*	Fell from 7.9%
Unemployment Rate	3.7%*	Increased from 3.4%
Interest Rates	5.25%	Increased from 4.75%

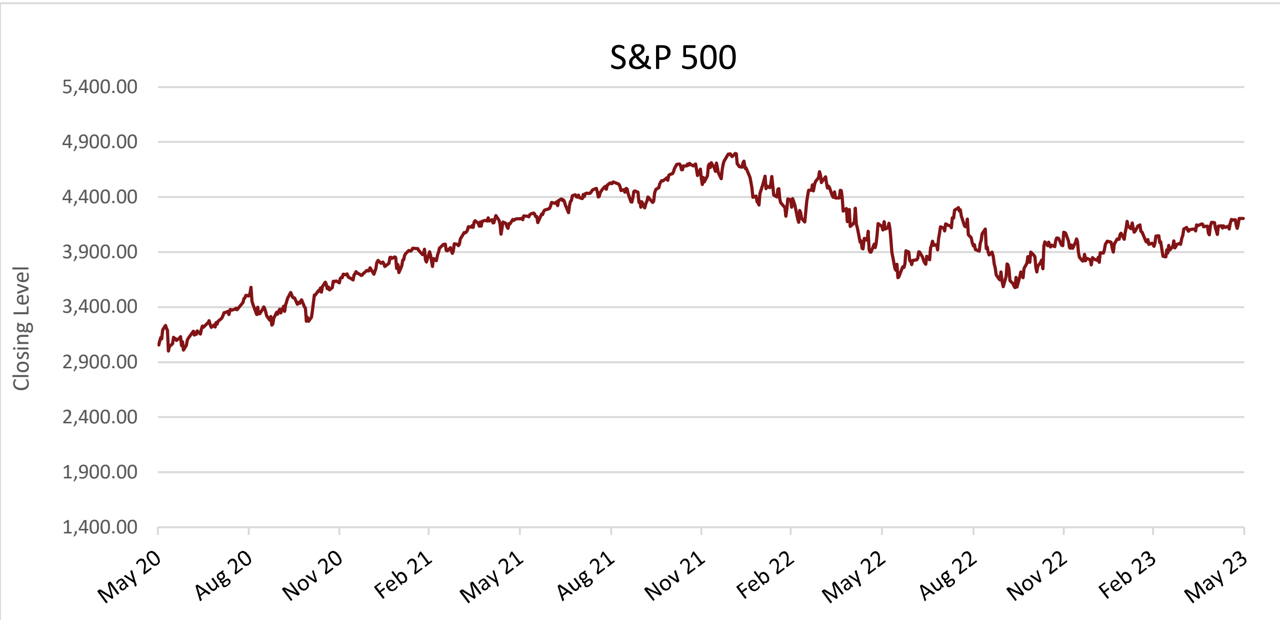
*Based on the latest available data at the time of print.

The US economy grew by an annualised 2% in Q1 2023, well above forecasts of 1.4%, but US equities struggled to make headway in April and May. Energy and materials stocks were among the weakest performers, weighed down by the weak demand outlook. The technology sector, on the other hand, made strong gains after having endured a miserable 2022. Seven large US companies (Apple, Microsoft, Alphabet, Amazon, Tesla, Netflix and Nvidia) collectively returned 34% in the four months to 30 April 2023.

The banking sector stress has contributed to tighter lending conditions and, along with interest rate rises, this has been a catalyst for a rotation away from value parts of the market and back into growth stocks.

The new $31tn government borrowing limit has initiated lots of discussions around how this will affect the US economy in the short-term and in the future. Without raising the debt limit, the US government would default on its bills, a historic first that would likely carry catastrophic consequences. However, according to projections by the Congressional Budget Office, US debt will climb to a record high of 107% of GDP in 2029.

Despite the headwinds, we are making a small increase to our US exposure next quarter in line with our longer-term strategy.



Market Commentary Europe

Macroeconomic Highlights 01/03/2023 to 31/05/2023		
	Latest Reading	Compared to Previous Quarter
GDP Growth	-0.1%*	Fell from 0.0%
Inflation	6.1%*	Fell from 8.5%
Wage Growth	5.1%*	Increased from 2.1%
Unemployment Rate	6.5%*	Fell from 6.7%

*Based on the latest available data at the time of print.

The Eurozone economy unexpectedly shrank 0.1% on quarter compared to early estimates of a modest 0.1% rise. Eurozone shares made gains in April but were weaker in May after a generally positive year so far. All sectors fell, aside from information technology, which was boosted by semiconductor stocks. This was in the wake of higher-than-expected sales projections from some US chipmaker peers, which helped demonstrate the growth potential stemming from AI.

The European Central Bank (ECB) raised all three of its key interest rates by a further 0.25%, bringing the deposit rate to 3.50%, the refinancing rate to 4.00% and the marginal lending rate to 4.25%.

If inflation continues to be sticky, then a further rate rise in July could be on the cards. This would arguably take policy into overly restrictive territory.

The labour market continues to be resilient, as the latest unemployment rate available for March showed another fall to 6.5%, as highlighted in the table above. This was sighted as one of the upside risks to inflation. Should job growth continue to be stronger than expected, then demand and inflation pressures could persist.

We will decrease our exposure in Europe next quarter but retain our overweight stance.

Market Commentary Japan

Macroeconomic Highlights 01/03/2023 to 31/05/2023		
	Latest Reading	Compared to Previous Quarter
GDP Growth	0.7%*	Increased from 0.2%
Inflation	3.5%*	Fell from 4.3%
Unemployment Rate	2.6%*	Increased from 2.4%

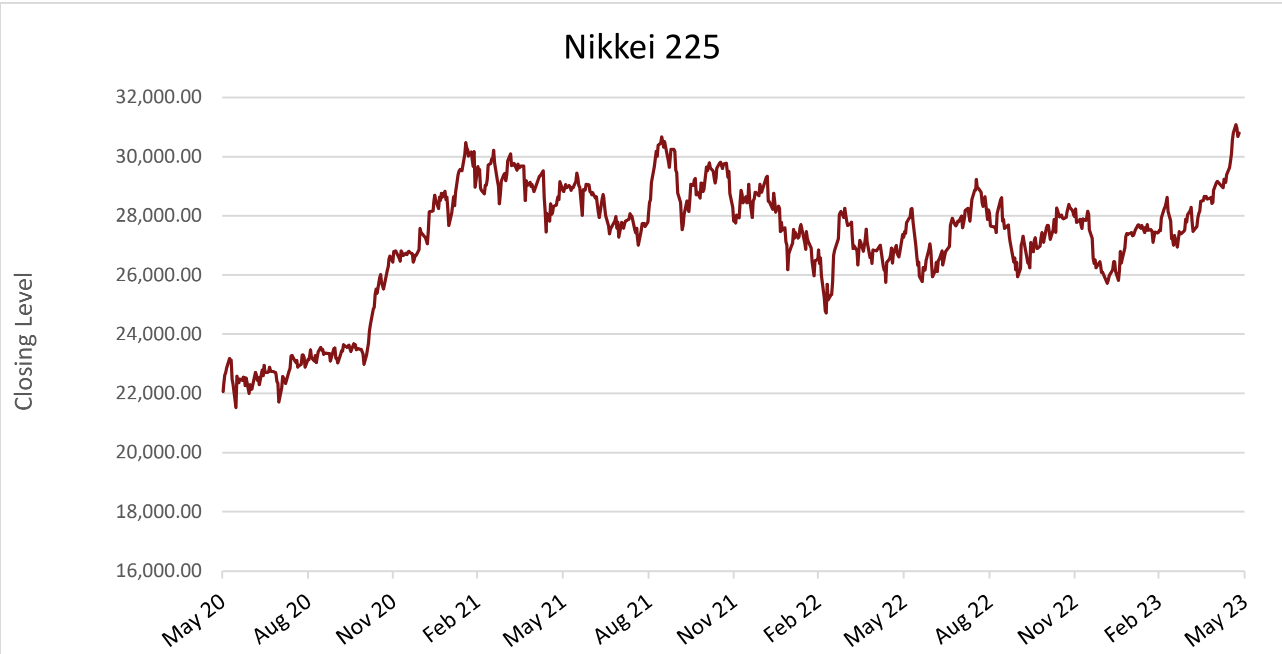
*Based on the latest available data at the time of print.

The Japanese economy advanced 0.7% quarter on quarter in the first three months of 2023. This was the second straight quarter of economic growth, which has exceeded market forecasts of a 0.5% increase. In the middle of May, the TOPIX (Tokyo Stock Price Index) returned to its highest level since 1989 and in June it took another leg up, rallying strongly. The yen weakened against the US dollar, which has both positive and negative effects on the economy, depending for example on the export or import sectors.

Inflation, something that has been virtually absent in Japan for more than three decades, came in at 3.5% in April – coming down from the 40-year high of 4.3% in January. Many investors, both foreign and domestic, expect wage growth will follow. Apart from inflation, there have been signs of a rise in the Bank of Japan's balance sheet. For foreign investors, this has helped underpin the belief that Japan is a safe haven in a risky world.

For these reasons and more, markets are more positive about Japan than they have been for a generation. Japan always does best when it is outward facing and connected to the global economy. Thankfully, its policymakers now seem to recognise that fact.

We will retain our overweight stance on Japanese equity next quarter and will also buy into the dip on Japanese smaller companies.



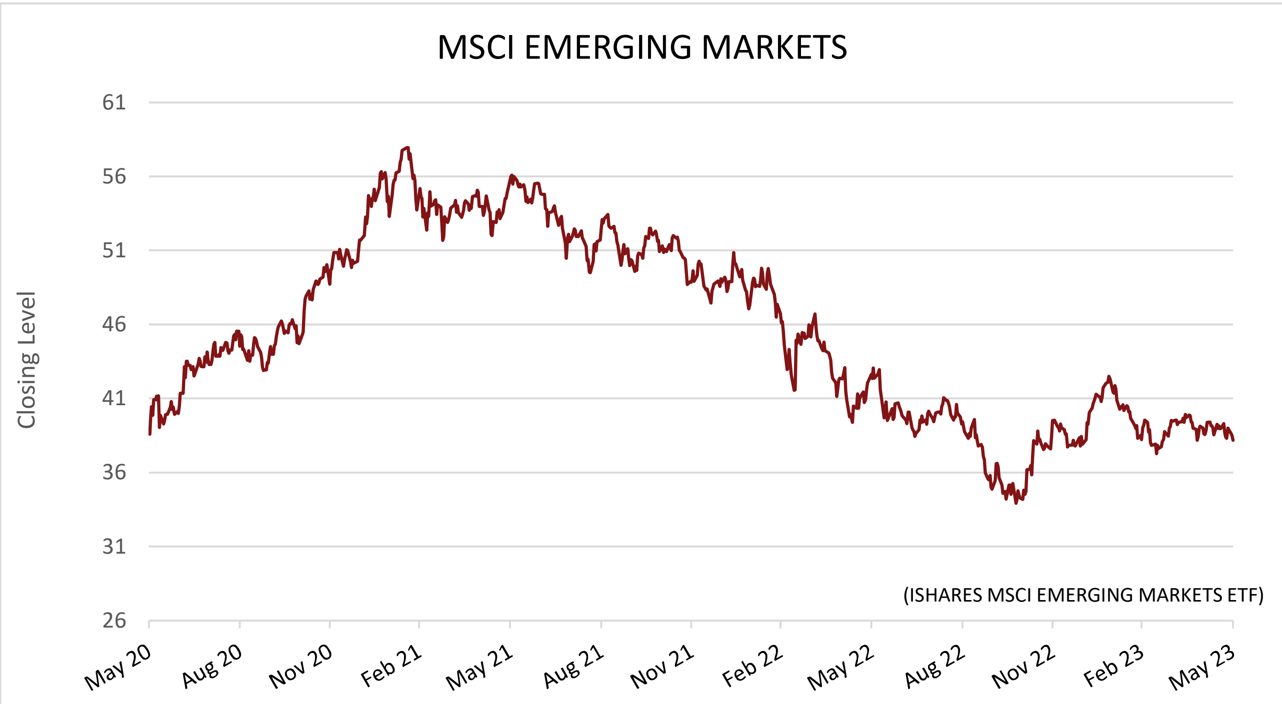
Market Commentary Emerging Markets

Emerging Market equities underperformed the MSCI World Index during both April and May. Within Emerging Markets, South Africa and the Czech Republic were the weakest markets. Greece was the top-performing market following the country's national election where the conservative party was put into power for a second four-year term - crushing the left-wing opposition party, which prompted the opposition leader to announce his resignation.

Expectations of a post-COVID boom for the Chinese economy have decisively fizzled out. The world's second-largest economy recently recorded below-estimated figures for retail sales growth, industrial production and fixed asset investment, while youth unemployment rose to a record 20.8% in May. The People's Bank of China responded to the youth unemployment figures by cutting its medium-term lending rate.

Erdogan beat Kemal Kilicdaroglu to be re-elected Turkish president, extending his time in charge of Turkey beyond 20 years. Despite the celebration of his supporters well into the night, the Parliamentary Assembly of the Council of Europe's (PACE) report said that the elections were marked by irregularities. The report noted "an overall repressive environment" mounted against the opposition and a "lack of transparency and genuine communication" shown by Turkey's Supreme Electoral Council. Cited irregularities included "a lack of level playing field during the campaign, characterised by misuse of administrative resources, biased media coverage, and restrictions to freedoms of expression and media".

We will retain our existing allocation to Emerging Markets next quarter.

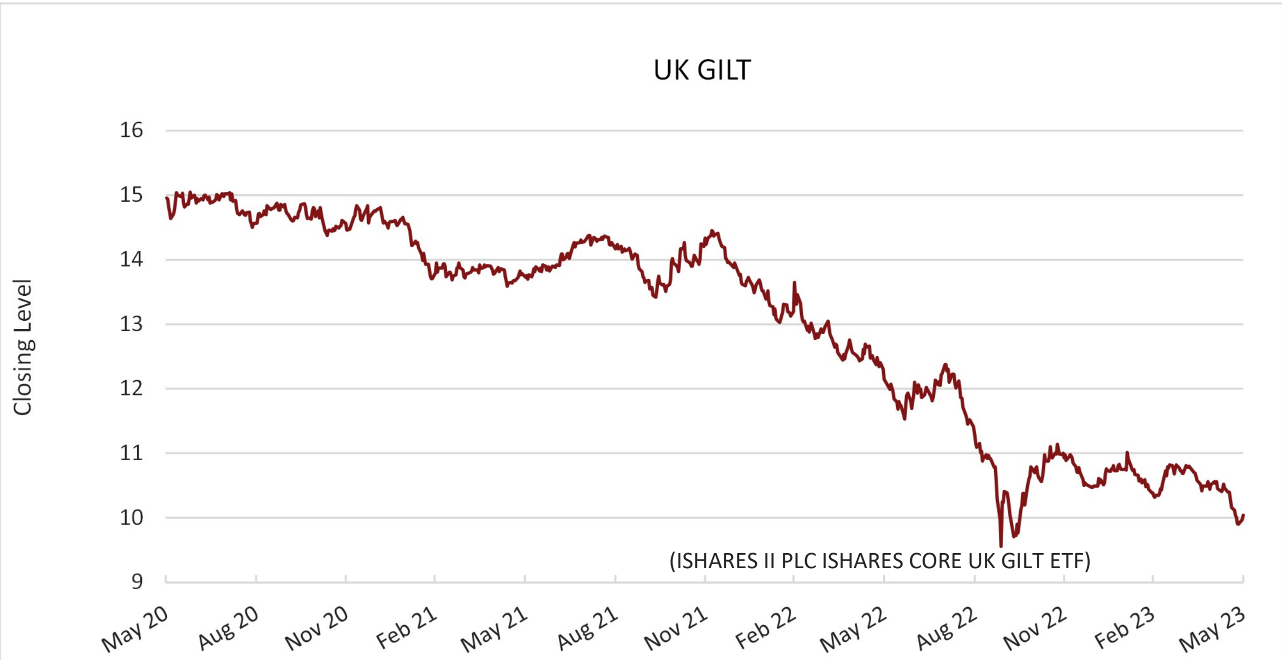


Market Commentary Fixed Interest

The drop in bond yields seen in March as markets reacted to banking sector stresses did not continue into April; yields began to creep up once more and climbed further in May. In terms of figures, the UK 10-year yield saw the largest hike as it rose from 3.72% to 4.18%, with US also seeing an increase, albeit smaller. Germany's 10-year yield decreased slightly from 2.31% to 2.27%.

With recession fears stalking equity markets, investors are nervous and the result is a flight to safety and yield. Roughly £662m was removed from equity funds in June alone, making it one of the top ten worst months for equity fund outflows. UK retail investors are dumping equity funds at the fastest rate since the aftermath of former prime minister Liz Truss's "mini" Budget last year, in favour of safer, high-yielding debt products.

We will decrease our existing allocation in UK Gilts, reallocating to cash across our portfolios to take advantage of the short-term spike in interest rates. As of July 2023, cash is paying 4.22% interest within our active portfolios, a very attractive risk-free rate of return!



Our Tactical Allocation—Adventurous

Sector	Forecast	Position	Morningstar Adventurous Allocation (%)	Tactical Overlay (%)	Adventurous Final Allocation (%)
US	Favourable	Overweight	28	2	30
UK Large Cap	Unfavourable	Underweight	28	-16	12
UK Mid Cap	Unfavourable	Underweight	5	-1	4
UK Small Cap	Favourable	Overweight	2	2	4
Europe	Favourable	Overweight	8	3	11
Japan	Favourable	Overweight	9.8	0.2	10
Asia	Favourable	Overweight	2	4	6
Emerging Markets	Favourable	Overweight	12.2	2.8	15
Property	Favourable	Overweight	0	3	3
Commodities	Favourable	Overweight	0	1	1
Global Fixed Income	Unfavourable	Underweight	1	-1	0
UK Gilts	Unfavourable	Underweight	3	-3	0
UK Corporate Bonds	Unfavourable	Underweight	1	-1	0
UK Inflation Indexed	Fair	Neutral	0	0	0
Cash	Favourable	Overweight	0	4	4

Our Tactical Allocation— Moderately Adventurous

Sector	Forecast	Position	Morningstar Moderately Adventurous Allocation (%)	Tactical Overlay (%)	Moderately Adventurous Final Allocation (%)
US	Favourable	Overweight	24	1	25
UK Large Cap	Unfavourable	Underweight	24	-10	14
UK Mid Cap	Unfavourable	Underweight	4	-1	3
UK Small Cap	Fair	Neutral	2	0	2
Europe	Favourable	Overweight	6.5	2.5	9
Japan	Favourable	Overweight	7.75	0.25	8
Asia	Favourable	Overweight	2	2	4
Emerging Markets	Favourable	Overweight	9.75	1.25	11
Property	Favourable	Overweight	0	4	4
Commodities	Favourable	Overweight	0	3	3
Global Fixed Income	Unfavourable	Underweight	6	-6	0
UK Gilts	Unfavourable	Underweight	8	-7	1
UK Corporate Bonds	Unfavourable	Underweight	6	-3	3
UK Inflation Indexed	Favourable	Overweight	0	5	5
Cash	Favourable	Overweight	0	8	8

Our Tactical Allocation— Moderate

Sector	Forecast	Position	Morningstar Moderate Allocation (%)	Tactical Overlay (%)	Moderate Final Allocation (%)
US	Favourable	Overweight	18	2	20
UK Large Cap	Unfavourable	Underweight	19	-8	11
UK Mid Cap	Unfavourable	Underweight	3.5	-1.5	2
UK Small Cap	Favourable	Overweight	0	1	1
Europe	Favourable	Overweight	5	2	7
Japan	Favourable	Overweight	5.5	1.5	7
Asia	Favourable	Overweight	2	2	4
Emerging Markets	Fair	Neutral	7	0	7
Property	Favourable	Overweight	0	4	4
Commodities	Favourable	Overweight	0	2	2
Global Fixed Income	Unfavourable	Underweight	8	-8	0
UK Gilts	Unfavourable	Underweight	14	-10	4
UK Corporate Bonds	Unfavourable	Underweight	8	-1	7
UK Inflation Indexed	Favourable	Overweight	2	7	9
Cash	Favourable	Overweight	8	7	15

Our Tactical Allocation— Moderately Cautious

Sector	Forecast	Position	Morningstar Moderately Cautious Allocation (%)	Tactical Overlay (%)	Moderately Cautious Final Allocation (%)
US	Favourable	Overweight	12	2	14
UK Large Cap	Unfavourable	Underweight	12.5	-0.5	12
UK Mid Cap	Unfavourable	Underweight	2.5	-1.5	1
UK Small Cap	Favourable	Overweight	0	1	1
Europe	Favourable	Overweight	3	2	5
Japan	Favourable	Overweight	4.5	0.5	5
Asia	Favourable	Overweight	0	2	2
Emerging Markets	Unfavourable	Underweight	5.5	-0.5	5
Property	Favourable	Overweight	0	4	4
Commodities	Favourable	Overweight	0	2	2
Global Fixed Income	Unfavourable	Underweight	12.2	-12.2	0
UK Gilts	Unfavourable	Underweight	18	-11	7
UK Corporate Bonds	Unfavourable	Underweight	12.8	-4.8	8
UK Inflation Indexed	Favourable	Overweight	4	10	14
Cash	Favourable	Overweight	13	7	20

Our Tactical Allocation—Cautious

Sector	Forecast	Position	Morningstar Cautious Allocation (%)	Tactical Overlay (%)	Cautious Final Allocation (%)
US	Favourable	Overweight	6	2	8
UK Large Cap	Favourable	Overweight	6	2	8
UK Mid Cap	Favourable	Overweight	0	1	1
UK Small Cap	Favourable	Overweight	0	1	1
Europe	Favourable	Overweight	2	1	3
Japan	Favourable	Overweight	2.5	1.5	4
Asia	Favourable	Overweight	0	1	1
Emerging Markets	Unfavourable	Underweight	3.5	-0.5	3
Property	Favourable	Overweight	0	3	3
Commodities	Favourable	Overweight	0	2	2
Global Fixed Income	Unfavourable	Underweight	16.5	-16.5	0
UK Gilts	Unfavourable	Underweight	22	-12	10
UK Corporate Bonds	Unfavourable	Underweight	18.5	-6.5	12
UK Inflation Indexed	Favourable	Overweight	5	13	18
Cash	Favourable	Overweight	18	8	26

Notes on EB Wealth Performance Statistics

Our Benchmarks

1. IA OE Mixed Investments 40-85% - this shows the average performance of all funds which qualify for the 'Mixed Investments 40-85%' sector which have the following characteristics:

- Include a range of different investments
- Maximum 85% equity exposure (including convertibles)
- Minimum 40% equity exposure
- No minimum fixed income or cash requirement
- Minimum 50% investment in established market currencies (US dollar, sterling & euro) of which 25% must be sterling
- Sterling requirement includes assets hedged back to sterling.

This is broadly in line with what the industry used to refer to as a 'Balanced Managed' fund and is broadly in line with our Moderate as well as Moderately Adventurous portfolios. However, our portfolios have no set mandates as to the amount of exposure we hold in any specific asset class.

2. IA OE Flexible Investments - this shows the average performance of all funds which qualify for the 'Flexible Investments' sector which have the following characteristics:

- Include a range of different investments
- No minimum equity requirement
- No minimum fixed income or cash requirement
- No minimum currency requirement.

This is broadly in line with what the industry used to refer to as "Specialist". Since we do not impose any asset allocation restrictions on our portfolios, this benchmark is relevant; however, currently our Moderate and Moderately Adventurous portfolios would also fall within the mandate to be considered IA OE Mixed Investments 40-85%.

3. RPI (Retail Price Index) - along with the CPI (Consumer Prices Index), the RPI measures consumer inflation in the UK. Whilst the official measure is now CPI, RPI is still used for many types of cost escalation and we believe is a more relevant figure for measuring real returns. RPI is currently running circa 3.5% higher than the official government CPI figures.

Structured Product Returns

The performance data provided is the average of all structured products we have recommended to clients over the last six years where the return of the product is known i.e., where a product has matured or an income payment has been received. We have also weighted the performance figures based on the level of investment we have made i.e., if we recommended a greater level of investment in one particular product over another, we have weighted the performance figures accordingly.

As structured products are close-ended investments, clients will only benefit from returns on the products they own personally rather than the average figures published in this report. The average figures are provided to highlight the general benefit of using structured products to reduce the volatility of a portfolio without necessarily impacting the total return.

The structured product returns quoted in this report may change in subsequent reports due to the fact that products which we have recommended, but are yet to mature, have not been included in the returns quoted above. For example, a five-year product with the potential to pay 6% a year which has not yet matured, will not be included in the figures above. Depending on the outcome of the investment, when the product matures, we will allocate either 6% or 0% a year to the preceding five years.

Our Services

Wealth Management

Pension / SIPP funding
Pension / SIPP investment management
Pensions in Retirement / Income Drawdown
ISA/ LISA/ JISA funding
ISA/ LISA/ JISA investment management
Trustee Investments
School Fees planning
Managing estates under Power of Attorney

Personal Insurances

Life and Critical Illness Cover advice and brokerage
Family Income Benefit advice and brokerage
Mortgage Protection advice and brokerage
Income Protection advice and brokerage
Private Medical Insurance advice and brokerage

Tax planning

Inheritance Tax planning
Capital Gains Tax planning
VCTs, EISs, ISAs, Bonds
Financial Planning in relation to Marriage, Divorce or Bereavement.
General Tax Planning / Other

Corporate Services

Auto Enrolment and Company Pensions
Partnership/ Shareholder Protection
Key Person Insurance
Employee Benefit Programmes and Communication
Services for Charities
Business Exit Planning

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