



FINANCE SHOP  
Independent Financial Advisers

# WEALTH MANAGEMENT QUARTERLY REVIEW SPRING 2022

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# WELCOME

## Welcome to the Spring 2022 Finance Shop Wealth Management (FSWM) Quarterly Review.

The aim of the Review is to give you a general feel for what's happened in the financial world over the last three months and how this may have affected your pension or investment.

A key part of the reporting is the colour coding. Each FSWM portfolio is colour coded to enable you to spot which category applies to you. The relevant information is then presented in a clear and easy to understand way. However, if you require any further clarification, please do not hesitate to get in touch.

The FSWM Team

## MARKET OVERVIEW – QUARTER ONE 2022

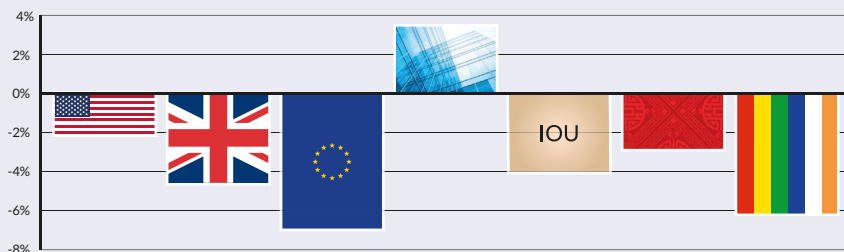
The first quarter of 2022 has been a sobering one. We entered the new year with high optimism that Covid was finally disappearing into the rear view mirror, and a period of more stable conditions beckoned. It has played out anything but a stable quarter, with huge volatility in many assets. Whilst the build-up of troops on the Russian Ukrainian border had for some time warranted monitoring, few commentators believed that a full scale invasion was likely. It has been heart breaking to witness the tragic events that have unfolded, and unfathomable that a war can happen in Europe in 2022.

From an economic standpoint, markets had already become spooked by the central banks much more aggressive stance on inflation. Concerns that inflation was becoming ingrained had pushed policy makers to increase the number of rate rises expected by some considerable margin. This hurt markets, with the US particularly impacted where valuations had risen furthest, and a greater concentration of growth companies reside. News of the Russian invasion came at an already difficult time, and only increased inflationary pressures as oil and gas prices spiked sharply, causing markets to sell-off and investor concerns to mount. It is perhaps astonishing that after a short, albeit extremely

volatile period, markets have regained their poise and recovered strongly. Despite this however, most markets closed the quarter down and the pain was also felt in government and corporate bond markets, which also endured a tough quarter, as the prospect of higher interest rates pushed yields higher and prices lower.




As we look forward to the rest of the year, the focus will remain on the inflationary picture and this is likely to determine where interest rates settle and the strength of company earnings numbers. Markets currently believe that a strong employment market and higher wages will shield the consumer from the worst of the cost of living increases, and allow them to continue to spend. This in turn should moderate any downturn in growth and protect companies profitability. It is unlikely that we will sail through the coming period without further episodes of volatility, however we have increased exposure to assets with more inflation protection, and our diversified approach should protect against the worst of any volatility. Finally, our thoughts remain with the people of Ukraine at this extremely difficult time, and we can only hope that a diplomatic solution can be found soon.

### KEY MARKET PERFORMANCE - QUARTER ONE 2022



-  IA North America (-2.1%)
-  IA UK All Companies (-4.8%)
-  IA Europe excluding UK (-7.2%)
-  ABI UK Direct Property (3.6%)

Powered by data from FE - 01/01/2022 to 31/03/2022

-  IOU
-  IA Asia Pacific excluding Japan (-3.0%)
-  IA Global Emerging Markets (-6.3%)

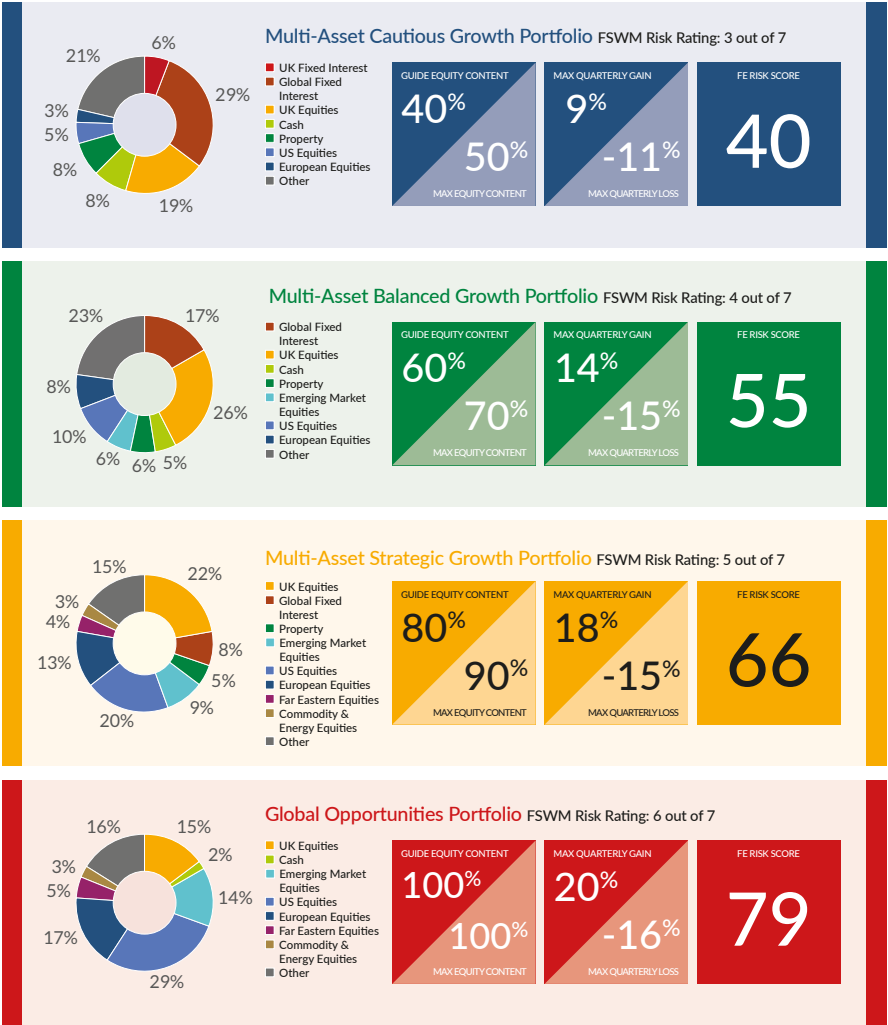


FSWM PORTFOLIOS – ASSET ALLOCATION

There are six portfolios in the FSWM range, four growth and two income which are detailed below. Your FSWM pension or investment will be invested in one of these categories. The tables show the aggregate composition of the portfolios with some figures to show the potential risk and return of each category.

For an explanation of the figures and the sources of the information, please see page 10.

GROWTH PORTFOLIOS

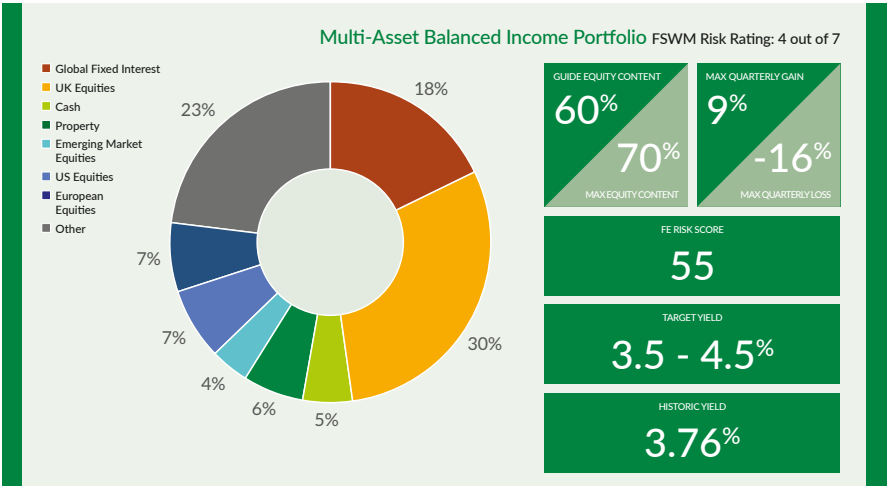
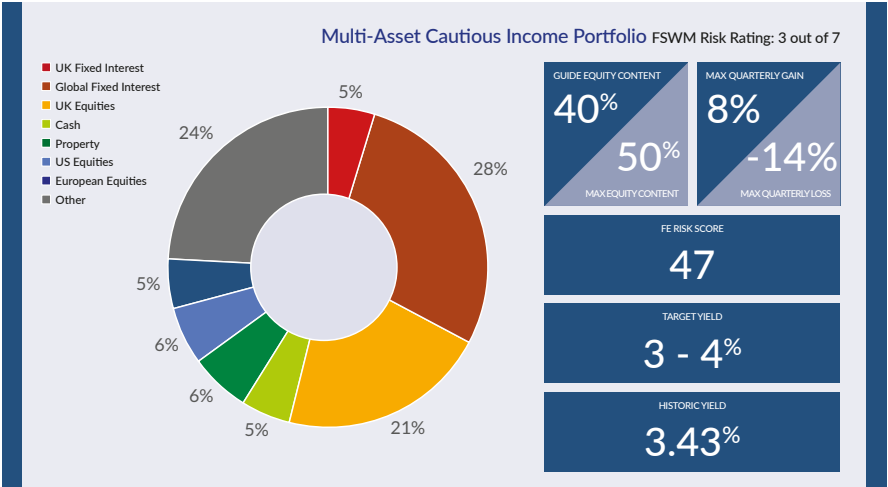


FSWM PORTFOLIOS – ASSET ALLOCATION

There are two income portfolios which aim to produce an income within a target range as highlighted in the table below. The two portfolios cover the Cautious and Balanced Finance Shop risk categories.

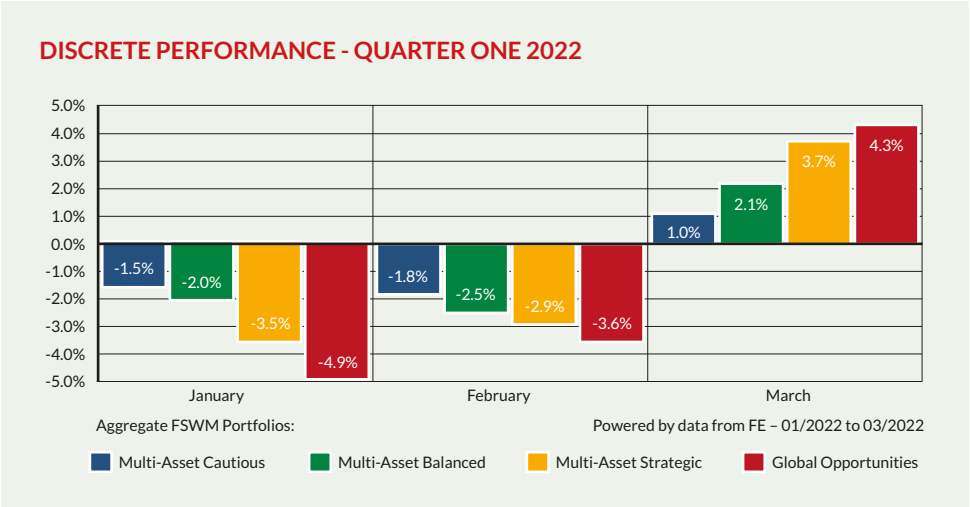
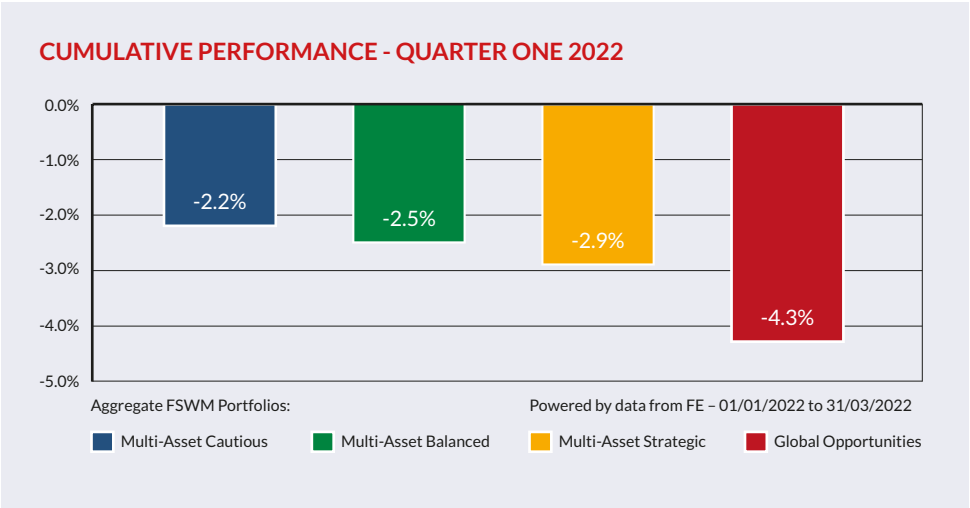
Please see page 10 for further information.

INCOME PORTFOLIOS



FSWM PORTFOLIOS – QUARTER ONE 2022 PERFORMANCE

The graphs below show how the FSWM portfolios within the four Finance Shop risk categories have behaved over the last three months. The first graph shows the total return for the quarter whereas the second graph illustrates the "month by month" performance. The performance figures are aggregated so, for example, the green bar is made up of all the FSWM Multi-Asset Balanced portfolios across all product types. If you require specific performance figures for your plan, please contact your adviser.



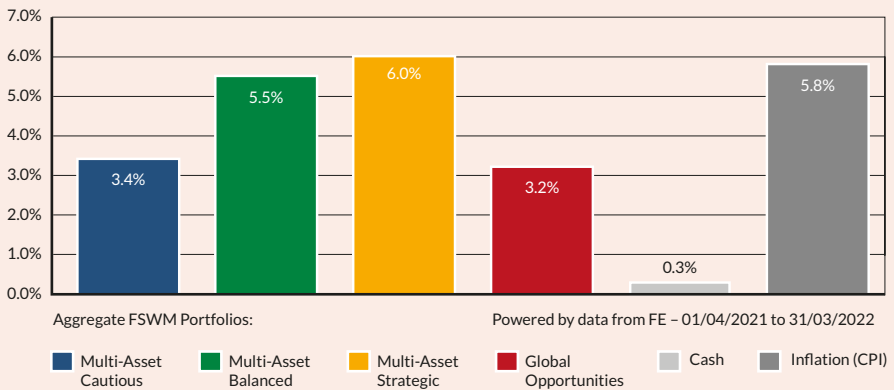
## FSWM PORTFOLIOS – LONGER TERM PERFORMANCE

The first graph below shows how the FSWM portfolios have performed over 12 months. For comparison, the returns of cash (MoneyFacts 90 days notice 10K) and inflation (UK Consumer Price Index) are also shown. As with the graphs on page 6, the figures for each category are aggregated.

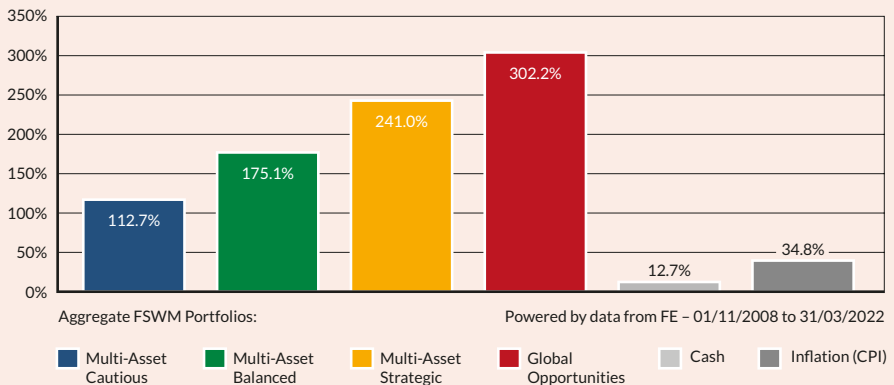
The second graph illustrates how the portfolios have performed since launch (1st November 2008).

Please refer to page 10 for further information.

### LONGER TERM PERFORMANCE - 1 YEAR



### LONGER TERM PERFORMANCE - FROM LAUNCH



## PERFORMANCE REVIEW

The difficult backdrop led to declines for all of the portfolios, with unsurprisingly the most adventurous suffering the most. From a sector perspective Europe was impacted most as its

proximity to the conflict and greater reliance on Russian oil and gas, weighed heavily over the quarter.

## FSWM FUND REVIEW POLICY

A key part of the FSWM service is to monitor the underlying performance of each fund within the portfolios for both risk and return. We have selected quality funds with strong track records and therefore do not envisage a high turnover of holdings. However, there will be occasions when the performance of an individual fund will lead to its expulsion from the portfolio(s). There are a number of factors that determine this decision, for example consistent under-performance, change of management team etc. It is also important, however, to have patience with a fund that is just suffering short-term under-performance.

We operate a “traffic light” system and will move a fund from a “green” to “amber” rating if the fund requires closer scrutiny at the next review. If a fund shows sufficient improvement, it will move back to “green”. If the fund consistently under-performs without good reason its status will change to “red” and the fund will be removed from the portfolio(s). A replacement fund will be selected and all clients holding the fund within their portfolio will be notified. Upon receipt of their authority, the client’s funds will be switched accordingly.





## RESULTS OF FUND & ASSET ALLOCATION REVIEW

The Investment Committee meets on a quarterly basis and one of its primary functions is to review our existing fund range. Within this meeting we scrutinise any funds which we feel are performing significantly differently to their peer group or benchmark, with a number then run against our internal performance and risk measurements.

We are in the process of instigating some asset allocation changes within the portfolios, in line with our thinking on the changing global backdrop. Highlights include an increase to assets involved in infrastructure, environmental focused assets and cybersecurity, whilst bonds and wider growth allocations are being trimmed.



## ASSET ALLOCATION TABLE PAGES FOUR AND FIVE – IMPORTANT INFORMATION

The maximum quarterly gain and loss figures in the asset allocation tables on pages 4 & 5 are taken from FE fundinfo based on the last 52 quarters of the longest running FSWM portfolios (up to February 2022). For the table on page 5, the figures are based on 34 quarters.

**FE Risk Score:** FE fundinfo have introduced FE Risk Scores to provide a single, easy to understand measure of risk across a range of investments. In the UK, Risk Scores measure the riskiness of any given investment in relation to the FTSE 100. Weekly volatility is measured over up to 3 years, with recent behaviour counting more heavily than earlier behaviour. The Risk Score is calculated weekly, and can be tracked over time. Cash type investments will have scores near zero, investment funds will tend to have scores in the 0 - 150 range.

The FTSE 100 is always 100. There is no upper limit to the scores.

The asset allocation figures on pages 4 and 5 are aggregated based on the current holdings within the FSWM portfolios for a new investor as at 21st February 2022. They will vary on a daily basis subject to market fluctuations. Rebalancing will be recommended if equity content exceeds the benchmark maximums. There is no guarantee that any of the model portfolios above will achieve their stated objectives. Each model portfolio may also experience more or less volatility than expected. The value of investments will fall as well as rise and are not guaranteed. Past performance is no guide to future performance. The Finance Shop Risk Categories are graded from 1 to 7. The above portfolios cover categories 3 to 6. For further information on all categories, please speak to your Finance Shop Independent Financial Adviser.

## ADDITIONAL IMPORTANT INFORMATION

This report has been issued by the Investment Committee of the Finance Shop Wealth Management team using data provided by FE fundinfo. Care has been taken to ensure that the information is correct but FE fundinfo and Finance Shop neither warrants, represents nor guarantees the contents of the information, nor does FE fundinfo or Finance Shop accept any responsibility for errors, inaccuracies, omissions or any inconsistencies herein.

Past performance is not a guide to future performance. The value of investments and the income from them may go down as well as up and investors may not get back the amount originally invested. Currency fluctuations can also affect fund values. The above report does not constitute advice and you should speak to your Independent Financial Adviser before you make any alterations to investments or pension plans.

The instruments recorded above are weighted model portfolios created using FE fundinfo Analytics. Performance figures shown are based on the weighted models and may differ from the actual returns achieved by investors. Performance figures shown are based on bid to bid gross returns and do not include plan, contract or ongoing adviser charges / commission. Please refer to your policy documentation for further details.

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Finance Shop is authorised and regulated by the Financial Conduct Authority.

## ABOUT FINANCE SHOP

Formed in 1990, Finance Shop has grown to become one of the region's leading firms of Independent Financial Advisers.

As a locally owned, genuinely independent company, we pride ourselves on the quality of our advice and service to both personal and corporate clients. With over 150 years of financial services experience within the firm and over half a billion of assets under management, we have the expertise, experience and knowledge to be able to advise on all aspects of financial planning.

Our belief is that access to quality, independent advice is more important than ever and that is why we spend the majority of our time face to face with new and existing clients, explaining the key issues of today and helping them plan for the future.

## OUR SERVICES

- Retirement Planning
- Corporate Pension Solutions
- IHT / Estate Planning
- Personal & Business Protection
- Investment Planning
- Mortgages / Equity Release
- Trustee Investment

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