Waverton Wealth
Quarterly Review Q1 2022

The quarter saw negative returns from global equity markets, the MSCI ACWI falling by -5.36% (USD) and -2.64% (GBP), whilst the FTSE100 and FTSE all-share respectively gained 2.88% and 0.49% (Aubrey Capital/Bloomberg Data 31/03/2022). Within in fixed income markets the Gilts All Stocks fell by -7.17% and the iBoxx UK Corporate bond index fell by -6.2% (www.ishares.com).

The Brent crude oil price ended March at $112/barrel, up from end of the previous quarter. Oil prices soared on the back of the Russian's invasion of Ukraine.

The conflict in Ukraine has investors worried more about prospects for higher inflation and lower growth, which in March meant that although value sectors did see positive returns, these were well behind the defensive and quality areas of the market.

Growth continues to be very difficult as investors put a lower rating on future growth as a result of the likelihood of higher interest rates. However, longer term we see no slow down to the pace of innovation and change in the world. Indeed, if companies start to get squeezed through the combination of higher inflation and lower growth, we see an even greater importance on embracing technology and innovation as a way of helping to maintain margins.

Over the last few months, the winners haven't been winning, but ultimately, we believe that the factors exacerbated by the Ukraine issue will make strong companies stronger and very much supports investment in high margin cash generative businesses. This makes recent returns for core Aubrey strategies difficult, but with significant underlying long term opportunity.

Positive returns have been hard to find, with the majority of returns coming from a narrow range of sectors either seen to be directly helped by high commodity prices, i.e. energy and mining, or (more latterly) defensive sectors such as from healthcare and tobacco. The FTSE100 did much better than other major markets, due to relatively high weightings to those sectors.

However, we already believe much of the cyclical/value rally has already taken place and it is only those sectors like energy and mining that are keeping broader value indices moving up, and that a focus on quality growth will continue to reassert itself.

END OF QUARTER ASSET ALLOCATION (%)

	UK Equities	US Equities	Europe (ex UK) Equities	Japanese Equities	Asian Equities	Other Overseas Eq.	Infastructure	Alternative Assets	Bonds	Cash
MAP 1	0.5	2.25 (-0.5)	0.5	0	0.25	2 (0.5)	1	9	45	39.5
MAP 2	2.5 (0.25)	7(-2)	2.5	1	2 (-0.25)	5 (2)	2.5	12.5	40	25
MAP 3	4.5	15.5 (-3)	4.5	2	4(-1)	9.5 (4)	5	10	30	15
MAP 4	6	22(-3.5)	6.5	2.5	5.5 (-1.5)	12..5 (5)	5	10	24	6
MAP 5	8	28 (-4.5)	8.0	3.5 (0.5)	7(-2)	15.5 (6)	3	10	13	4
MAP 6	10	33.5 (-5)	10	4	9(-2)	18.5 (7)	0	10	3	2

Source: Aubrey Capital Management, 31/03/2022

Green - Allocation change - increase in quarter
Red - Allocation change - decrease over quarter

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PORTFOLIO PERFORMANCE* (%)

	Quarter	1 Year	Inception	Benchmark Quarter	Benchmark 1 Year	Inception	Benchmark
MAP 1	-1.80	-0.16	11.93	1.99	8.11	14.89	CPI plus 1%
MAP 2	-2.61	0.49	17.80	2.24	9.18	19.22	CPI plus 2%
MAP 3	-3.02	2.24	26.04	2.48	10.25	23.67	CPI plus 3%
MAP 4	-3.60	2.74	30.36	2.73	11.32	28.23	CPI plus 4%
MAP 5	-4.21	3.22	36.26	2.97	12.39	32.92	CPI plus 5%
MAP 6	-5.13	3.18	41.79	3.21	13.46	37.74	CPI plus 6%

Source: Aubrey Capital Management, 31/03/2022

TOP & BOTTOM PERFORMANCE CONTRIBUTORS* (Q1 2022)

	Top	Bottom
MAP 1	First State Global Infrastructure	Royal London Corporate Bond
MAP 2	First State Global Infrastructure	Royal London Corporate Bond
MAP 3	First State Global Infrastructure	Baillie Gifford American
MAP 4	First State Global Infrastructure	Baillie Gifford American
MAP 5	iShares MSCI World Value ETF	Baillie Gifford American
MAP 6	iShares MSCI World Value ETF	Baillie Gifford American

Source: Aubrey Capital Management, 31/02/2022

OUTLOOK

The value rally seems to have largely run out of steam and we see investors focusing more on quality growth and defensive assets.

Growth will be lower, but markets are trading at reasonable levels.

The UK market looks attractive, trading at a discount to other major markets.

We see markets continuing to be choppy, driven by short term news flow, particularly around the conflict in Ukraine. Most likely (after such gyrations during the last three months), with less dispersion of return between different market factors, and with individual share prices more driven by specific fundamentals than 'big picture' macroeconomic considerations.

We can see the potential for markets rallying on the back of any resolution in Ukraine, but overall, it is going to be a waiting game to see how much economic damage there has been and, most importantly for markets, how long that damage is going to last.

IMPORTANT INFORMATION

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