EB WEALTH

QUARTERLY REPORT
Q2 2018

Global Overview

Global sector performance for the period 01/04/2018 to 30/06/2018			
Markets	**Country**	**Index (ex div) / Sector**	**Quarterly Performance**
North America	USA	S&P 500	2.93%
		Dow Jones	0.70%
		Nasdaq	6.33%
UK	UK	FTSE 100	8.22%
		FTSE All share	8.24%
Europe	Germany	Xetra DAX	1.73%
	France	Paris CAC 40	3.02%
	EU Countries	FTSEurofirst 300	2.38%
Asia	Japan	Nikkei 225	3.96%
	China	Hang Seng	-3.78%
	India	Nifty 50	5.93%
South America	Brazil	Sao Paulo Se Bovespa	-14.76%
	Mexico	SE IPC	3.34%
Other Emerging Markets	Africa	JSE FTSE ALL SHARE	3.85%
	Australia	S&P AUST	7.56%
	Russia	RTS	-7.62%
	Canada	S&P/TSX COMPS	0.42%
Commodities	N/A	Gold	-5.85%
		Silver	-1.35%
		Brent crude oil	16.74%
		Copper	-1.99%

Following the sell-off in most regions last quarter, markets recovered this quarter with the majority posting gains. UK and European markets particularly started the quarter well with many of their main indexes reaching all-time highs over the period. Oil prices also rose strongly this quarter. UK markets were the standout equity market performer with Australian equities not far behind. Asian equity markets had a mixed performance with Japanese and Indian equities rising over the quarter, whilst Chinese markets fell. Brazilian and Russian equity markets fell sharply, erasing their strong gains in the previous quarter.

The main events that impacted markets over the quarter were:

- US interest rates increasing from 1.75% to 2% in June.
- Donald Trump imposing further tariffs on various Chinese and European goods, which caused China and the EU to threaten their own tariffs for American goods.

The Federal Reserve is continuing to increase interest rates in the US, and we expect this to continue throughout 2018. Closer to home, an interest rate hike in August in the UK seems likely. Brexit negotiations are progressing, and we are waiting for their conclusion before we begin to assess the impact.

The benefits of holding structured products in portfolios

In times of increased market and political uncertainty, it is difficult to provide equity outperformance without taking on a disproportionate amount of risk.

Structured products and structured deposits are investment products which provide defined returns as long as certain market conditions are met; they are commonly used to protect investors from falls in the stock market whilst still giving the potential for fixed growth or a fixed income over a given time period.

There are an unlimited range of structures which could be created, but the common theme is the simplification of investment outcomes – usually centring around providing reduced risk in exchange for capped returns. There is no such thing as a "free ride" though and, unlike investment funds, structured products also carry counterparty risk; that is the risk that the bank offering the investment becomes insolvent and may not be able to repay investors.

Apart from providing some protection from a falling market, structured products and structured deposits also provide an alternative to cash, gilts, fixed interest and bonds – all of which we consider to be much riskier assets than conventional wisdom dictates. So why do we view cash as being risky? The fact is that currently, cash holdings WILL lose value in real terms over any foreseeable time period because interest rates are currently significantly lower than inflation… and looks set to remain so. In comparison, even a very defensive structured deposit can provide the potential to beat inflation with a 100% capital guarantee.

Although they are far from an investment panacea, when used appropriately, structured products can greatly improve the risk-return profile for any investment approach for long-term investors.

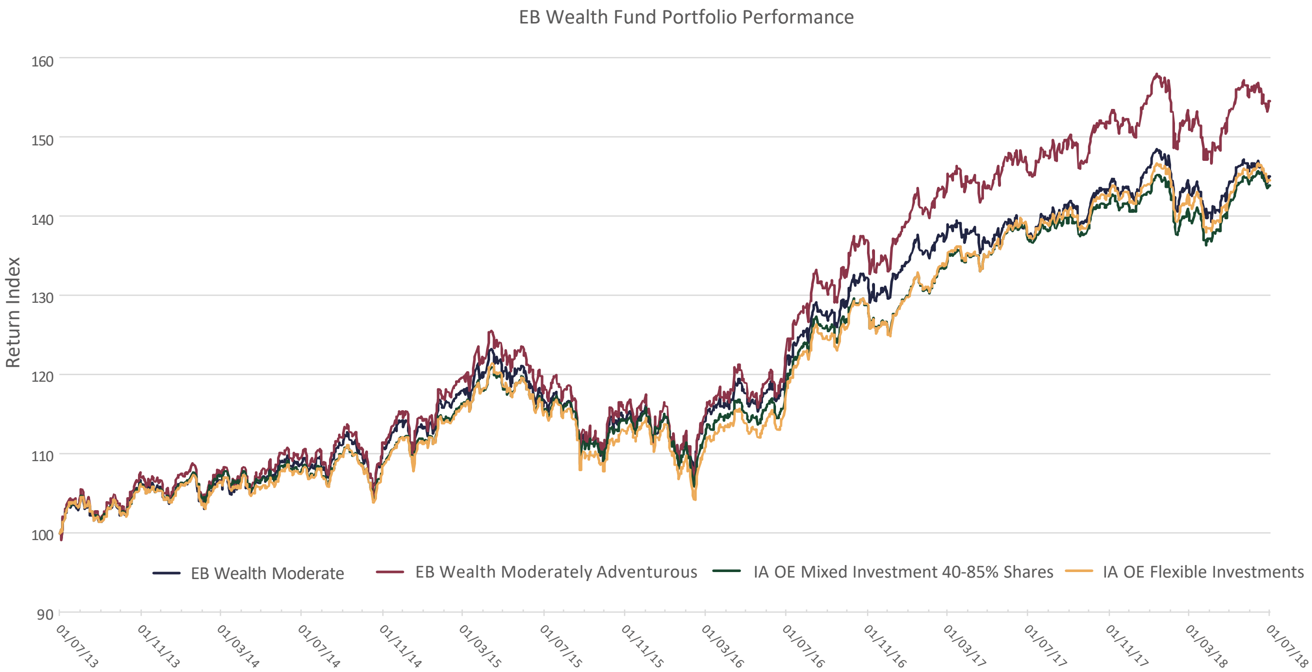
Currently EB Wealth recommend circa 25% of actively managed portfolios to be invested in a diversified selection of structured products and, more recently, we have also apportioned an additional 5% and 10% of portfolios to structured deposits for our moderate and moderately cautious clients respectively.

This strategy has proved highly effective historically, and although past performance should not be considered a guide for future performance, the case for the use of structured products in a portfolio seems stronger than ever.

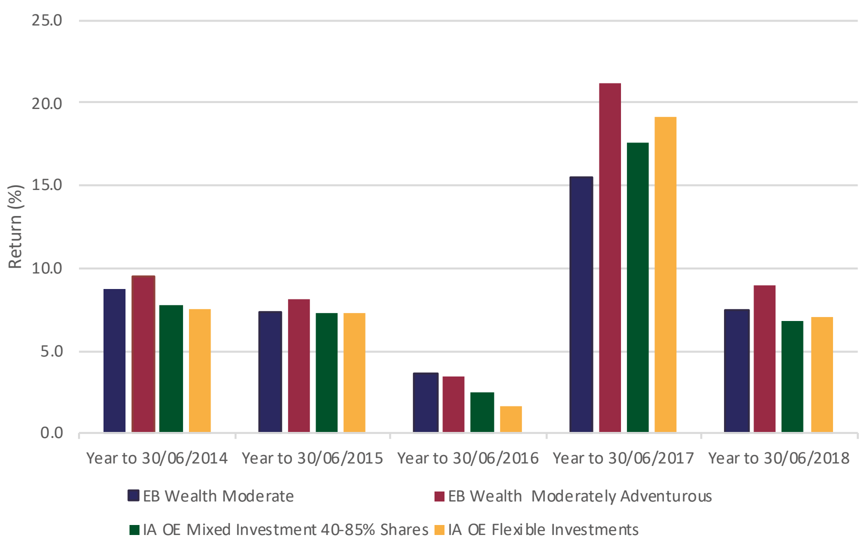
We have also decided to change the format of our past performance reporting to separate out the average performance of our structured product recommendations and put these alongside our portfolio returns to highlight the stability of returns. In this issue, and in all future reports, we will publish structured product returns separately from our fund portfolio for your reference and viewing pleasure!

Abbas Juma
Investment Portfolio Manager

EB Wealth Portfolio Performance



The chart above 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.



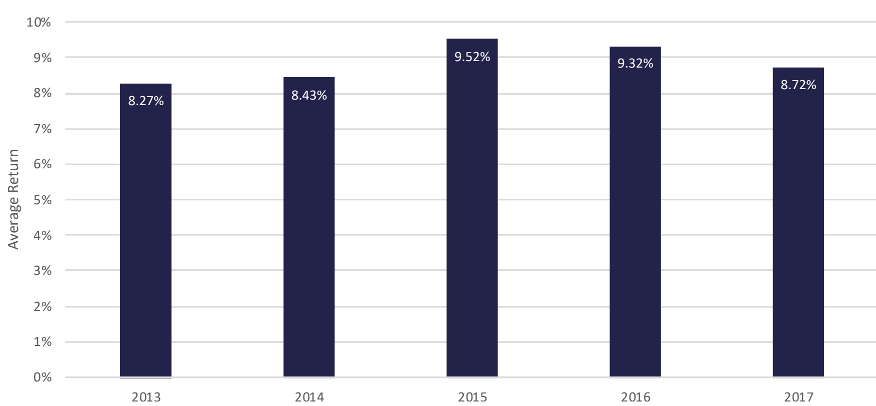
Discrete Annual Performance

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 product recommendations on a discrete annualised basis.



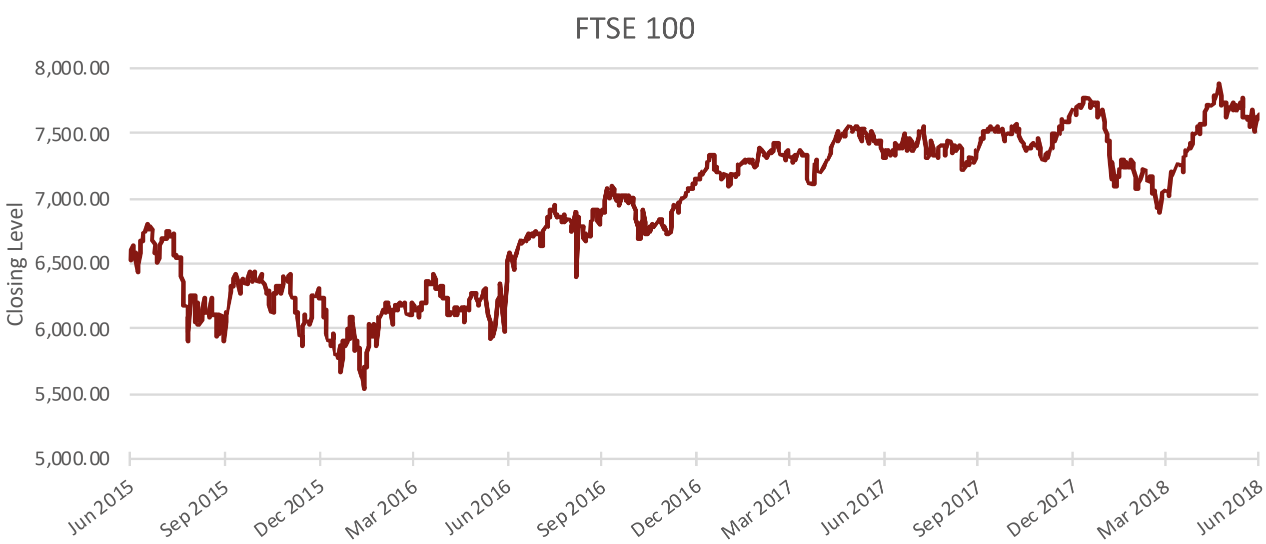
Market Commentary UK

Macroeconomic Highlights 01/04/18 to 30/06/18		
	Latest Reading	**Compared to Previous Quarter**
GDP Growth	0.2%	Fell from 0.4%
Inflation	2.4%	Fell from 3.0%
Wage Growth including bonuses	2.8%	Remained at 2.8%
Unemployment rate	4.2%	Fell from 4.3%
Interest rates	0.5%	Remained at 0.5%

UK equity markets rose over the quarter, with the FTSE 100 and the FTSE All-Share both rising 8.2%. The UK market's positive returns were driven by a spike in the price of Brent crude oil, which climbed to around US$80 per barrel over the quarter – its highest level in three years. Performance was also supported by sterling's continued weakness against the US dollar, which bolstered the returns of the market's many international constituents. Weaker than expected domestic growth for the three months to April saw a sharp decline in sterling towards the end of the month, as it brought some doubt over the likelihood of an interest rate rise at the Bank of England's Monetary Policy Committee (MPC) meeting in May. The Bank of England's MPC voted 7-2 to keep the central bank base rate at 0.5%, citing this weaker than expected domestic growth for the first quarter 2018.

Immediately after the sell-off in worldwide markets in February, we slightly increased our allocation to the UK and weighed more towards the UK tracker fund to take advantage of the lower FTSE level, as well as reducing our exposure to the Woodford Equity Income fund, which was underperforming. Although some research indicates that valuations in UK companies still look attractive, we still feel the combination of interest rates increasing, ongoing Brexit negotiations, slowing economic growth and worldwide trade tensions mean we remain underweight in the region.

We have now decided to reduce exposure to the Tracker funds and increase our allocation to Active funds. Furthermore, we have decided to replace the Woodford fund completely.

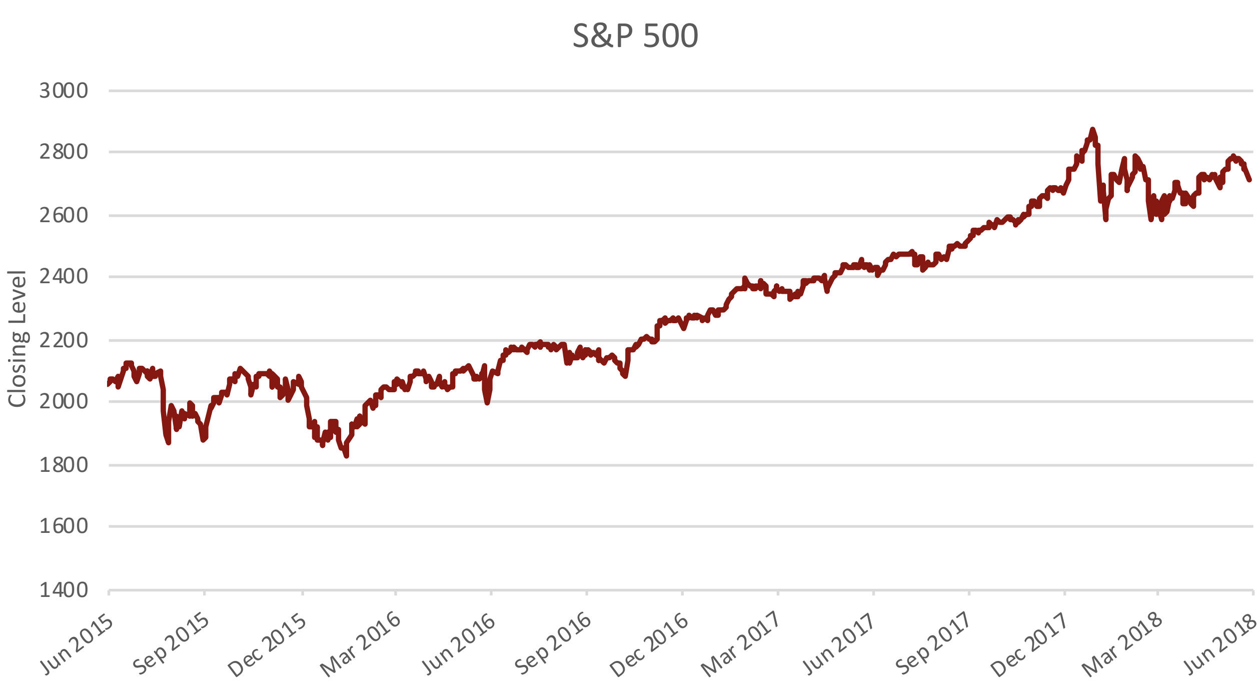


Market Commentary US

Macroeconomic Highlights 01/04/18 to 30/06/18		
	Latest Reading	**Compared to Previous Quarter**
GDP Growth	2.2%	Reduced from 2.9%
Inflation	2.8%	Increased from 2.2%
Wage Growth	2.6%	Remained at 2.6%
Unemployment rate	3.8%	Reduced from 4.1%
Interest rates	2 %	Increased from 1.75%

Despite President Trump imposing trade tariffs, US equity markets erased its losses from the previous quarter and made small gains with the S&P 500 increasing 2.9%, the Dow Jones up 0.7% and the NASDAQ up 6.3%. Though geopolitical concerns lingered, President Trump expressed optimism on a trade deal with China and hinted that the US may re-join the Trans-Pacific Partnership free-trade deal that he pulled out of shortly after taking office. The US dollar has started to gain ground on account of the US Federal Reserve raising interest rates. This move boosted the share prices of trade-sensitive sectors, including commodities. On the whole, macroeconomic data beat forecasts and was positive.

American markets have slightly recovered this quarter after falling last quarter. Although macroeconomic data is providing positive signals, with the Federal Reserve continuing to increase interest rates, we believe this is likely to provide a significant headwind for growth. Additionally, China is likely to retaliate with tariffs of their own on the US which is likely to cause short-term instability. We therefore reiterate our underweight exposure to US equites in anticipation of further short-term volatility.



Market Commentary Europe

Macroeconomic Highlights 01/04/18 to 30/06/18		
	Latest Reading	**Compared to Previous Quarter**
GDP Growth	2.7%	Increased from 2%
Inflation	1.9%	Increased from 1.1%
Wage Growth	1.8%	Increased from 1.7%
Unemployment rate	8.4%	Fell from 8.6%

European equities posted small gains this quarter with the Paris CAC up 3%, the German DAX up 1.7% and FTSEurofirst 300 up 2.4%. Political events in Italy and Spain were the main influencers and produced high volatility in European markets. In Italy, the government formation process took a critical twist after the President vetoed the candidate nominated for the finance ministry, who is known for his anti-euro rhetoric. Meanwhile in Spain, the socialist opposition party PSOE filed a motion for a vote of no-confidence against Prime Minister Rajoy. Both events raised the threat of another Euro-area crisis in the eyes of many investors and led to a sudden shift towards less risky assets.

Positively, after months of deadlock, a new government with a different finance minister was finally installed in Italy, while in Spain the Socialist-led opposition succeeded in ousting Rajoy and installing PSOE-leader Sanchez at the helm of a new government. This has helped to dissipate investors' concerns while keeping market participants very alert to political risks, particularly in Italy.

Although European markets have been volatile this year, macroeconomic data is showing positive signals for the area as a whole. Trade tensions do still exist with Trump imposing tariffs on aluminium and steel. We believe that European equities are attractive and therefore remain overweight in the region.

Market Commentary Japan

Macroeconomic Highlights 01/04/18 to 30/06/18		
	Latest Reading	**Compared to Previous Quarter**
GDP Growth	0.2%	Fell from 0.5% in the last quarter
Inflation	0.7%	Fell from 0.9% in the last quarter
Unemployment rate	2.2%	Fell from 2.4% in the last quarter

Japanese equities recovered losses from the previous quarter with the Nikkei 225 rising just under 4%. Japan's equity markets started the quarter strongly, benefitting from receding geopolitical risk with investors adopting a wait-and-see approach as regards domestic political concerns surrounding the longevity of Prime Minister Abe. However, sentiment was dampened by concerns surrounding the US-North Korea summit and US-China trade negotiations and the Japanese markets ended the quarter with increased volatility.

On the corporate news front, there are signs that earnings momentum for the overall market has stopped deteriorating and is beginning to rebound from its low level in March. Japan's upcoming revised corporate governance code is expected to encourage companies to unwind their strategic shareholdings. This should help speed up the reduction of cross-shareholdings and we believe will benefit investors. With interest rates increasing in the US, the yen devalued further against the US dollar over the quarter.

Overall, Japanese equities are down in 2018, mainly due to instability in markets caused by negotiations between the US and North Korea and China. However, we believe that this will only cause short-term volatility with the medium to longer-term prospects in Japan still strong. Therefore, we maintain our overweight position for the region.

Market Commentary Emerging Markets

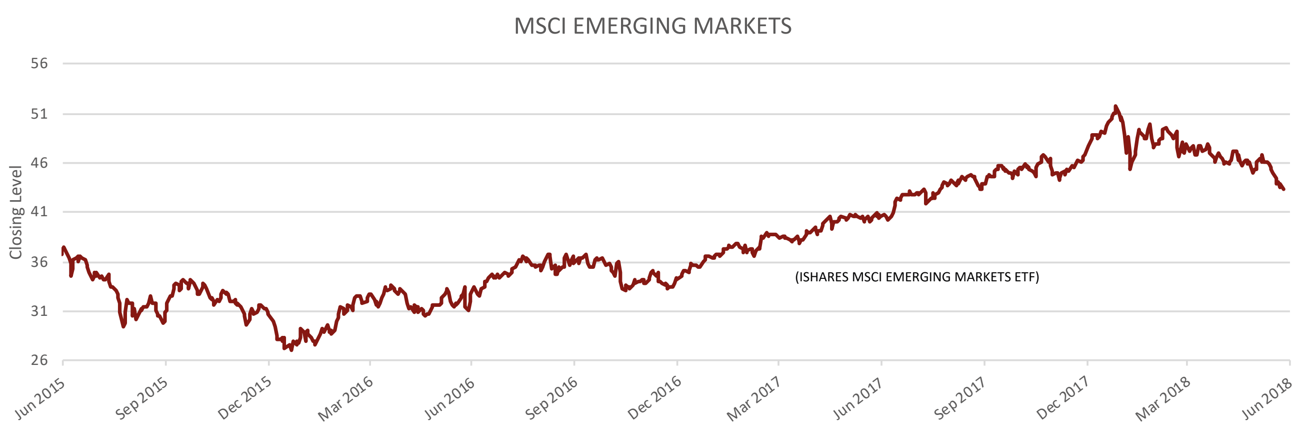
Emerging markets had a mixed performance this quarter with most regions reversing their performances from the previous quarter. Brazilian and Russian equities were the worst performers, while Australia and some emerging European regions were the best performers. Impacting on investor sentiment were concerns over the protracted nature of trade renegotiations, political developments in Italy, US dollar strength and higher oil prices.

In Asia, China's equity markets fell as tensions surrounding trade negotiations with the US increased, while other external events saw an increase in general investor risk aversion. Taiwan's equity market recorded decent gains, helped by a recovery in the electronics industry, while Australian healthcare and consumer discretionary stocks helped buoy their market. Malaysia saw a massive political upset in its recent general election, with the incumbent coalition ousted by a resurgent opposition led by former Prime Minister Mahathir Mohamad - who is 92! Markets were spooked later by the revelation that public debt could be as high as 65% of GDP. Elsewhere, Indonesia's central bank governor raised interest rates by 0.5% in an attempt to stabilise their currency, the rupiah.

Equity weakness was felt across the board in Latin America. Brazil registered the biggest losses with its main index down over 14%. Worries that a strike by Brazilian truckers and oil workers will harm the country's economic recovery negatively weighed on sentiment. In an effort to break the strike, the government announced plans to lower diesel prices. President Michel Temer scrapped plans to run for re-election in Brazil. In Mexico, a presidential election was on the agenda and left-wing candidate, Andres Manuel Lopez Obrador, extended his lead. In Argentina, the central bank was forced to take drastic action to stabilise the country's currency by raising interest rates to 40%. Mexico's market was up over 3% and, helped by its economy, shrugged off election jitters to grow at a stronger-than-expected 2.4% year-on-year in the first quarter of 2018.

The Trump administration imposed new sanctions on Russia's business tycoons and government officials known to be allies of President Putin, along with companies they control. The action prompted a sharp fall in Russia's equity market with its main market down over 7%. Greece was amongst the best performing equity markets as data showed that the country had beaten its budget targets for a third consecutive year in 2017, and trimmed its massive debt burden. European Commission President Juncker said that Greece will likely exit its international bailout programme without the need for a precautionary credit line. Turkey's central bank hiked its top interest rate to 16.5% from 12.75% over the quarter, prompting a sharp rally in the lira. Turkish President Erdogan called early elections for 24 June 2018.

Emerging markets have underperformed other regions in 2018. This has mainly resulted from trade tensions caused by the US. Concerns over a full trade war still exist. We believe this will only cause short-term volatility; therefore, we stay overweight in this region.



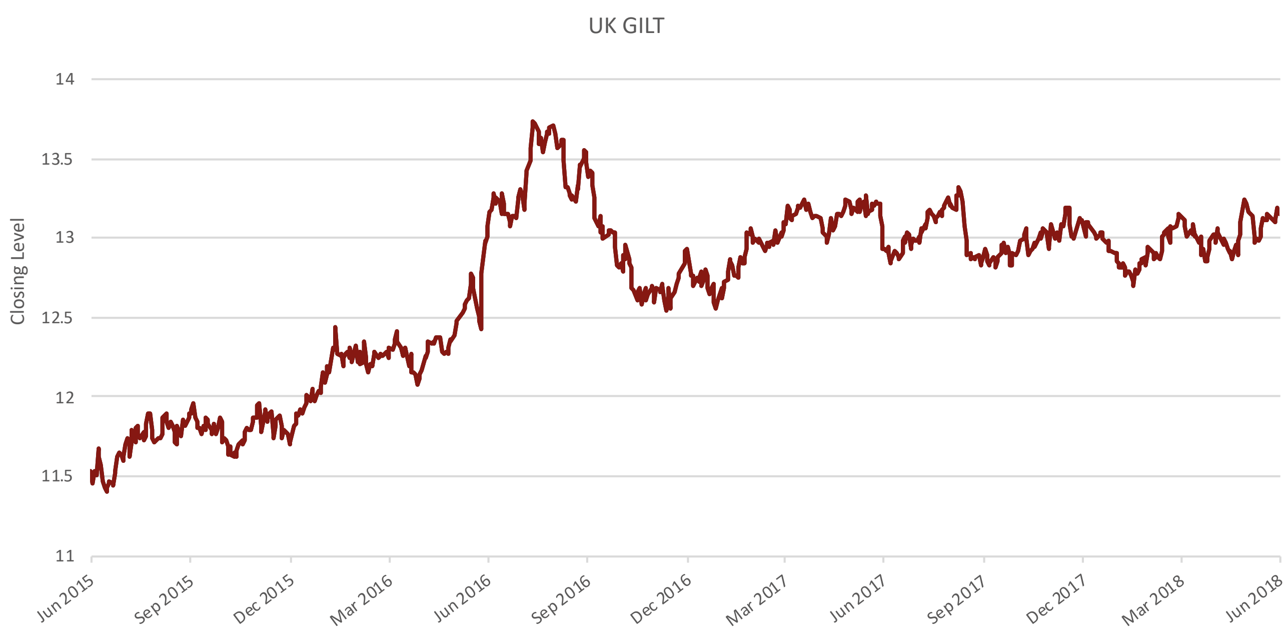
Corporate bonds outperformed government bonds over the quarter, mainly due to political tensions (trade tensions, summit talk and Italian elections) impacting on government bonds whilst corporate bonds were less influenced by these political issues.

European political risk had a significant impact on bond markets, primarily in Italy, but also in Spain. Meanwhile, in the UK, the Bank of England left UK interest rates on hold after much weaker data changed expectations from what appeared to be a near-certain May hike. Against the backdrop of political uncertainty, core government bonds (US Treasuries, UK Gilts and German Bunds) rallied, while peripheral European government and high-yield corporate bonds came under pressure.

The biggest move was in Italian government bonds (BTP). The two-year BTP began in May with a yield of -0.3%. Political uncertainty led to a surge in BTP yields, with the two-year BTP yield reaching an intra-day high of 2.78% on 29 May 2018. Concerns were tempered after news that a government had been formed. As the market's fears abated, BTPs rallied. By 31 May 2018 the two-year yield was back at 1.07%. There was also an increase in the Spanish bond yields as the prospect of a no-confidence vote against current Prime Minister Rajoy weighed on sentiment. The two-year yield increased from -0.3% at the start of the month to an intra-day peak of 0.02%, before falling back to -0.08% at 31 May 2018.

The political uncertainty raised demand for the perceived safety of core government bond markets, which in turn benefitted the more interest rate sensitive, investment grade (IG) corporate bond market. At a sector level, the best performing area of the high-yield bond market was utilities; while in investment grade, the industrial sector outperformed. In both markets, the financial sector underperformed.

Government bonds have been more volatile in 2018 worldwide. Interest rates are likely to increase in the UK this year and the Federal Reserve is continuing to increase their own interest rates at a fast pace. This is likely to negatively impact on bonds; therefore, we reiterate our underweight position for this quarter.



Our Tactical Allocation

Sector	Forecast	Action	Morningstar Moderately Adventurous Allocation %	Tactical Overlay %	Final Allocation %
US	Unfavourable	Underweight	11	-2	9
UK Large Cap	Unfavourable	Underweight	22	-3	19
UK Mid Cap	Unfavourable	Underweight	8	-1	7
UK Small Cap	Unfavourable	Underweight	5	-1	4
Europe	Favourable	Overweight	13	+2	15
Japan	Favourable	Overweight	7	+2	9
Asia	Fair	Neutral	4	0	4
Emerging Markets	Favourable	Overweight	9	+2	11
Property	Unfavourable	Underweight	5	-1	4
Commodities	Fair	Neutral	5	0	5
Global Fixed Income	Unfavourable	Underweight	2	-1	1
UK Gilts	Unfavourable	Underweight	2	-1	1
UK Corporate Bonds	Unfavourable	Underweight	2	-1	1
UK Inflation-Indexed	Favourable	Overweight	2	+1	3
Cash	Favourable	Overweight	3	+4	7

Notes on EB Wealth Performance Statistics

Previously, we have included the FTSE 100 performance as a comparison against our portfolios. From this quarter onwards, we have decided to replace this with more relevant (and industry standard) benchmarks. These benchmarks are widely accepted and represent the average return of all 'mixed' or 'managed' investment funds. As our portfolios fall within the industry standard mandates for these two benchmarks, we felt they were a more useful indicator of relative under - or over - performance.

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%.

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 in an attempt 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).

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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