EB Wealth

# QUARTERLY REPORT
# Q4 2020

# Global Overview

| Global sector performance for the period 01/10/2020 - 31/12/2020 | | | | |
|---|---|---|---|---|
| **Markets** | **Country** | **Index (ex div) / Sector** | **Performance for the Period 01/01/2020 to 31/03/2020** | **Performance for the Period 01/01/2020 to 31/12/2020*** |
| North America | USA | S&P 500 | 13.79% | 41.75% |
| | | Dow Jones | 11.1% | 15.29% |
| | | Nasdaq | 10.03% | 6.02% |
| UK | UK | FTSE 100 | 9.88% | -15.04% |
| | | FTSE All-Share | 11.63% | -13.19% |
| Europe | Germany | Xetra DAX | 7.08% | 2.49% |
| | France | Paris CAC 40 | 15.08% | -8.11% |
| | EU Coun-tries | FTSEurofirst 300 | 9.57% | -6.2% |
| Asia | Japan | Nikkei 225 | 19.17% | 18.27% |
| | China | Hang Seng | 14.57% | -4.6% |
| | India | Nifty 50 | 22.46% | 14.77% |
| South America | Brazil | Sao Paulo Se | 24.96% | 0.62% |
| | Mexico | SE IPC | 20.32% | -0.83% |
| Other Markets | South Afri-ca | JSE FTSE ALL SHARE | 9.11% | 2.93% |
| | Australia | S&P AUST | 12.16% | -1.55% |
| | Russia | RTS | 18.13% | -11.3% |
| | Canada | S&P/TSX | 7.72% | 1.95% |
| Commodities | N/A | Gold | -0.76% | 23.61% |
| | | Silver | 10.39% | 47.57% |
| | | Brent Crude Oil | 6.66% | -19.37% |
| | | Copper | 22.65% | 25.71% |

Although indexes across the globe performed well in Q4 on the back of positive news regarding COVID-19 vaccines, most of them were still below the pre COVID-19 levels. Commodities, however, continued to perform positively, with all of them showing significant growth in 2020 – with the exception of Brent Crude Oil.

# US Elections Continued

November saw the conclusion to one of the most anticipated and controversial presidential elections in US history. Joe Biden won 306-232 in the Electoral College, thus making it the first time since 1992 that the incumbent has lost their bid to secure a second term in office. Biden also swept the popular vote, taking home 81 million votes, the most votes ever cast for a candidate in the US Presidential history.

Due to the record amounts of postal votes, driven by the pandemic, there was no clear indication of who would be the winner on election night. However, as the days progressed, and victory for Biden became more likely, the markets reacted in a positive way. The S&P and Nasdaq saw growths of 2.2% and 3.8% respectively. Both these indexes continued to see sustained growth through the quarter, even with Trumps unsubstantiated claims of elector fraud. Biden promised to get on top of the pandemic by delivering another COVID-19 stimulus package, bringing relief to investors in the coming year.

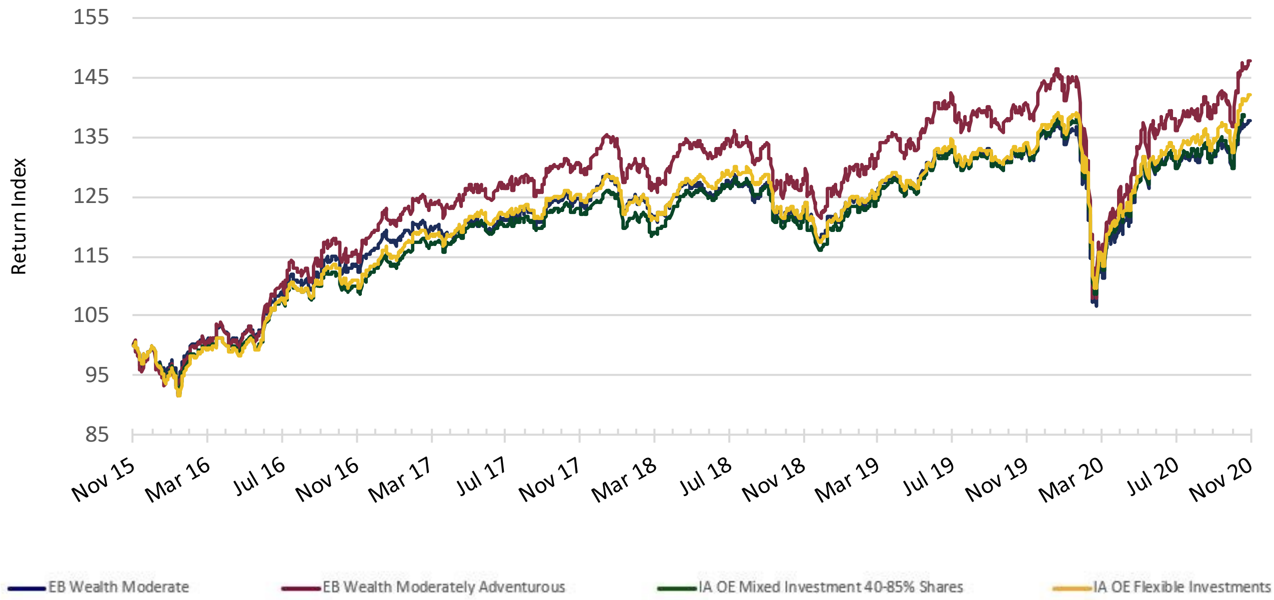
Away from the election, there were positive updates in the COVID-19 pandemic. Various vaccines across the world have successfully reached the end of their phase 3 trials and have proved to have a strong efficacy rate. Towards the end of the quarter, many of these vaccines received approval from regulators, paving the way for large-scale vaccination programmes.

In the UK, around 786,000 people were vaccinated by 31st December. As the UK rolls out the Oxford/AstraZenca vaccine and increases the amount of vaccination centres, it is estimated that around 2M people will be able to be vaccinated weekly.  In the US, it was estimated that around 4M doses had been delivered by the end of the year, which although may sound significant, is short of the 20M target that Mike Pence had made.

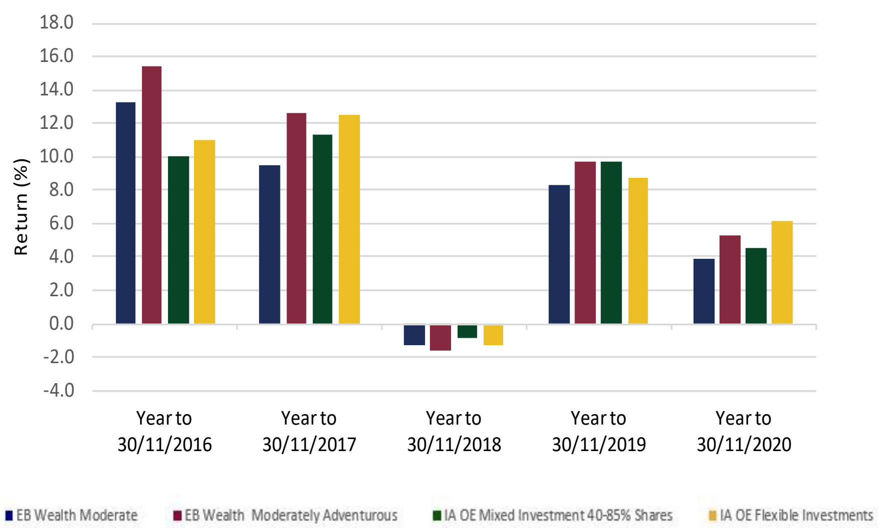
Nonetheless, all of this indicates that there appears to be light at the end of the tunnel and that there can be some sort of return to normal everyday life by the end of 2021, hopefully providing a stable market for our clients to invest in.

Tharshan Balenthiran
EB Wealth

# 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 the last page for more information in relation to the benchmarks along with further information on our portfolio returns.



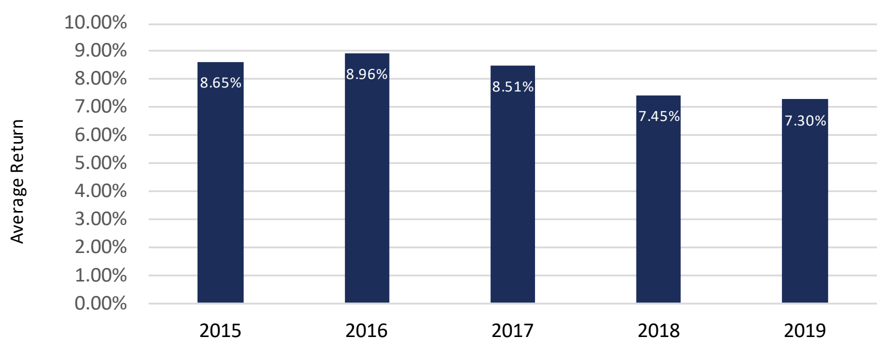

### Discrete Annual Performance

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 products recommendations on a discrete annualised basis.



# Market Commentary UK

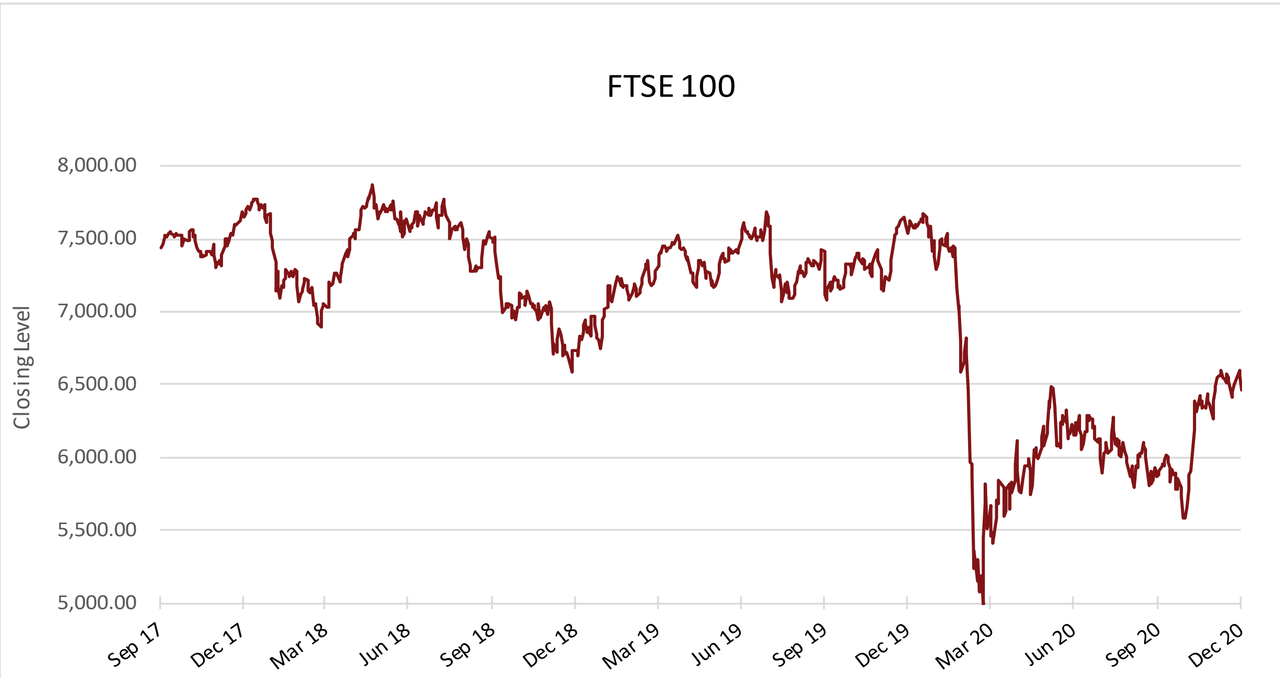
| Macroeconomic Highlights 01/10/2020 to 31/12/2020 | | |
|---|---|---|
| | Latest Reading | Compared to Previous Quarter |
| GDP Growth | 1.3% | Fell from 16.9% |
| Yearly Inflation | 0.5% | Fell from 0.6% |
| Wage Growth Including Bonuses | 3.7% | Increased from 3.2% |
| Unemployment Rate | 5% | Increased from 4.1% |
| Interest Rates | 0.1% | Remained at 0.1% |

This last year was difficult for investors; the index saw its worst performance since the financial crisis in 2008, falling by 14.3% in 2020. Despite an initial recovery from the crash in March, growth began to stutter again during the second half of the year as the second wave of COVID-19 emerged, leading to a second national lockdown in November.

Despite the doom and gloom that has been present throughout the year, there were positive signs in Q4 that the UK economy may be able to make a strong recovery in 2021. Three different vaccines have been approved by the UK regulators for clinical use, with the government promising a vaccination of all UK adults by autumn 2021.

Another significant milestone during Q4 was the agreement of a trade deal between the UK and Eu. At the 11th hour, a deal was finally agreed providing a much-needed boost to the UK economy. It will be worth seeing how the deal plays out in 2021, as the UK officially leaves the EU.

Whilst 2020 has been difficult for the UK economy, there is optimism that the economy will recover in 2021 and provide a stable platform for investors.



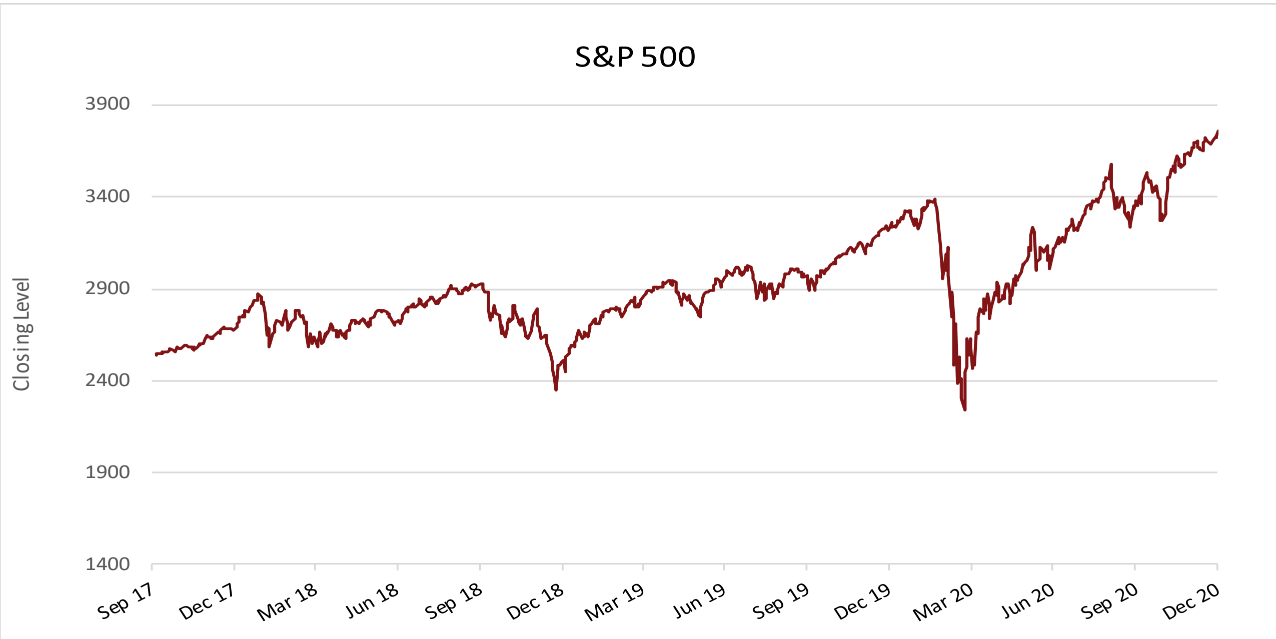
# Market Commentary US

| Macroeconomic Highlights 01/10/2020 to 31/12/2020 | | |
|---|---|---|
| | Latest Reading | Compared to Previous Quarter |
| GDP Growth | 4.3% | Fell from 33.4% |
| Yearly Inflation | 1.3% | Increased from 1.2% |
| Wage Growth Including Bonuses | 1.31% | Increased from 0.34% |
| Unemployment Rate | 6.7% | Fell from 8.8% |
| Interest Rates | 0.25% | Remained at 0.25% |

The US bore the brunt of the COVID-19 pandemic; at the time of writing, there have been around 390,000 deaths and 24 million cases, causing major damage to the US economy in 2020. In Q4, the economy was continuing its recovery from the initial crash in March, with the S&P 500 gaining 11.69%, bringing it back to pre-COVID levels. This recovery can be largely attributed to the $4 trillion relief the US government has provided, making it more expensive than the Afghanistan war. The US unemployment rate has also improved throughout the year from the peak of 15% in April to 6.7% in December.

Following the US Presidential elections, the stock markets reacted positively to Bidens win. Many believe Biden can deal with the COVID-19 pandemic. The Food & Drug Administration (FDA) approved two vaccines: Pfizer and Moderna. And, at the end of December around 4M doses had been administered which is expected to increase to 2M per day. It is predicted that many restrictions will soon be lifted, bringing back a sense of stability after a hectic year.

With Joe Biden's inauguration in January and the ongoing vaccination program, many analysts have predicted a positive economic outlook for the US in 2021.



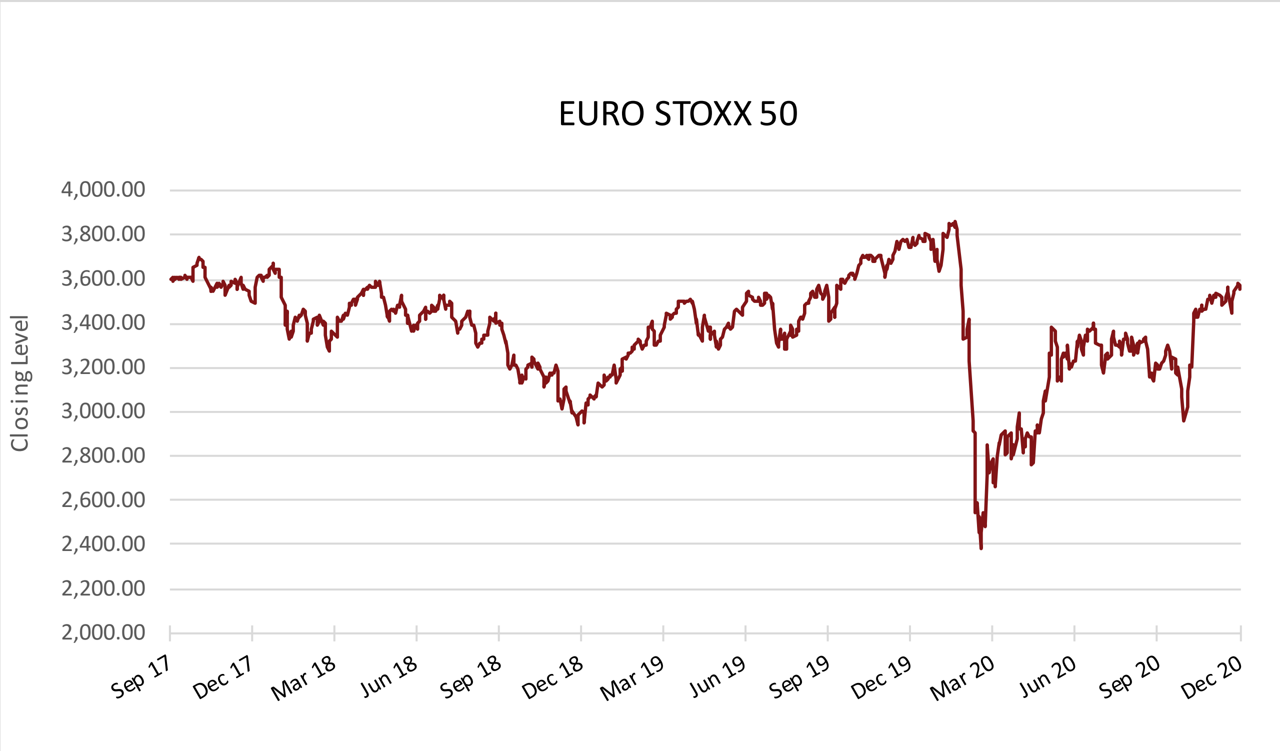
# Market Commentary Europe

| Macroeconomic Highlights 01/07/2020 to 30/09/2020 | | |
|---|---|---|
| | Latest Reading | Compared to Previous Quarter |
| GDP Growth | -0.7% | Fell from 12.5% |
| Inflation | -0.3% | Fell from -0.03% |
| Wage Growth | 3.5% | Increased from 2.2% |
| Unemployment Rate | 8.3% | Increased from 7.6% |

Europe was at the epicentre of the first wave, with over 600,000 deaths and 25M cases to date. France, Italy and Spain were the worst affected countries in the EU. Despite the initial success in curbing the outbreak, the emergence of a new strain has meant that many European countries were back in some form of lockdown by the end of 2020.

The impact of the virus can be clearly seen in the in the Euro Stoxx Index, which, despite the numerous relief programs from the various governments across the continent, has yet to reach its pre-pandemic levels. Fortunately, a recovery plan is in place, a €1.8 trillion relief deal, a vaccine approval/ rollout and a successful trade negotiation with the UK all point to possible upward trends in 2021.

Hopefully, there will be no more bumps in the road even as Angela Merkel is due to step down as German Chancellor in 2021; she has been at the forefront of the fight against the COVID-19 pandemic in Germany and across Europe. It will be interesting to note how Germany fares in the post-Merkel era.



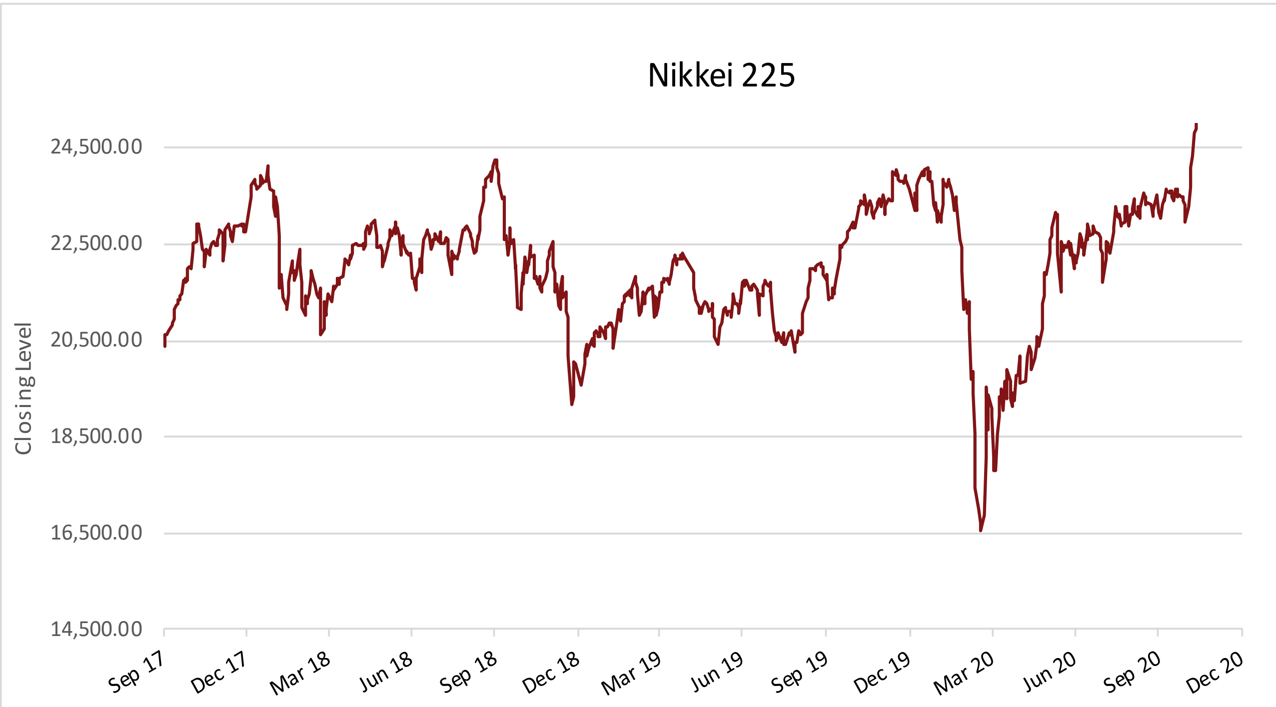
# Market Commentary Japan

| Macroeconomic Highlights 01/07/2020 to 30/09/2020 | | |
|---|---|---|
| | Latest Reading | Compared to Previous Quarter |
| GDP Growth | 2.8% | Fell from 5.3% |
| Inflation | -0.8% | Fell from 0.2% |
| Unemployment Rate | 3% | Increased from 2.8% |

It seems Japan was dealt a double blow with the Covid-19 Pandemic and consequently the postponement of the Olympic Games. The Tokyo Olympics were to provide a significant boost to the Japanese economy; by comparison, the 2012 London Olympics are estimated to have added at least £10bn to the UK economy. The postponement has meant that the budget has ballooned to £11.8bn and there is still uncertainty as to whether the Olympics will take place at all in 2021.

Postponement aside, Japan has dealt with the COVID-19 pandemic relatively well compared to its western neighbours, with just under 4,000 deaths at the end of 2020. This enabled the Japanese economy to continue its growth from Q3 in Q4, reaching levels not seen since the end of the bubble in the 1990s, hitting a high point of 27,602 on 29th December.

The Japanese economy ended 2020 on a positive note despite the postponement of the Olympic Games and the ongoing pandemic. The Olympics will probably have a large say in how the economy will perform in 2021, and so this will be something to keep an eye on for investors.

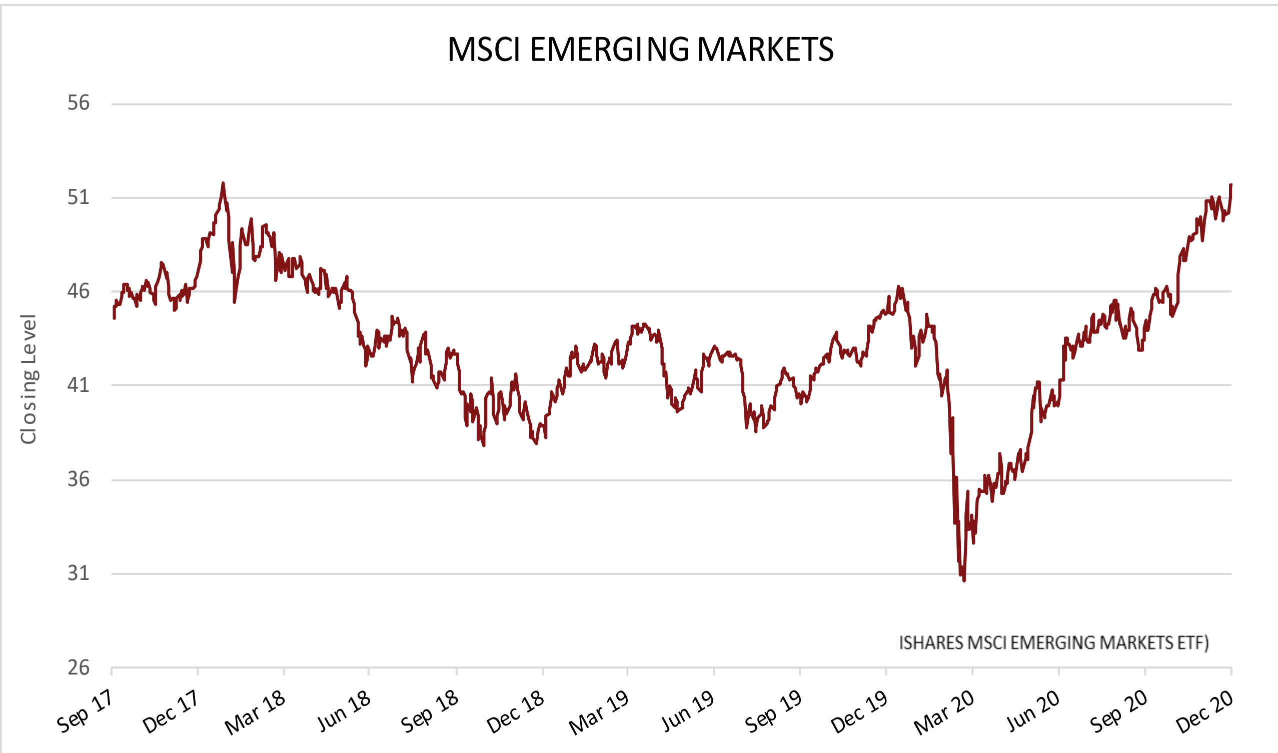


# Market Commentary Emerging Markets

Despite the struggles that many emerging market economies have had as a result of COVID-19, it was largely a successful year for the stock markets. The MSCI Emerging Markets Index outperformed the MSCI World Index, representing developed markets, in 2020. This is particularly apparent in Q4, where the index achieved a return of 19.7%. This was partly generated by the continued weakness in the US dollar, along with the approval of the various COVID-19 vaccines.

China had mostly returned back to normal by the end of 2020 and has been successful in reducing the impact of COVID-19 clusters that emerged in various cities. The South American economies that were devasted by the pandemic were slowly starting to show signs of recovery towards the end of the year. However, December saw an emergence of new strains in Brazil and South Africa that, according to officials, are more transmissible, leading to further concerns that there may be another outbreak.

Despite the approval of the various vaccines, many countries still have not begun vaccinations at the end of the year. There are concerns that these countries have not purchased vaccines for their populations, and it could take until 2022 for all adults to be vaccinated, especially those countries where there is poor transport infrastructure and a limited number of healthcare professionals to administer the vaccines. How quickly these vaccines are rolled out will be a key factor in determining how the index will fare in 2021.



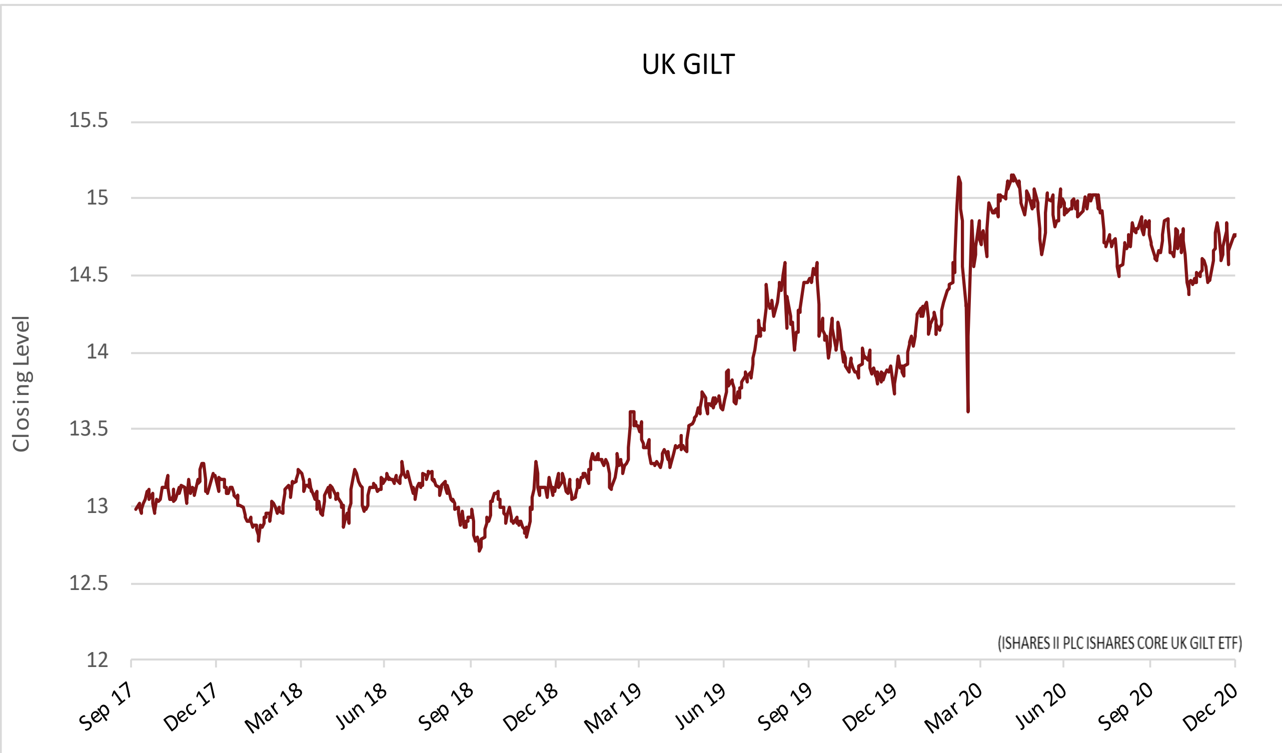
# Market Commentary Fixed Interest

Despite the COVID-19 pandemic causing widespread losses to various economies around the world, the UK bond managed to fare quite well, despite UK Gilts falling slightly towards the end of Q4. Investment grade and high yield bonds were particularly high performers in the quarter.

When the UK went into a national lockdown for the first time in March 2020, it was inevitable that some form of relief program would be needed from the UK government. The furlough scheme was one such programme introduced by the Chancellor Rishi Sunak last year, which has so far cost the UK government £46.4bn. This has meant that the government's borrowings have hit £2 trillion for the first time. This was partly funded by the Bank of England by buying government bonds throughout the year, ensuring that the government had negative yields on borrowing.

The Bank of England ('BoE') also cut the base rate twice during the pandemic, which currently sits at 0.1%. There is currently no indication that this rate will increase, meaning that bond prices should remain high. In fact, there was talk at one point during 2020 that the BoE was considering introducing a negative base rate for the first time in history, to help stimulate the economy further.

With the UK going into a third national lockdown at the start of 2021 and the furlough scheme being extended as a result, it can be expected that UK government borrowing will continue to rise and base rates will remain at 0.1%, meaning that UK bonds will continue to fare well in 2021.



# Our Tactical Allocation

| Sector | Forecast | Position | Morningstar Moderately Adventurous Allocation (%) | Tactical Overlay (%) | Moderately Adventurous Final Allocation (%) |
|---|---|---|---|---|---|
| US | Unfavourable | Underweight | 11 | -2 | 9 |
| UK Large Cap | Unfavourable | Underweight | 22 | -5 | 17 |
| UK Mid Cap | Unfavourable | Underweight | 8 | -3 | 5 |
| UK Small Cap | Unfavourable | Underweight | 5 | -3 | 2 |
| Europe | Unfavourable | Underweight | 13 | -1 | 12 |
| Japan | Fair | Neutral | 7 | 0 | 7 |
| Asia | Unfavourable | Underweight | 4 | -3 | 1 |
| Emerging Markets | Favourable | Overweight | 9 | 1 | 10 |
| Property | Unfavourable | Underweight | 5 | -1 | 4 |
| Commodities | Unfavourable | Underweight | 5 | -2 | 3 |
| Global Fixed Income | Unfavourable | Underweight | 2 | -1 | 1 |
| UK Gilts | Unfavourable | Underweight | 2 | -1 | 1 |
| UK Corporate Bonds | Fair | Neutral | 2 | 0 | 2 |
| UK Inflation Indexed | Favourable | Overweight | 2 | 2 | 4 |
| Cash | Favourable | Overweight | 3 | 19 | 22 |

# 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 0.9% 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 funding
ISA 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 / Other

## Pension funding and 'in retirement' tax planning

Inheritance Tax planning
Capital Gains Tax planning
VCTs, EISs, ISAs, Bonds
Financial Planning in relation to Marriage, Divorce or bereavement.

## 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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