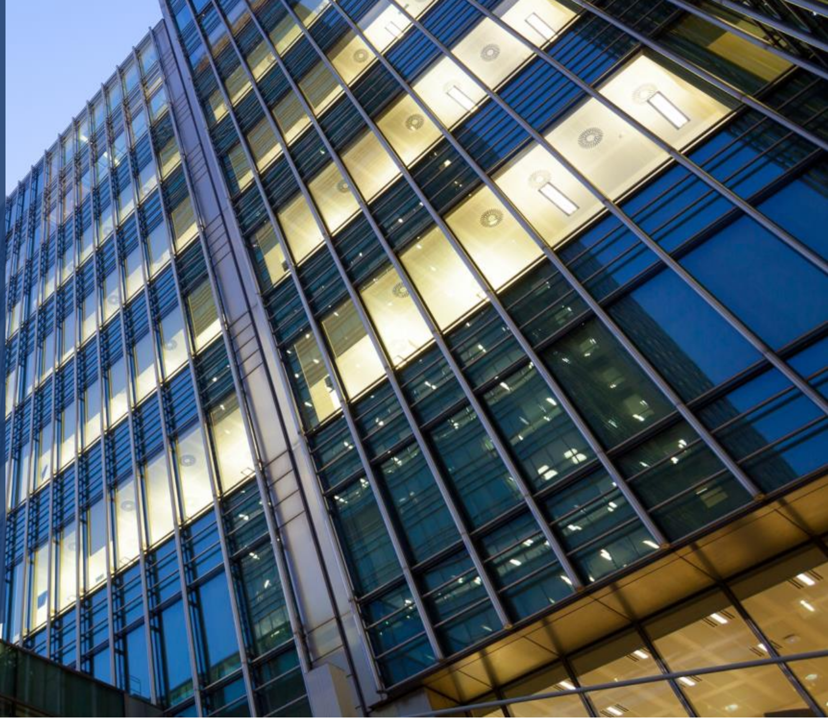
BRI Wealth Management PLC

BRI Wealth Management
Managed Portfolio Service

December 2022



Market Commentary

As soon as the American stock market had closed on 30th December, I received an email. It was from a daily newsletter that I subscribe to, and it read, ‘It’s finally over’. I think that sentiment will resonate with many, due to how challenging the year 2022 has been on multiple fronts. There’s a word for it: *permacrisis*. Collins English Dictionary crowned it as the word of 2022, whilst the *Financial Times* settled on *polycrisis* (interestingly, the *Financial Times* has over 123,000 articles that include the word crisis…). The ‘extended period of insecurity and instability’ we are living through has affected all of us in different ways and the effects of these crises are likely to continue well into 2023. Stock markets have not been immune from these pressures and as a consequence we’ve seen the worst year for equities and bonds since the start of data in 1871, with over $35 trillion of value erased from global markets.

The initial volatility that we experienced during 2022 was caused by an expectation that inflation and interest rates were likely to be higher than had been anticipated as economies continued to be in rude health. These twin fears were exacerbated in February when Russia invaded Ukraine and created a global supply shock as a consequence of both countries being large exporters of various commodities such as oil, gas and arable crops. Inflation and interest rates continued to rise, and this led to fears about future economic growth, fears which grew more widespread throughout the year. There were a few little detours on this journey through 2022, including the economically disastrous 44 days of Liz Truss’s premiership and China’s *volte face* in respect of its COVID policy. The result of these events was that nearly all assets fell substantially in value. The American stock market fell by 20%, the American technology market fell by 33%, European markets fell by c.17%, the more domestically orientated UK market fell by 20% and the average UK government bond fell by over 25% (potentially the worst year for bonds in centuries). One of the few markets in positive territory was the serial laggard of the last decade, the FTSE 100. A preponderance of oil, banking, pharmaceutical and tobacco companies enabled the index to eke out a 0.9% positive return – a far better result than the go-go asset class that was crypto currency, which lost about 70% of its value in 2022.

As we start 2023, we find ourselves grappling with the same issues that dogged 2022: notably, higher interest rates, high inflation and slowing economic growth.

Whilst markets have already accounted for a fair amount of negative news, we continue to believe that markets are susceptible to sustained volatility in the coming months. The main drivers for this belief are that we think interest rates will continue to move a little bit higher and probably stay there a little bit longer than markets expect and that the global economy will continue to deteriorate. We expect that this will cause inflation to move meaningfully lower during 2023 which – coupled with weak economic growth – will allow for some interest rate cuts at the tail end of 2023. As a result of these views on the market, we continue to proceed with caution and hold more cash on portfolios than we usually would do. We are confident that opportunities to deploy cash will increase materially throughout 2023 and cash balances will be significantly lower than they currently are. We are already starting to see some compelling opportunities given the volatility of 2022 and it’s pleasing that some asset classes, notably government bonds, have finally become investable after nearly a decade of measly prospective returns. It was only two years ago that over $18tn of bonds offered you a negative return (i.e., you buy a bond, and you pay the borrower interest, rather than receiving it yourself!); now, it’s ‘only’ a few hundred billion. The excesses of the pandemic era are dissipating, and this provides a firmer footing and a more stable environment for future asset class returns.

Patience is crucial for investing and the centuries of investing wisdom still point towards long-term returns being good. If you have excess cash, then it’s a good time to invest. Warren Buffett, one of the most successful investors of all time, has a succinct way of summarising this: ‘If you aren’t willing to own a stock for 10 years, don’t even think about owning it for 10 minutes.’

2023 will undoubtedly pose challenges to investors, however, in the midst of these challenges come the greatest opportunities and I have every confidence that better days for investors lie ahead.

If you have any questions on the markets or the investment outlook, then please get in touch with your usual advisor or myself. I wish you and your loved ones a happy and healthy 2023.

Dan Boardman-Weston

BRI Wealth Management PLC

Moderate to Adventurous Risk Portfolio Managed Portfolio Service December 2022

Portfolio Information

Income Yield (estimate)	**2.08%**
Ongoing Charges Figure (estimate*)	**0.45%**
Benchmark	**CPI +3.0%**

*BRI's annual fee will be in addition and will be 0.3%. Please liaise with your own advisor for more details regarding his or her own costs.

Investment Objective

Moderate to Adventurous portfolios are structured to achieve to achieve capital growth in the longer term. The asset allocation will normally be biased toward equity based investments but the portfolio may include fixed investments to help meet the income target and help reduce volatility.
This fund aims to outperform the CPI + 3.0% benchmark, the details of which are available upon request.

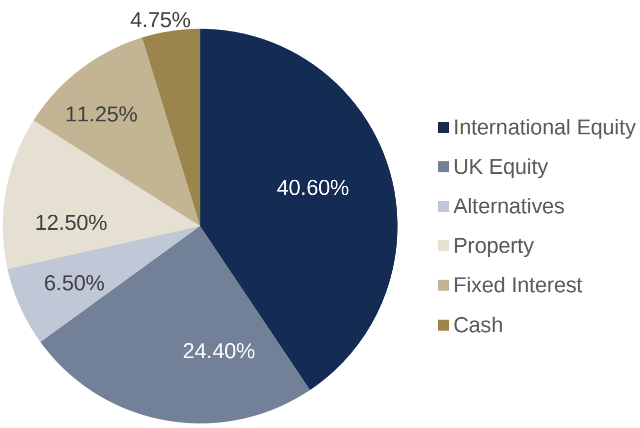
Performance Since Inception

Performance Figures

	Moderate to Adventurous	Benchmark
3 Months	4.18%	2.85%
6 Months	0.07%	5.32%
1 Year	-13.86%	13.10%
3 Years	-13.70%	32.81%
5 Years	21.10%	48.10%
Since Inception†	94.77%	88.36%
5 Years Volatility	11.85	1.77

†01/09/2011

Sector Breakdown



Top Ten Holdings (as at 31/12/2022)

1	Gravis UK Listed Property	12.5%
2	iShares US Equity Index	10.45%
3	HSBC FTSE 250 Index C Inc	7.35%
4	Baillie Gifford Emerging Markets	6.65%
5	Liontrust Special Situations	6.30%
6	Cash	4.75%
7	HSBC European Index	4.45%
8	Liontrust Global Dividend	4.25%
9	Baillie Gifford Long Term Global Growth	4.05%
10	L&G Global Healthcare & Pharmaceuticals Index	4.00%