Waverton Wealth Quarterly Review
Q1 2022

For authorised intermediaries and professional investors only

LATEST COMMENTARY

Despite headlines around surging inflation and bond yields, war in Ukraine and monetary policy tightening, global markets managed to end March on a more positive note. However, this was not sufficient to offset weakness earlier in the quarter. In general, developed equity markets held up better than the emerging markets but there was a wide variation across the regions. The FTSE 100 outperformed global markets due in part to its high weighting in energy and mining companies.

Russia launched a large-scale invasion of Ukraine at the end of February, following months of mounting border tensions. In response, the West introduced severe sanctions which took aim at the Russian economy. The US, UK, the EU and others moved to exclude big Russian banks from SWIFT, the financial messaging system that underpins most international transactions. Assets belonging to the country's central bank have been frozen, depriving the institution of hundreds of billions of dollars in foreign reserves and Russian equities have been removed from emerging market indices. Russia is the world's second-largest energy exporter and a major exporter of metals and agricultural commodities. Sanctions and supply-chain issues caused by the war have sent prices of metals, grains and energy to multi-year highs. This added to global concerns about price rises and the impact on supply chains from resurgent covid infections in China, which were market worries before the tragedy in Eastern Europe unfolded.

Inflation has been consistently higher than predicted by major central banks, leading to worries about the negative impact high inflation could have on consumer confidence and a more aggressive change in stance by institutions such as the Fed and Bank of England. The market interpreted this more assertive tone as central banks being 'behind the curve' and viewed strong action required to gain control of inflation as a move that could hit the nascent recovery. In March, the Fed raised interest rates for the first time since 2018.

END OF QUARTER ASSET ALLOCATION (%)

	UK Equities	US Equities	Europe (ex UK) Equities	Japanese Equities	Asian Equities	Other Overseas Eq.	UK Property	Global Property	Alternatives	Bonds	Cash
Passive Growth 1	3.8	8.8	1.7	2.1	0.9	6.6	0.0	0.0	3.1	60.5	12.6
Passive Growth 2	4.6	18.5	2.0	3.1	3.1	4.5	1.9	1.1	4.8	46.2	10.3
Passive Growth 3	4.9	22.7	4.2	4.1	4.3	17.0	1.7	1.4	5.3	29.4	4.9
Passive Growth 4	4.2	30.5	4.7	5.1	5.3	22.0	1.9	1.5	5.6	17.1	2.1
Passive Growth 5	4.6	34.9	6.6	7.1	6.9	23.7	2.0	2.6	3.2	6.9	1.6
Passive Growth 6	5.2	35.8	7.0	7.1	7.9	26.6	2.2	2.6	3.7	0.0	1.8
Passive Income 3	12.4	24.6	2.8	0.0	5.0	9.1	0.0	3.0	7.3	33.9	1.9

Source: Charles Stanley, APX - 31 March 2022

Green	Allocation change	> 2% in quarter
Red	Allocation change	< 2% over quarter

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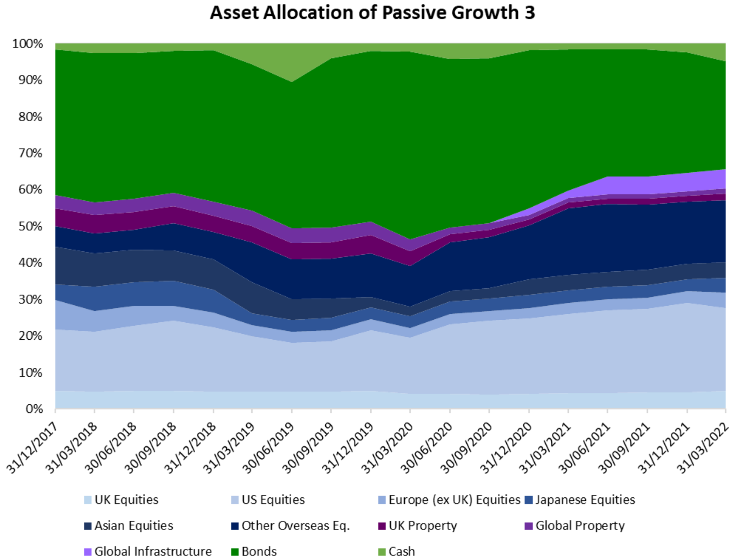


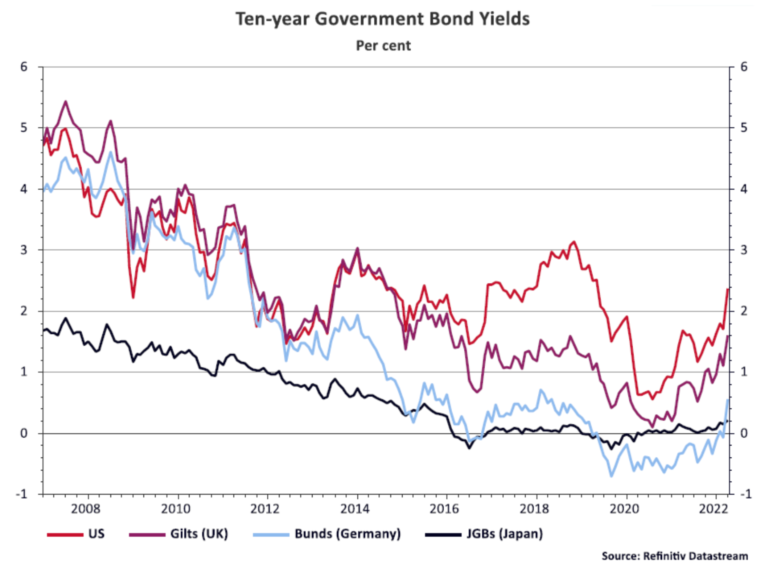
During the quarter, we switched our Japanese equity exposure from an unhedged to hedged vehicle, with a view that the continued dovishness of the Bank of Japan would likely lead to appreciation for sterling relative to the yen, particularly when the Bank of England is tightening.

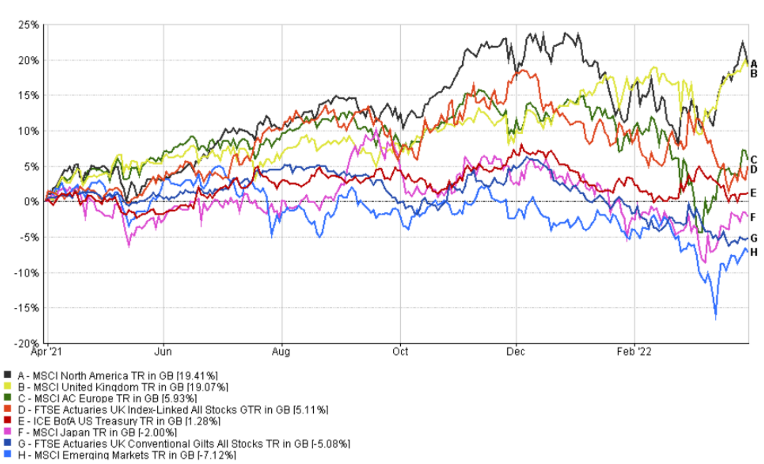
In 2021, our positions in inflation linked bonds have provided a lot of support as markets have digested 'stickier' than anticipated inflation. At the currently elevated numbers, we believe we could be nearing peak inflation and hence during the period we have begun to slowly reduce the position.

The other change made over Q1 was to trim our thematic positions which have a growth orientation and are vulnerable in rate rising environments in favour of areas that are expected to perform better relatively.

Over the period, we have seen the low volatility environment that underpinned the post COVID rally start to fade. A number of catalysts have been behind the increased volatility, but most notably persistent supply chain and energy price pressures have led to elevated inflation.

The knock-on effects were significant, as Central Banks slowly phased out the transitory narrative and began to adopt a more hawkish trajectory of rising interest rates and quantitative tightening. Markets have reacted swiftly, pricing in several interests rates hikes by year end as.





Source: Financial Express Analytics as at 31 March 2022

Over the last 12 months, equity market performance was mixed. North American equities outperformed despite a significant drawdown in the mega cap tech stocks in the early part of 2022. Despite the turbulence in markets so far in 2022, the FTSE 100 has been a bright spot, owing to large holdings in the energy and materials sectors which have benefited from the sharp increases in commodity prices.

In our Alternatives bucket, we have been pleased to see the diversification benefit of strong performance from our Property and Infrastructure allocation. The Infrastructure vehicles contains several holdings which are positively exposed to rising commodity prices, providing some protection to portfolios so far this year.

CHARLES STANLEY

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MODEL PERFORMANCE (%)

	Quarter (%)	1 Year (%)	5 Years (%)	Benchmark Quarter (%)	Benchmark 1 Year (%)	Benchmark 5 Years (%)	Benchmark
Passive Growth 1	-1.9	1.8	7.7	2.0	8.1	20.1	CPI PLUS 1%
Passive Growth 2	-2.6	3.3	15.8	2.2	9.2	26.1	CPI PLUS 2%
Passive Growth 3	-3.4	3.5	26.6	2.5	10.3	32.4	CPI PLUS 3%
Passive Growth 4	-3.1	5.2	38.6	2.7	11.3	39.0	CPI PLUS 4%
Passive Growth 5	-3.5	5.3	46.6	3.0	12.4	45.8	CPI PLUS 5%
Passive Growth 6	-3.3	5.6	52.7	3.2	13.5	52.9	CPI PLUS 6%
Passive Income 3	-1.6	6.5	16.8	2.5	10.3	32.4	CPI PLUS 3%

TOP & BOTTOM PERFORMANCE CONTRIBUTORS (Q3 2021)

	Top	Bottom
Passive Growth 1	SPDR S&P US Dividend Aristocrats ETF	Vanguard UK Short Term Investment Grade Bond Index Fund Inc
Passive Growth 2	Lyxor Core MSCI Japan (DR) UCITS ETF Dly Hgd GBP A	iShares GBP Corp Bond 0-5yr UCITS ETF
Passive Growth 3	Legal & General Global Infrastructure Index C Inc	Invesco EQQQ Nasdaq-100 UCITS ETF GBP Hdg Acc
Passive Growth 4	Legal & General Global Infrastructure Index C Inc	Invesco EQQQ Nasdaq-100 UCITS ETF GBP Hdg Acc
Passive Growth 5	X-trackers S&P 500 Equal Weight ETF	Invesco EQQQ Nasdaq-100 UCITS ETF GBP Hdg Acc
Passive Growth 6	X-trackers S&P 500 Equal Weight ETF	Invesco EQQQ Nasdaq-100 UCITS ETF GBP Hdg Acc
Passive Income 3	iShares Asia Pacific Select Dividend ETF	Ishares EM Dividend UCITS ETF USD (Dist)

Past performance is not indicative of future performance. The value of investments may fall as well as rise and the income from them may fluctuate and is not guaranteed. Investors may not recover the amount invested. Source: Internal APX as at 31/03/2022

OUTLOOK

Looking ahead, tough decisions by governments and central bankers will be required as 2022 progresses. The impact of geopolitical events, as well as the fragility of the underlying economy, will now be central in the decision-making process. But many support measures, both fiscal and monetary, are likely to remain in place for some time to support businesses and markets. However, the interest-rate cycle has now turned, and this has been reflected in equity and bond markets.

IMPORTANT INFORMATION

The value of investments, and the income derived from them, can fall as well as rise and may be affected by exchange rate variations. Investors may get back less than invested. Past performance is not a reliable guide to future returns.

This Waverton Wealth Passive Model Portfolio factsheet has been prepared for information purposes only. Portfolios linked to these Model Portfolios may not exactly replicate the models due to the timing of initial investment or rebalancing differences resulting from minimum transaction size limits on the Waverton Wealth platform. If a client wrapper includes investments that are not part of the Model Portfolio, the wrapper will not fully replicate the chosen Waverton Wealth Model Portfolio. Nor will any rebalancing carried out by Charles Stanley cause the actual holdings in the wrapper to fully replicate the chosen Model Portfolio. Investor accounts on the Waverton Wealth platform may only be attached to it on the instruction of a professional Financial Adviser. This factsheet may not be reproduced or distributed in any format without the prior written consent of Charles Stanley & Co. Limited. Returns are calculated internally using Advent Portfolio Exchange. Performance is net of Charles Stanley investment management fees. Risk Profiles are in accordance with Charles Stanley's definitions; these may differ from those used by other professional advisory firms, which are solely responsible for assessing the suitability of the Model Portfolios for their customers. The information contained in this document is deemed to be reliable, but we have not independently verified external information and we do not guarantee its accuracy or completeness.