EB Wealth

# QUARTERLY REPORT
# Q4 2021

# Global Overview

| Global sector performance for the period 01/09/2021 - 30/11/2021 | | | | |
|---|---|---|---|---|
| **Markets** | **Country** | **Index (ex div) / Sector** | **Performance for the Period 01/09/2021 to 30/11/2021** | **Performance for the Period 01/01/2021 to 30/11/2021*** |
| North America | USA | S&P 500 | 0.95% | 24.70% |
| | | Dow Jones | -2.35% | 15.62% |
| | | Nasdaq | 1.49% | 25.76% |
| UK | UK | FTSE 100 | -1.26% | 10.57% |
| | | FTSE All-Share | -2.49% | 11.39% |
| Europe | Germany | Xetra DAX | -4.58% | 12.84% |
| | France | Paris CAC 40 | -0.56% | 20.42% |
| | EU Countries | FTSEurofirst 300 | -1.64% | 18.41% |
| Asia | Japan | Nikkei 225 | -2.21% | 3.86% |
| | China | Hang Seng | -9.81% | -11.64% |
| | India | Nifty 50 | -0.54% | 29.55% |
| South America | Brazil | Sao Paulo Se Bovespa | -14.64% | -14.05% |
| | Mexico | SE IPC | -4.82% | 15.86% |
| Other Markets | South Africa | JSE FTSE ALL SHARE | 5.22% | 22.54% |
| | Australia | S&P AUST | -3.60% | 8.45% |
| | Russia | RTS | -4.04% | 28.22% |
| | Canada | S&P/TSX COMPS | -0.14% | 19.44% |
| Commodities | N/A | Gold | -0.41% | -0.35% |
| | | Silver | -4.66% | -3.45% |
| | | Brent Crude Oil | 1.82% | 54.49% |
| | | Copper | 0.00% | 23.34% |

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

All indices and sectors suffered a sharp decline at the end of November. There has been a subsequent rebound, but we expect more volatility ahead.

Our portfolios benefited from the shift towards S&P 500 and our high exposure to inflation linked gilts. Another success has been our move to include more sustainable environment and sustainable energy funds. We intend to continue with the same themes and strategies in 2022 as we employed in 2021 and look ahead with optimism for another strong year of portfolio performance.

# EB Wealth Viewpoint – 2021 Roundup

At the beginning of December, the world felt like it was returning to some semblance of normality after a 2-year Covid-induced period of hibernation. Unemployment was at a near all-time low, 1st and 2nd and booster jabs were in people's arms, holidays were being booked, Christmas parties were being organised and pandemic stricken industries were seeing signs for hope. Roll forward two weeks and at the time of writing, the new Omicron variant (your editor pronounces it the Greek way) looks set to offer up yet another year of uncertainty.

With our minds focused intently on the possibility of yet another Christmas lockdown, the apocalyptic events of 2020 have anesthetised many of us from the deluge of other monumental events which occurred this year.

COP 26 came and went with very little regard to the disastrous consequences of the climate change we are already seeing. July was officially the earth's hottest month on record. In the US, Texas suffered temperatures of -13°C leading to hundreds of deaths and leaving millions in the dark for days, parts of California flooded, burned then flooded again. Elsewhere in the US, records were broken for most snowfall, highest temperatures and most rain.

Germany and Belgium suffered massive flooding causing infrastructure damage leaving more than 100,000 people without power. Italy and Greece saw huge destruction from wildfires fuelled by record temperatures. Madrid suffered intense snowfall with Storm Filomena causing damage estimated at €1.5bn and Canada experienced a record shattering heatwave killing 569 people over a 5-day period in British Columbia.

Set to this backdrop it is little comfort that the Glasgow Climate Pact published on 13th November included the words "fossil fuels" for the first time. The final version was watered down so much to make it largely irrelevant. It "calls upon" parties to adopt policies that are "accelerating the phase out of unabated coal power and of inefficient fossil fuel subsidies".

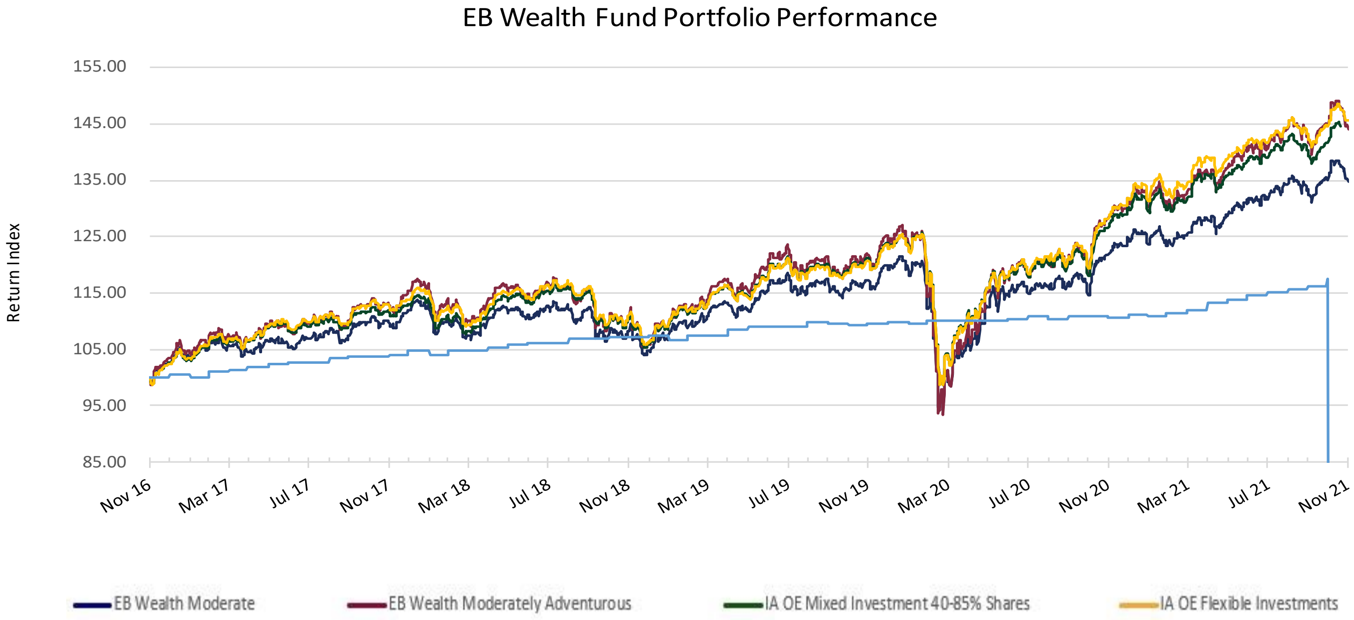
Democracy in 2021 saw a widespread decline and an expansion of authoritarian rule. India, the world's biggest democracy has dropped from "Free" to "Partly Free" status in Freedom in the World 2021. The US fought off an attempt by an outgoing president to overthrow the results of an election and many fear there may be worse ahead. China's large-scale forced sterilization of Uighur women, the massive clampdown of democratic freedoms in Hong Kong and its wider propaganda have been met with a poorly-coordinated response and virtually no punishment.

The Taliban regained power after its twenty-year war with the US. The humanitarian crisis which ensued has once again shone a spotlight on immigration issues faced around the world.

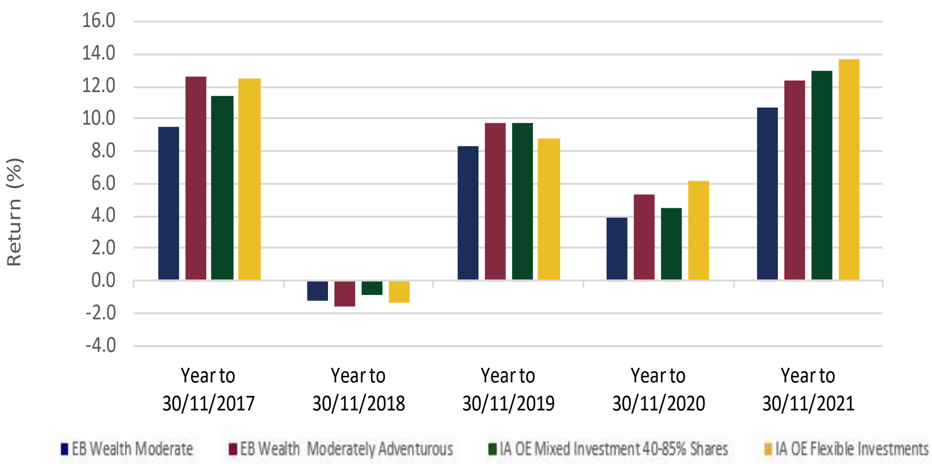
EB Wealth believes that democracy may be under siege, but it is not defeated, its enduring popularity is the key to ensuring security and prosperity while upholding the fundamental rights of all people. We are also hopeful that people (as opposed to governments) can and will be the catalyst for environmental change and most importantly that the UK won't have seen the last of Emma Radacanu or English football in sporting finals!

Best wishes for 2022
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 page 15 for more information in relation to the benchmarks.



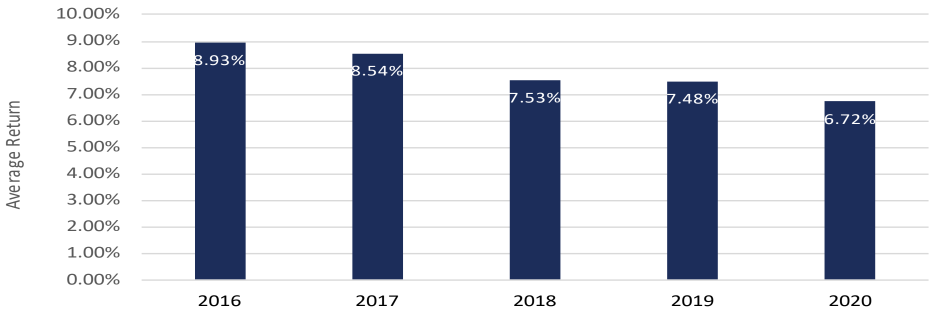

**Discrete Annual Performance**

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 01/09/2021 to 30/11/2021 | | |
|---|---|---|
| | Latest Reading | Compared to Previous Quarter |
| GDP Growth | 1.3%* | Fell from 2.5% |
| Yearly Inflation | 4.1%* | Increased from 2.0% |
| Wage Growth Including Bonuses | 4.9%* | Fell from 8.8% |
| Unemployment Rate | 4.3%* | Fell from 4.7% |
| Interest Rates | 0.25% | Increased from 0.1% |

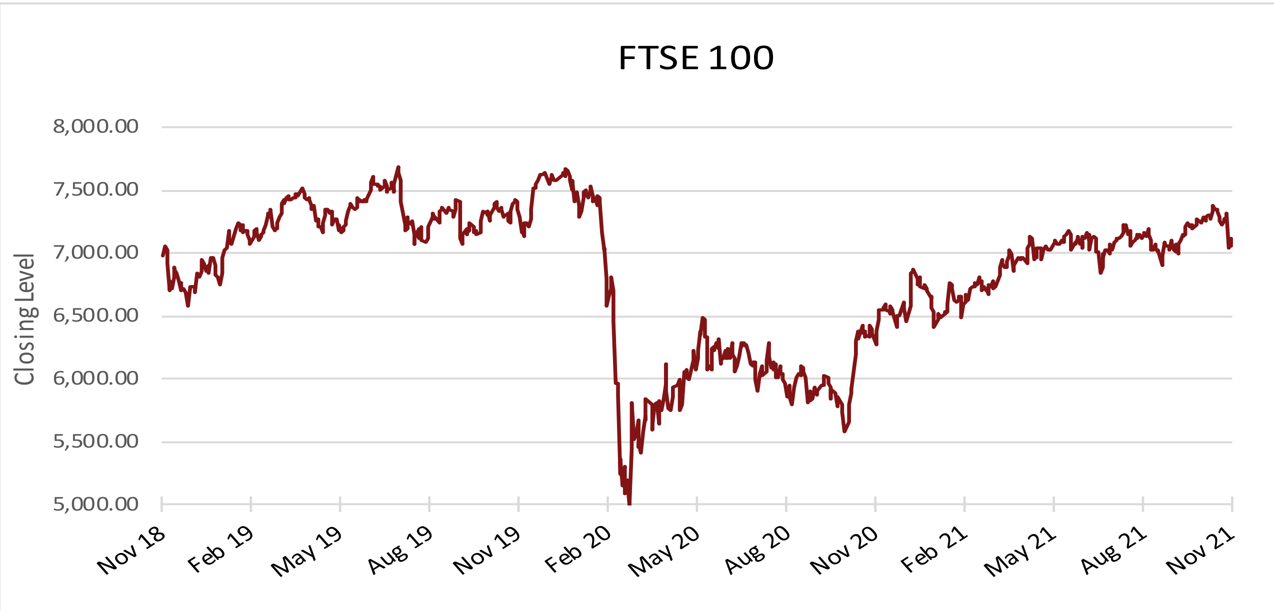
*Based on the latest available data at the time of print.

World stock markets have rallied as concerns about the potential severity of the Omicron variant ease. Sectors reliant on reopening, such as the travel and leisure sector (airlines, hotels) performed particularly poorly as international travel restrictions as well as domestic measures were reintroduced in response to Omicron.

Several factors threaten the rebound in household spending including inflation which has jumped to a decade-high, tax rises, surging gas prices and the withdrawal of Covid support for jobs and income. With Christmas around the corner, consumer spending continues to rise despite the surge in inflation. Marks & Spencer was Britain's fastest growing food retailer in the 12 weeks to December 4th having their sales increased by 9.1% in the period year-on-year.

UK house prices rose by 3.4% this quarter, their fastest pace in 15 years. The average home increased in value by £20,000 this year bringing the current average house price to £272,992.

The Bank of England has announced a 0.25% increase to interest rates for the first time in three years amid growing concerns over inflation. Despite the rapid spread of the coronavirus Omicron variant, it is likely that we will see more rate hikes in 2022. We will not be changing our asset allocation for the UK.



# Market Commentary US

| Macroeconomic Highlights 01/09/2021 to 30/11/2021 | | |
|---|---|---|
| | Latest Reading | Compared to Previous Quarter |
| GDP Growth | 2.1%* | Fell from 6.7% |
| Yearly Inflation | 6.1%* | Increased from 2.3% |
| Wage Growth Including Bonuses | 10.97%* | Increased from 10.2% |
| Unemployment Rate | 4.5%* | Fell from 5.9% |
| Interest Rates | 0.25% | Remained at 0.25% |

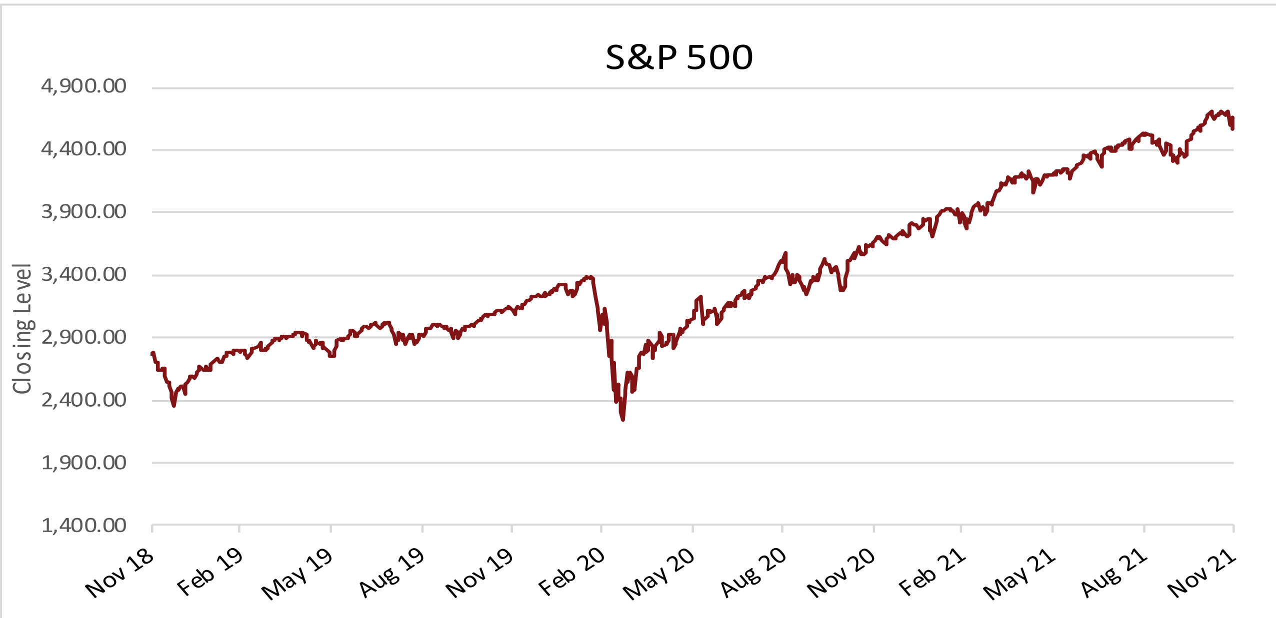
*Based on the latest available data at the time of print.

The US economy entered Q4 maintaining a good performance while other parts of the world struggled to keep positive figures. After nearly $3 trillion of emergency stimulus in 2021, considerably less fiscal support is expected for 2022. Consumers continued to be the backbone, as pre-holiday shopping increased, spurred on by supply concerns. Initial estimates for the start of the actual holiday season (Black Friday) showed an estimated 48% increase over the depressed 2020 period as customers returned to the stores, still 28% shy of the 2019 level though.

The annual inflation rate in the US surged to 6.2% in October of 2021, the highest since November of 1990 and above forecasts of 5.8%, proving why the increase in consumer spending is one among other reasons to be concerned when it comes to inflation rates. There appear to be many different scenarios as to how the inflation rate will change next year but the consensus is that it will most likely stay elevated through 2022.

In the increasingly popular cryptocurrency world, Bitcoin made a new all-time high in early November (topping $68,000) before giving back those gains on the same inflationary and Covid variant fears that impacted all aspects of the market at the end of November. Bitcoin declined 6.3% for the month highlighting just how volatile the cryptocurrency market can be.

We will maintain our asset allocation to the US next quarter.



# Market Commentary Europe

| Macroeconomic Highlights 01/09/2021 to 30/11/2021 | | |
|---|---|---|
| | Latest Reading | Compared to Previous Quarter |
| GDP Growth | 2.2%* | Fell from 3.2% |
| Inflation | 4.9%* | Increased from 2.4% |
| Wage Growth | 2.3%* | Fell from 5.1% |
| Unemployment Rate | 7.4%* | Fell from 7.7% |

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

Eurozone shares fell in November as rising Covid-19 cases saw some countries re-introduce restrictions on activity. Sectors that are sensitive to the economic reopening and recovery fell on fears the new Omicron coronavirus variant could result in lower demand.

On the political front, Germany's new government, a coalition of the Social Democrats with the Greens and Free Democrats, has a strong climate and energy focus, detailing steps such as a coal phase out "ideally" by 2030, and a massive expansion of renewable energies.

In Turkey, following four interest rate cuts in the past four months, President Tayyip Erdogan is in the midst of a major currency crisis. The currency lost about 40% of its value against the dollar since Erdogan ordered the central bank to start lowering borrowing costs in September It recovered some ground after an announcement of a scheme aimed at encouraging the country's savers to hold their money in lira but without very quick action, Turkey's currency crisis could escalate to a much more damaging and widespread economic crisis.

Eurozone inflation is currently at 4.9% and minor rate hikes are unlikely to change the predicted growth of 5% for the Euro Area economy. However, high energy prices, rising inflation, persistent supply constraints and an eventual increase in coronavirus cases continue to threaten the recovery. We will leave our asset allocation to Europe unchanged next quarter.

# Market Commentary Japan

| Macroeconomic Highlights 01/09/2021 to 30/11/2021 | | |
|---|---|---|
| | Latest Reading | Compared to Previous Quarter |
| GDP Growth | -0.9%* | Fell from 1.5% |
| Inflation | 0.1%* | Increased from -0.4% |
| Unemployment Rate | 2.8%* | Fell from 2.9% |

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

Following the government's decision to lift state of emergency as of October 1st, a significant effort is being made to reinforce the recovery in the domestic economy. The $490 billion spending package unveiled in mid-November, included cash pay outs to households, subsidies to COVID-hit firms and reserves set aside for emergency pandemic spending. It is expected that the new spending will help underpin the economy, which shrank in the third quarter due to the hit to consumption and exports from pandemic curbs and global supply disruptions.

Consumer prices excluding fresh food increased just 0.1% in October from a year earlier, a far cry from the U.S. where prices are rising at the fastest pace in nearly 40 years. It is believed that real GDP, which factors in the effects of inflation, won't return to pre-pandemic levels until the second half of 2023.

An area that Japan takes seriously not only as a vehicle to tackling global warming but also as an opportunity to bring strong economic growth is their plan called Green Growth Strategy through achieving Carbon Neutrality in 2050. Although this was announced back in October 2020, the previous goal of reducing emissions by 2030 was raised to an ambitious 46% from its 2013 levels, stepping up its efforts to reach carbon neutrality.

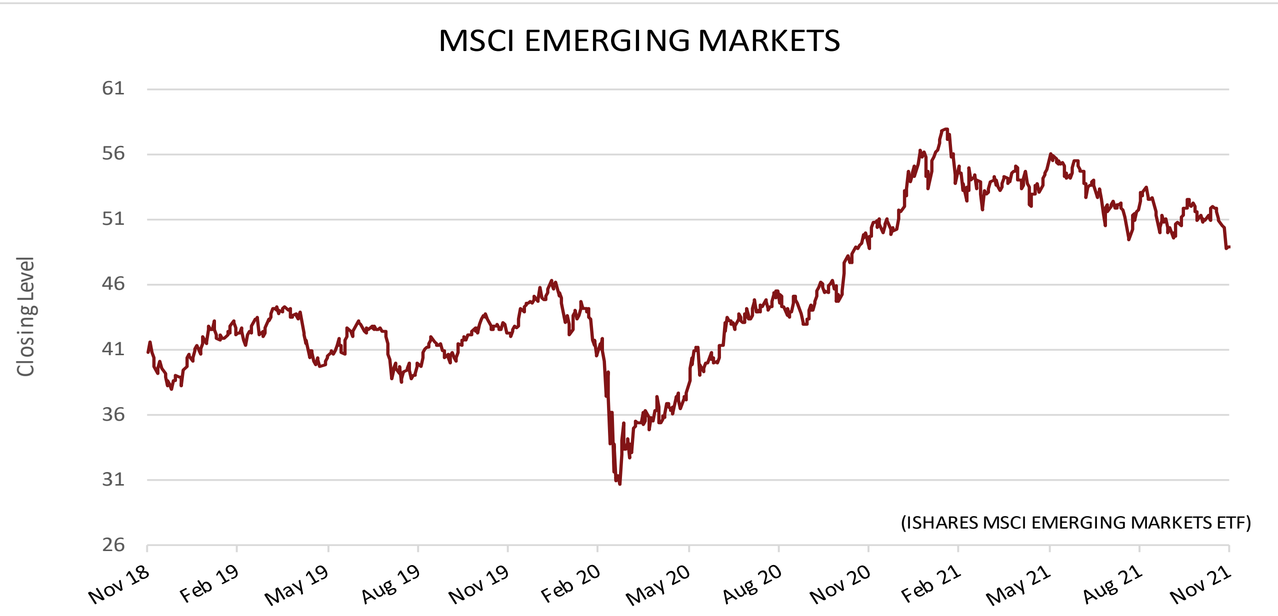
2021 was a year to forget for Japan and even taking effects of stimulus into account, the economy will likely only see low to moderate growth. We leave our allocation to Japan unchanged next quarter.

# Market Commentary Emerging Markets

Emerging markets have experienced another tough quarter with China's Evergrande's woes heightening fears of a wide-spread credit crunch. In recent weeks state backed commentators seem to be suggesting that Evergrande should not rely on a government bailout – this would make sense given Beijing's well stated aim to rein in corporate debt. It would be hard to imagine Beijing standing by while Evergrande collapsed but it is certain that any bailout would be viewed as setting a dangerous precedent.

GDP growth in Latin America will face significant headwinds in 2022 with ongoing pandemic-related and political uncertainty amidst a backdrop of continuing high inflation. With global supply issues and high energy prices set to continue throughout 2022, central banks in Mexico, Paraguay, Peru and Uruguay all increased their policy rates to curb inflation with Brazil set to follow.

Brazil's banking sector has remained resilient throughout the pandemic and policy hikes were welcomed to help curb inflation however long awaited institutional and tax reforms are still sorely needed to create the foundations for a more competitive economy. Whilst EB Wealth does not hold out much hope for a quick turnaround, we see plenty of upside potential over the medium term for Emerging Markets. We will retain our existing allocation to Emerging Markets next quarter.

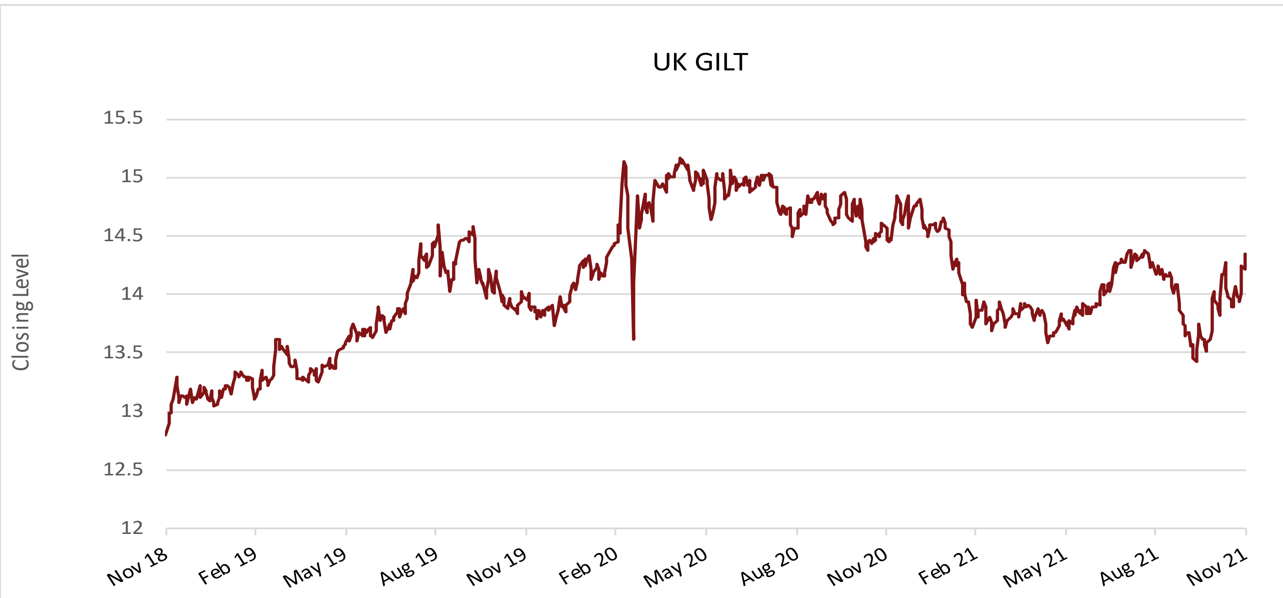


# Market Commentary Fixed Interest

Inflation has continued to increase around the world. US inflation has hit a 40-year high and UK inflation is at a 10-year high. With continued pressures on the global supply chain, a sustained period of high inflation poses a real threat. Although many central governments will fear interest rate rises and their effect on growth, it is looking increasingly likely that the world will be moving out of the ultra-low interest rate position that it has found itself in for such a sustained period.

The Bank of England may also be on the brink of ending its bond-buying programme, with £28bn of gilts maturing in March the central bank may be set to wind up its programme sooner than expected. Given the unusually flat yield curve, longer dated gilts could be extremely vulnerable to any reduction in demand from the Bank of England.

In this environment we believe short-dated gilts are likely to outperform and EB Wealth portfolios are already aligned with this in mind. Our portfolios have also benefited greatly from being very heavily overweight in inflation linked gilts for the last few years, yielding significant outperformance over the last quarter.



# Our Tactical Allocation—Adventurous

| Sector | Forecast | Position | Morningstar Adventurous Allocation (%) | Tactical Overlay (%) | Adventurous Final Allocation (%) |
|---|---|---|---|---|---|
| US | Favourable | Overweight | 13 | 9 | 22 |
| UK Large Cap | Unfavourable | Underweight | 20 | -6 | 14 |
| UK Mid Cap | Unfavourable | Underweight | 12 | -7 | 5 |
| UK Small Cap | Unfavourable | Underweight | 7 | -1 | 6 |
| Europe | Favourable | Overweight | 14 | 1 | 15 |
| Japan | Favourable | Overweight | 8 | 2 | 10 |
| Asia | Fair | Neutral | 6 | 0 | 6 |
| Emerging Markets | Favourable | Overweight | 12 | 4 | 16 |
| Property | Unfavourable | Underweight | 4 | -1 | 3 |
| Commodities | Unfavourable | Underweight | 2 | -1 | 1 |
| Global Fixed Income | Fair | Neutral | 0 | 0 | 0 |
| UK Gilts | Fair | Neutral | 0 | 0 | 0 |
| UK Corporate Bonds | Fair | Neutral | 0 | 0 | 0 |
| UK Inflation Indexed | Fair | Neutral | 0 | 0 | 0 |
| Cash | Fair | Neutral | 2 | 0 | 2 |

# Our Tactical Allocation—Moderately Adventurous

| Sector | Forecast | Position | Morningstar Moderately Adventurous Allocation (%) | Tactical Overlay (%) | Moderately Adventurous Final Allocation (%) |
|---|---|---|---|---|---|
| US | Favourable | Overweight | 11 | 6 | 17 |
| UK Large Cap | Unfavourable | Underweight | 22 | -6 | 16 |
| UK Mid Cap | Unfavourable | Underweight | 8 | -3 | 5 |
| UK Small Cap | Unfavourable | Underweight | 5 | -2 | 3 |
| Europe | Favourable | Overweight | 13 | 1 | 14 |
| Japan | Favourable | Overweight | 7 | 1 | 8 |
| Asia | Fair | Neutral | 4 | 0 | 4 |
| Emerging Markets | Favourable | Overweight | 9 | 2 | 11 |
| Property | Unfavourable | Underweight | 5 | -1 | 4 |
| Commodities | Unfavourable | Underweight | 5 | -1 | 4 |
| 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 | 3 | 5 |
| Cash | Favourable | Overweight | 3 | 2 | 5 |

# Our Tactical Allocation—Moderate

| Sector | Forecast | Position | Morningstar Moderate Allocation (%) | Tactical Overlay (%) | Moderate Final Allocation (%) |
|---|---|---|---|---|---|
| US | Favourable | Overweight | 9 | 5 | 14 |
| UK Large Cap | Unfavourable | Underweight | 18 | -4 | 14 |
| UK Mid Cap | Unfavourable | Underweight | 6 | -2 | 4 |
| UK Small Cap | Unfavourable | Underweight | 3 | -1 | 2 |
| Europe | Favourable | Overweight | 8 | 1 | 9 |
| Japan | Favourable | Overweight | 6 | 1 | 7 |
| Asia | Favourable | Overweight | 4 | 1 | 5 |
| Emerging Markets | Favourable | Overweight | 6 | 1 | 7 |
| Property | Unfavourable | Underweight | 5 | -1 | 4 |
| Commodities | Unfavourable | Underweight | 6 | -2 | 4 |
| Global Fixed Income | Unfavourable | Underweight | 9 | -2 | 7 |
| UK Gilts | Unfavourable | Underweight | 5 | -1 | 4 |
| UK Corporate Bonds | Unfavourable | Underweight | 6 | -3 | 3 |
| UK Inflation Indexed | Favourable | Overweight | 2 | 5 | 7 |
| Cash | Favourable | Overweight | 7 | 2 | 9 |

# Our Tactical Allocation—Moderately Cautious

| Sector | Forecast | Position | Morningstar Moderately Cautious Allocation (%) | Tactical Overlay (%) | Moderately Cautious Final Allocation (%) |
|---|---|---|---|---|---|
| US | Favourable | Overweight | 7 | 4 | 11 |
| UK Large Cap | Unfavourable | Underweight | 16 | -2 | 14 |
| UK Mid Cap | Unfavourable | Underweight | 4 | -1 | 3 |
| UK Small Cap | Fair | Neutral | 0 | 0 | 0 |
| Europe | Fair | Neutral | 5 | 0 | 5 |
| Japan | Fair | Neutral | 4 | 0 | 4 |
| Asia | Unfavourable | Underweight | 3 | -1 | 2 |
| Emerging Markets | Fair | Neutral | 5 | 0 | 5 |
| Property | Unfavourable | Underweight | 5 | -1 | 4 |
| Commodities | Unfavourable | Underweight | 5 | -2 | 3 |
| Global Fixed Income | Unfavourable | Underweight | 11 | -2 | 9 |
| UK Gilts | Unfavourable | Underweight | 9 | -2 | 7 |
| UK Corporate Bonds | Unfavourable | Underweight | 11 | -3 | 8 |
| UK Inflation Indexed | Favourable | Overweight | 5 | 7 | 12 |
| Cash | Favourable | Overweight | 10 | 3 | 13 |

# Our Tactical Allocation—Cautious

| Sector | Forecast | Position | Morningstar Cautious Allocation (%) | Tactical Overlay (%) | Cautious Final Allocation (%) |
|---|---|---|---|---|---|
| US | Favourable | Overweight | 3 | 2 | 5 |
| UK Large Cap | Unfavourable | Underweight | 13 | -2 | 11 |
| UK Mid Cap | Unfavourable | Underweight | 2 | -1 | 1 |
| UK Small Cap | Fair | Neutral | 0 | 0 | 0 |
| Europe | Favourable | Overweight | 3 | 1 | 4 |
| Japan | Favourable | Overweight | 3 | 1 | 4 |
| Asia | Favourable | Overweight | 0 | 1 | 1 |
| Emerging Markets | Favourable | Overweight | 2 | 1 | 3 |
| Property | Fair | Neutral | 3 | 0 | 3 |
| Commodities | Unfavourable | Underweight | 4 | -1 | 3 |
| Global Fixed Income | Unfavourable | Underweight | 12 | -2 | 10 |
| UK Gilts | Unfavourable | Underweight | 12 | -2 | 10 |
| UK Corporate Bonds | Unfavourable | Underweight | 15 | -3 | 12 |
| UK Inflation Indexed | Favourable | Overweight | 11 | 5 | 16 |
| Cash | Fair | Neutral | 17 | 0 | 17 |

# 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 1.6% 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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