EB Wealth

QUARTERLY REPORT Q3 2022

Global Overview

Global sector performance for the period 01/06/2022 - 31/08/2022				
Markets	**Country**	**Index (ex div) / Sector**	**Performance for the Period 01/06/2022 to 31/08/2022**	**Performance for the Period 01/01/2022 to 31/08/2022***
North America	USA	S&P 500	-3.57%	-17.55%
		Dow Jones	-3.97%	-13.87%
		Nasdaq	-1.49%	-25.37%
UK	UK	FTSE 100	-3.30%	-2.94%
		FTSE All-Share	-3.76%	-6.28%
Europe	Germany	Xetra DAX	-10.50%	-19.89%
	France	Paris CAC 40	-4.58%	-15.13%
	EU Countries	FTSEurofirst 300	-5.92%	-14.84%
Asia	Japan	Nikkei 225	2.31%	-4.13%
	China	Hang Seng	-6.30%	-14.27%
	India	Nifty 50	7.48%	0.76%
South America	Brazil	Sao Paulo Se Bovespa	-1.65%	5.39%
	Mexico	SE IPC	-12.79%	-15.15%
Other Markets	South Africa	JSE FTSE ALL SHARE	-6.81%	-10.45%
	Australia	S&P AUST	-3.42%	-7.94%
	Russia	RTS	2.97%	-22.45%
	Canada	S&P/TSX COMPS	-6.68%	-8.97%
Commodities	N/A	Gold	-6.99%	-5.27%
		Silver	-16.96%	-23.07%
		Brent Crude Oil	-15.78%	24.84%
		Copper	-19.17%	-20.81%

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

Whilst the UK and much of the world were focusing on celebrating the life of Queen Elizabeth II, the downward trend across all sectors continued with all markets struggling against a backdrop of high inflation, soaring energy prices, the so-called ‘cost-of-living crisis’ and the Russia-Ukraine war.

Despite the headwinds, our portfolios have again outperformed their respective benchmarks – in no large part due to our underweight position in bonds and gilts. India was the top performing sector last quarter, with the Pictet Indian Equities fund in our portfolio posting a 13.5% return in that period, continuing its positive gains from the quarter before. Due to the extreme levels of market volatility and global uncertainty, we will not be making any changes to our asset allocation this quarter.

Inflation Past and Present

Inflation rates have always been in the headlines of economic news - and that is for a reason. Inflation is inextricably linked to our future financial wellbeing as it affects both the spending power of our own individual savings, as well as the growth of the wider economy. Inflation rates can vary but a healthy inflation rate is around 2%; this is also the target inflation rate which the Bank of England considers to be 'optimal'. If inflation is too high or too low, this is considered 'sub-optimal'.

History highlights many examples of the horrors of 'hyperinflation' (the term refers to rapid and unrestrained price increases in an economy, typically at rates exceeding 50% each month). Although it is a rare event for developed economies, it has famously occurred in countries such as China, Germany, Russia, Hungary, and Georgia. Although it is unlikely the UK will ever experience hyperinflation, excessively high inflation over a number of years can be equally damaging.

Excessively high inflation is usually the product of poor monetary policy decision-making, combined with other inflationary circumstances such as a drop in productivity. Common causes include excessive money supply where central banks increase the amount of money circulating (because of war or the need to pay large debts) and demand-pull inflation where the supply of goods and services cannot keep up with demand.

The established way to combat high inflation rates is to raise interest rates, and countries who do not follow this methodology do so at their own peril. In Turkey, Mr Erdogan has insisted on keeping interest rates low while inflation has soared from 20% - 80%. Turkey's central bank has also burned through billions to prop up the lira to the extent that Turkey's reserves of foreign currency are now negative due to its swaps with local banks. A very good case study for what NOT to emulate.

Although the Bank of England is independent and will likely implement ever-increasing interest rates to combat inflation and is also likely attempt to bring bond yields under control with buybacks, we at EB Wealth worry that the war chest will simply not be big enough to shore up sentiment for too long.

The global inflation rate surged from 3.18% in 2020 to 4.35% in 2021 and now sits at 7.40%. This is partially due to the global pandemic, but more so the result of the stimulus actions taken by almost all central banks in response to the pandemic. The UK has seen RPI inflation averaging 11.8% in the first five months of this year and the latest mini-budget seems to be fanning the flames rather than acting as a dampener.

Inflation Past and Present Continued

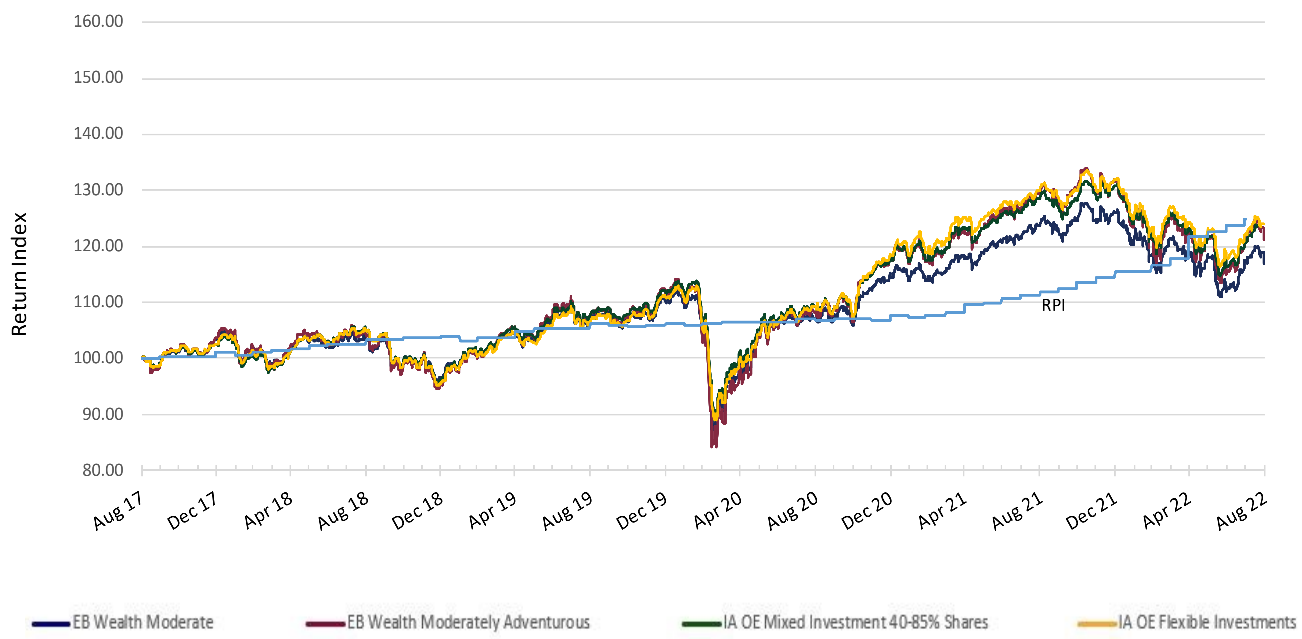
Unfortunately, given the rising energy prices worldwide, there seems to be a limit as to how effective UK interest rate rises can be in slowing inflation without doing a lot of damage to domestic liquidity. We fear this puts us on the precipice of a downward recessionary spiral. Irrespective of the approach that central banks across the world decide to use when managing high inflation rates, we, as individuals, must also find ways to overcome this.

Holding a well-diversified investment portfolio along with other durable assets such as property, art, antiques, etc, will provide investors with the best hedge against inflation. No one can really predict future market trends; however, during high inflation, holding excess cash is likely to be what will hurt most.

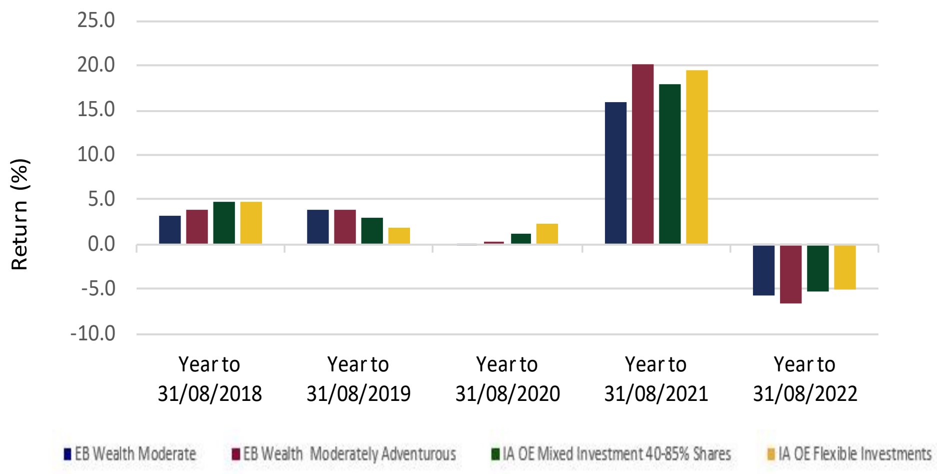
Deciding on where and when to invest is probably easier said than done for most people, so taking up an expert’s advice is almost certainly a good idea. We, as a firm, are happy to guide our clients throughout all crises with an aim to achieve the best possible outcome over the long-term.

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 16 for more information in relation to the benchmarks.



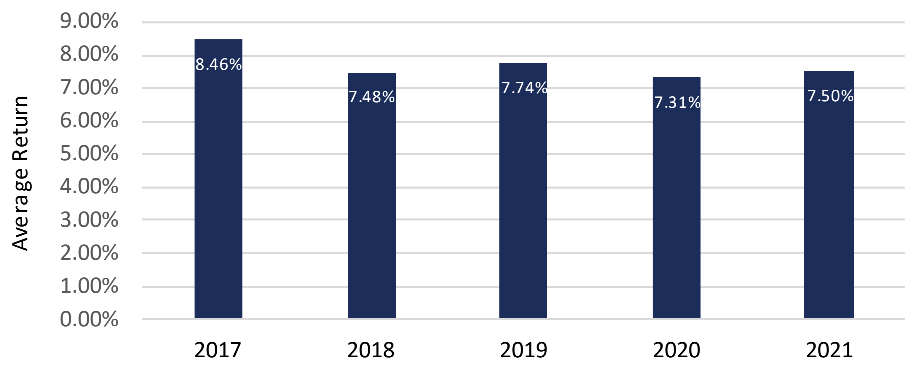
Discrete Annual Performance

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 01/06/2022 to 31/08/2022		
	Latest Reading	Compared to Previous Quarter
GDP Growth	-0.1%*	Fell from 0.8%
Yearly Inflation	10.1%*	Increased from 9.0%
Wage Growth Including Bonuses	5.1%*	Fell from 6.8%
Unemployment Rate	3.8%*	Remained at 3.8%
Interest Rates	1.75%*	Increased from 1.25%

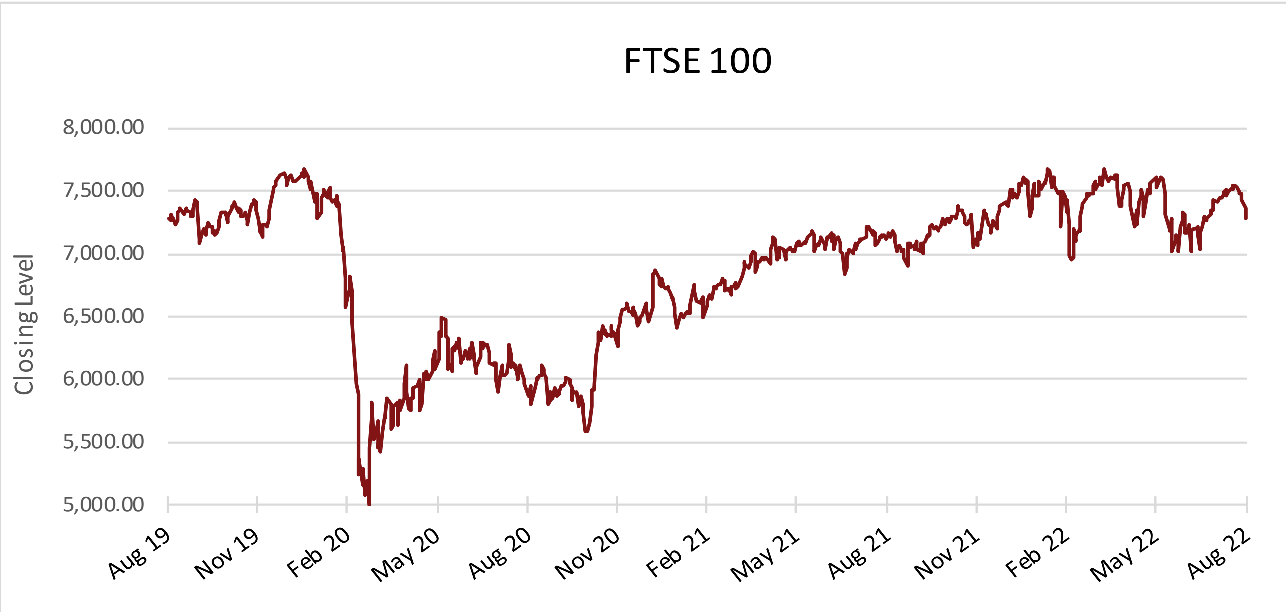
*Based on the latest available data at the time of print.

The UK continues to be beset with problems. Whilst it was starting to appear that inflation might come in below expectations, the appointment of a new Prime Minister and implementation of a mini-budget has led to us witnessing the sterling plunge to a 37-year low and even further unwanted inflationary pressures, the prospect of higher interest rates and a looming recession.

The Bank of England and the government seem to have significantly different views when it comes to how best to help UK growth recover; the former continues to raise interest rates in an attempt to limit growth in consumer spending while the latter aims to accelerate this by making tax cuts.

UK equities fell over the quarter, although a number of large cap equities have held up relatively well - led by the energy and banking sectors. It is anticipated that major oil companies should benefit from an ongoing inflationary economic environment, while banks could benefit from higher interest rates - but would not fair well in a general economic slowdown. Annual UK GDP growth now stands at 1.9%, but there are signs of a significant slowdown.

We will leave our UK allocation unchanged next quarter.



Market Commentary US

Macroeconomic Highlights 01/06/2022 to 31/08/2022		
	Latest Reading	Compared to Previous Quarter
GDP Growth	-0.6%*	Increased from -1.5%
Yearly Inflation	8.5%*	Fell from 8.6%
Wage Growth Including Bonuses	10.0%*	Fell from 11.7%
Unemployment Rate	3.7%*	Increased from 3.6%
Interest Rates	2.50%*	Increased from 1.75%

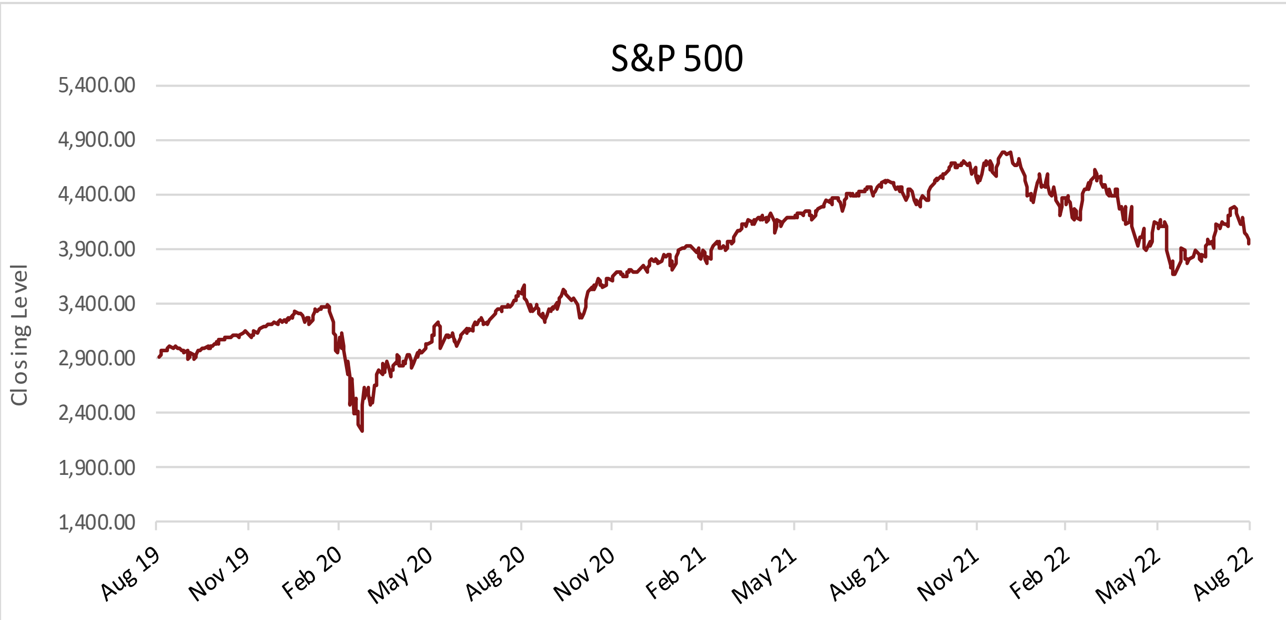
*Based on the latest available data at the time of print.

US equities rebounded in July but declined again in August following a statement from the Federal Reserve's Chair, Jerome Powell, that the US central bank would need to keep monetary policy tight for some time. By sector, information technology, healthcare and real estate experienced some of the sharpest declines. Energy stocks achieved a robust performance amid ongoing strong demand and a curtailment of supplies following Russia's invasion of Ukraine.

The median three-year forward expected inflation rate eased to 2.8% from 3.2%, marking the lowest reading since November 2020 and matching the pre-pandemic average. Card data from Bank of America shows wealthier households have continued to cut back on their spending throughout the summer.

The US Congress passed the Inflation Reduction Act in August which aims to reduce inflation by curbing the deficit, as well as investing in domestic sources of clean energy and lowering healthcare drug costs. Whether the law will actually reduce inflation is ambiguous; however, the legislation stands to be the single largest investment in climate and energy in the US to date.

We will leave our US allocation unchanged next quarter.



Market Commentary Europe

Macroeconomic Highlights 01/06/2022 to 31/08/2022		
	Latest Reading	Compared to Previous Quarter
GDP Growth	0.6%*	Increased from 0.5%
Inflation	9.1%*	Increased from 8.1%
Wage Growth	2.7%*	Remained at 2.7%
Unemployment Rate	6.6%*	Fell from 6.8%

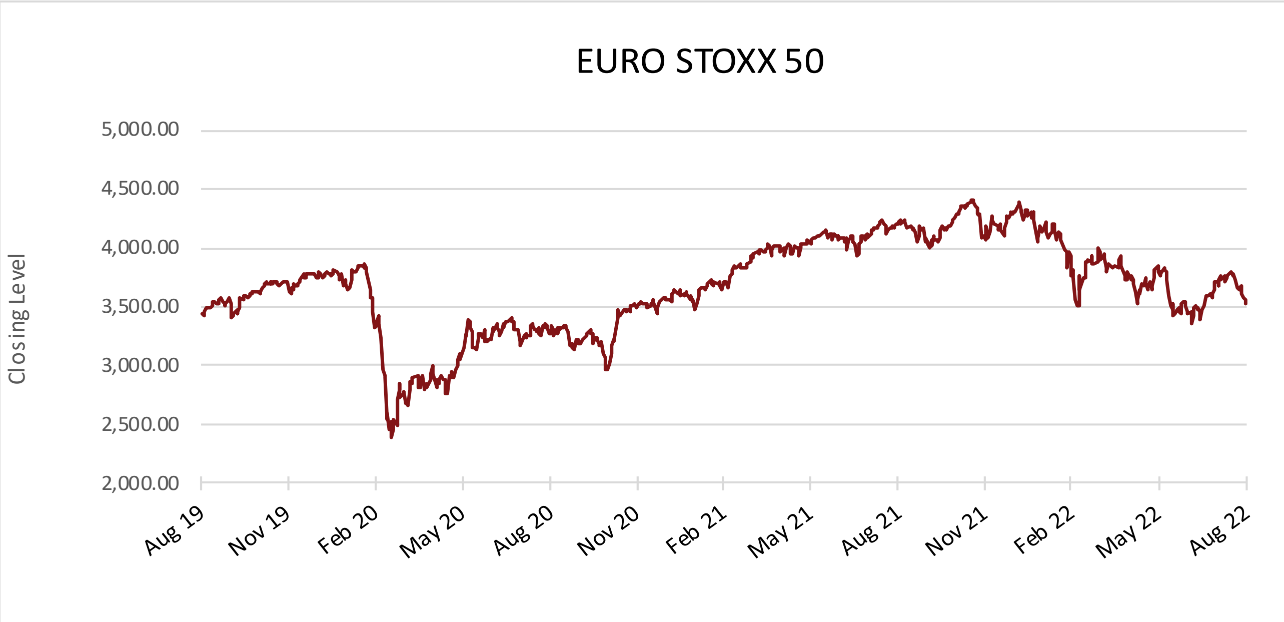
*Based on the latest available data at the time of print.

Eurozone shares fell in August amid ongoing worries over inflation, particularly in the form of high gas and electricity prices. The European Central Bank (ECB) has lifted rates by a combined 125 basis points over its last two meetings to combat inflation, which is nearing 10%. Furthermore, markets have priced in further increases at each of the ECB's meetings until next spring.

Germany is feeling Russia's gas supply squeeze more than anywhere else, and Europe's largest economy is set to ration heat and power this winter. The fallout from Russia's invasion of Ukraine is shaking up the structure of European and global energy markets with an underlying trend towards renewable energy sources. Traditionally, utilities are considered a defensive investment without much volatility or opportunity for expansion. However, price volatility and its debt implications change that picture.

In Italy, far-right leader, Giorgia Meloni, has claimed victory in the Italian election and is on course to become the first female Italian Prime Minister. This is the most right-wing government Italy has seen since the second World War. Her rigidity on LGBT rights and immigration finds favour in Italy, where Catholic conservatism still holds sway, and where many feel that Italy has shouldered a disproportionate burden of Europe's migration crisis.

We will retain our overweight asset allocation to Europe next quarter.



Market Commentary Japan

Macroeconomic Highlights 01/06/2022 to 31/08/2022		
	Latest Reading	Compared to Previous Quarter
GDP Growth	0.5%*	Increased from -0.1%
Inflation	2.6%*	Increased from 2.5%
Unemployment Rate	2.6%*	Remained at 2.6%

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

The Japanese stock market rose steadily during July and the first half of August driven by strong quarterly results and an anticipated peak in US inflation. However, the yen resumed its weakening trend against the dollar, which breached the 130 level for the first time in 20 years.

On the political front, relations between Tokyo and Seoul have recently shown signs of improvement as Yoon Suk-yeol became South Korea's new president in May. Ties between Japan and South Korea had been deteriorating for years over wartime issues under the government of Yoon's predecessor, Moon Jae-in. The Japanese Prime Minister, Fumio Kishida, who took office in October 2021, managed to maintain relatively high approval ratings for his administration until the death of former leader, Shinzo Abe, and the decision to hold a controversial state funeral - despite strong opposition from the public.

While the COVID-19 pandemic was challenging for all countries, the pandemic was a particularly severe blow to Japan. Its heavy reliance on monetary easing and fiscal spending paints a picture of an economy still struggling to find a path to longer-term growth. Wage increases continue to be minimal, partly because productivity is low; economic growth forecast has now dipped below 1%.

We will leave our Japan allocation unchanged next quarter.

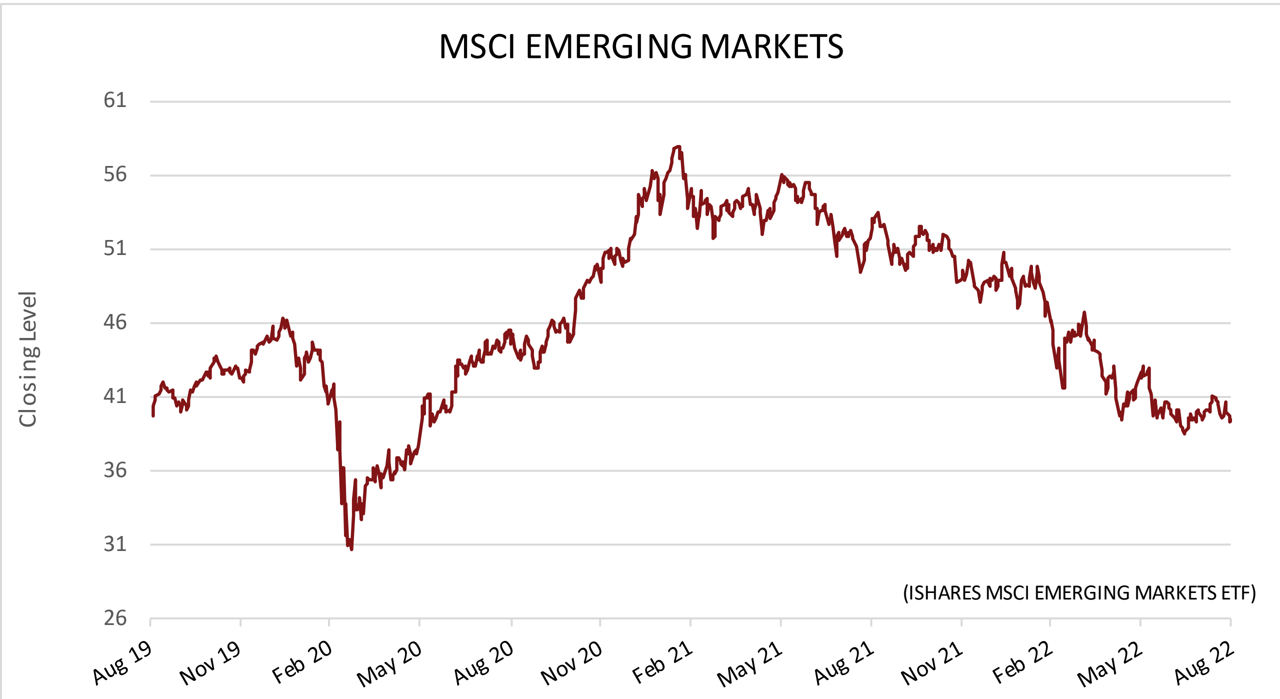
Market Commentary Emerging Markets

Emerging markets experienced a fall both in June and July but posted a marginally positive return in August, significantly outperforming developed markets. This is impressive considering the headwinds many countries have faced, and shows a level of resilience that will, without doubt, continue to be beneficial in the months ahead.

China had an interesting quarter being the only emerging market to generate a positive return in June, but was then the worst index performer in July. Economic data suggests that while the economy was expanding at its slowest rate since the beginning of 2020, June's exports grew 17.9% compared to the same month last year. China is not experiencing the same inflationary pressures we see in the west. This has allowed China's government to keep monetary and fiscal policy broadly supportive. Hopefully China's zero-COVID policy, which has caused a huge economic toll on China and the rest of the world, will start unwinding in 2023.

In the last 10 years, India has gone through a lot of crises but has nevertheless found a way to survive and thrive. According to the Manpower Group Employment Outlook Survey, India's hiring trend over the next quarter from October to December is expected to be the second best in the world, with 54% of companies planning to recruit.

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

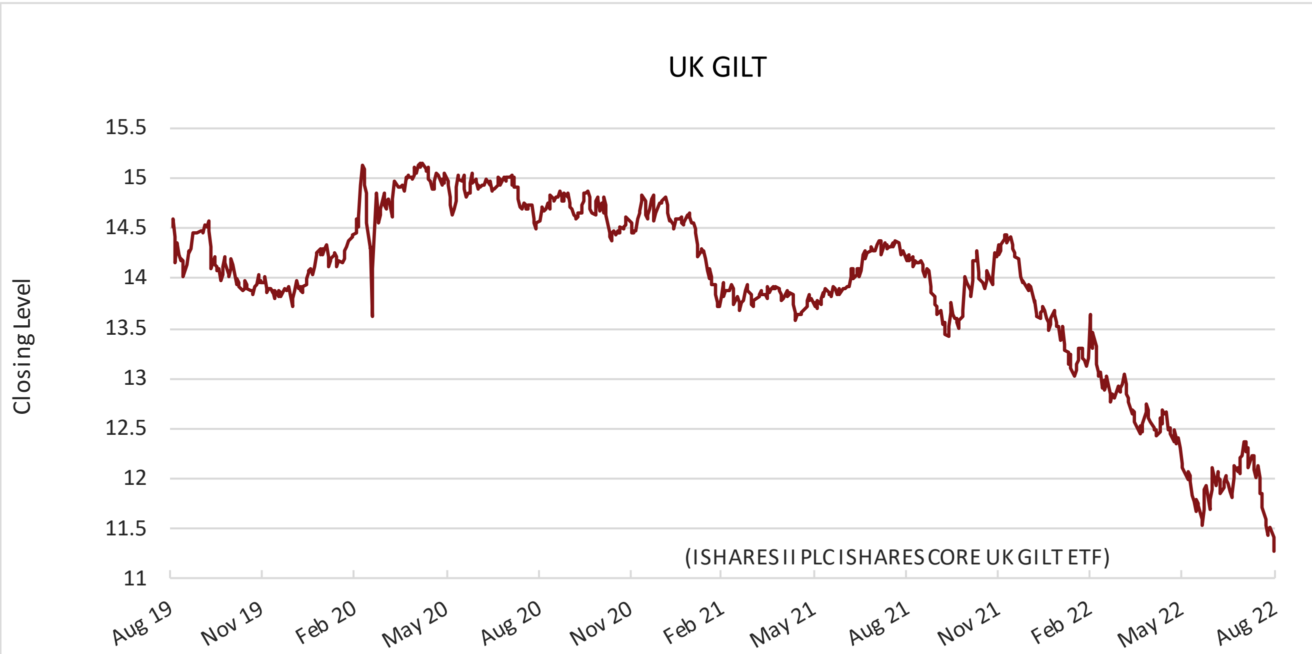


Market Commentary Fixed Interest

Data throughout the quarter showed inflation rates in major economies continuing to run at multi-decade highs, with various central banks raising interest rates and others signalling their intention to do so soon. In July, the European Central Bank raised interest rates by 50 basis points to zero percent - its first hike in 11 years - ending the era of negative interest rates, which began in 2014.

The currency and bond market moves have set a backdrop that has stocks struggling to find traction in a market where good economic news only increases the chances of deeper rate hikes, while inflation data itself isn't slowing fast enough to allow for bets on a pause in the Federal Reserve's tightening cycle. History shows that bond markets rarely string together several down years in a row and there are reasons for price-oriented bond investors to feel hopeful that modestly better times are ahead.

We will continue to retain our exceptionally low allocation towards UK Gilts.



Our Tactical Allocation—Adventurous

Sector	Forecast	Position	Morningstar Adventurous Allocation (%)	Tactical Overlay (%)	Adventurous Final Allocation (%)
US	Fair	Neutral	23	0	23
UK Large Cap	Unfavourable	Underweight	34	-21	13
UK Mid Cap	Fair	Neutral	5	0	5
UK Small Cap	Favourable	Overweight	2	4	6
Europe	Favourable	Overweight	11	4	15
Japan	Favourable	Overweight	8	2	10
Asia	Favourable	Overweight	2	4	6
Emerging Markets	Favourable	Overweight	10	6	16
Property	Favourable	Overweight	0	3	3
Commodities	Favourable	Overweight	0	1	1
Global Fixed Income	Unfavourable	Underweight	2	-2	0
UK Gilts	Unfavourable	Underweight	2	-2	0
UK Corporate Bonds	Unfavourable	Underweight	1	-1	0
UK Inflation Indexed	Fair	Neutral	0	0	0
Cash	Fair	Neutral	0	2	2

Our Tactical Allocation—Moderately Adventurous

Sector	Forecast	Position	Morningstar Moderately Adventurous Allocation (%)	Tactical Overlay (%)	Moderately Adventurous Final Allocation (%)
US	Fair	Neutral	20	0	20
UK Large Cap	Unfavourable	Underweight	28	-12	16
UK Mid Cap	Favourable	Overweight	4	1	5
UK Small Cap	Favourable	Overweight	2	1	3
Europe	Favourable	Overweight	9	5	14
Japan	Favourable	Overweight	7	1	8
Asia	Favourable	Overweight	2	2	4
Emerging Markets	Favourable	Overweight	8	3	11
Property	Favourable	Overweight	0	4	4
Commodities	Favourable	Overweight	0	3	3
Global Fixed Income	Unfavourable	Underweight	5	-4	1
UK Gilts	Unfavourable	Underweight	7	-6	1
UK Corporate Bonds	Favourable	Overweight	5	-3	2
UK Inflation Indexed	Favourable	Overweight	0	5	5
Cash	Fair	Neutral	3	0	3

Our Tactical Allocation—Moderate

Sector	Forecast	Position	Morningstar Moderate Allocation (%)	Tactical Overlay (%)	Moderate Final Allocation (%)
US	Favourable	Overweight	15	1	16
UK Large Cap	Unfavourable	Underweight	22	-7	15
UK Mid Cap	Favourable	Overweight	3	1	4
UK Small Cap	Favourable	Overweight	0	2	2
Europe	Favourable	Overweight	7	4	11
Japan	Favourable	Overweight	5	2	7
Asia	Favourable	Overweight	2	3	5
Emerging Markets	Favourable	Overweight	6	1	7
Property	Favourable	Overweight	0	4	4
Commodities	Favourable	Overweight	0	3	3
Global Fixed Income	Fair	Neutral	7	0	7
UK Gilts	Unfavourable	Underweight	13	-9	4
UK Corporate Bonds	Unfavourable	Underweight	7	-4	3
UK Inflation Indexed	Favourable	Overweight	3	6	9
Cash	Unfavourable	Underweight	10	-7	3

Our Tactical Allocation—Moderately Cautious

Sector	Forecast	Position	Morningstar Moderately Cautious Allocation (%)	Tactical Overlay (%)	Moderately Cautious Final Allocation (%)
US	Favourable	Overweight	10	3	13
UK Large Cap	Fair	Neutral	15	0	15
UK Mid Cap	Favourable	Overweight	2	1	3
UK Small Cap	Favourable	Overweight	0	2	2
Europe	Favourable	Overweight	5	1	6
Japan	Fair	Neutral	4	0	4
Asia	Favourable	Overweight	0	2	2
Emerging Markets	Favourable	Overweight	4	1	5
Property	Favourable	Overweight	0	4	4
Commodities	Favourable	Overweight	0	3	3
Global Fixed Income	Unfavourable	Underweight	11	-2	9
UK Gilts	Unfavourable	Underweight	16	-9	7
UK Corporate Bonds	Unfavourable	Underweight	12	-4	8
UK Inflation Indexed	Favourable	Overweight	5	9	14
Cash	Unfavourable	Underweight	16	-11	5

Our Tactical Allocation—Cautious

Sector	Forecast	Position	Morningstar Cautious Allocation (%)	Tactical Overlay (%)	Cautious Final Allocation (%)
US	Favourable	Overweight	5	2	7
UK Large Cap	Favourable	Overweight	8	3	11
UK Mid Cap	Favourable	Overweight	0	1	1
UK Small Cap	Favourable	Overweight	0	1	1
Europe	Favourable	Overweight	3	2	5
Japan	Favourable	Overweight	2	2	4
Asia	Favourable	Overweight	0	1	1
Emerging Markets	Favourable	Overweight	2	1	3
Property	Favourable	Overweight	0	3	3
Commodities	Favourable	Overweight	0	3	3
Global Fixed Income	Unfavourable	Underweight	15	-5	10
UK Gilts	Unfavourable	Underweight	20	-10	10
UK Corporate Bonds	Unfavourable	Underweight	18	-6	12
UK Inflation Indexed	Favourable	Overweight	6	14	20
Cash	Unfavourable	Underweight	21	-12	9

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 7.4% 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

Issue: Sept 2022

The EB Partnership London Ltd
Apsley House
176 Upper Richmond Road
London
SW15 2SH

Phone: 0207 015 2145
Email: wealth@theebpartnership.co.uk
Web: www.ebwealth.co.uk