THE DEFINE WEALTH MODEL PORTFOLIO SERVICE (MPS) WORKING IN PARTNERSHIP WITH LGT WEALTH MANAGEMENT

QUARTERLY REPORT ON YOUR INVESTMENTS MANAGED UNDER THE DEFINE WEALTH PROPOSITION AND HELD UNDER THE CUSTODY OF THE
ASCENTRIC, AVIVA, OR FUNDSNETWORK WRAP PLATFORMS

October 2022

in partnership with

ASSET ALLOCATION CHANGES

The Asset Allocation Committee recommended no change to their tactical guidance this quarter.

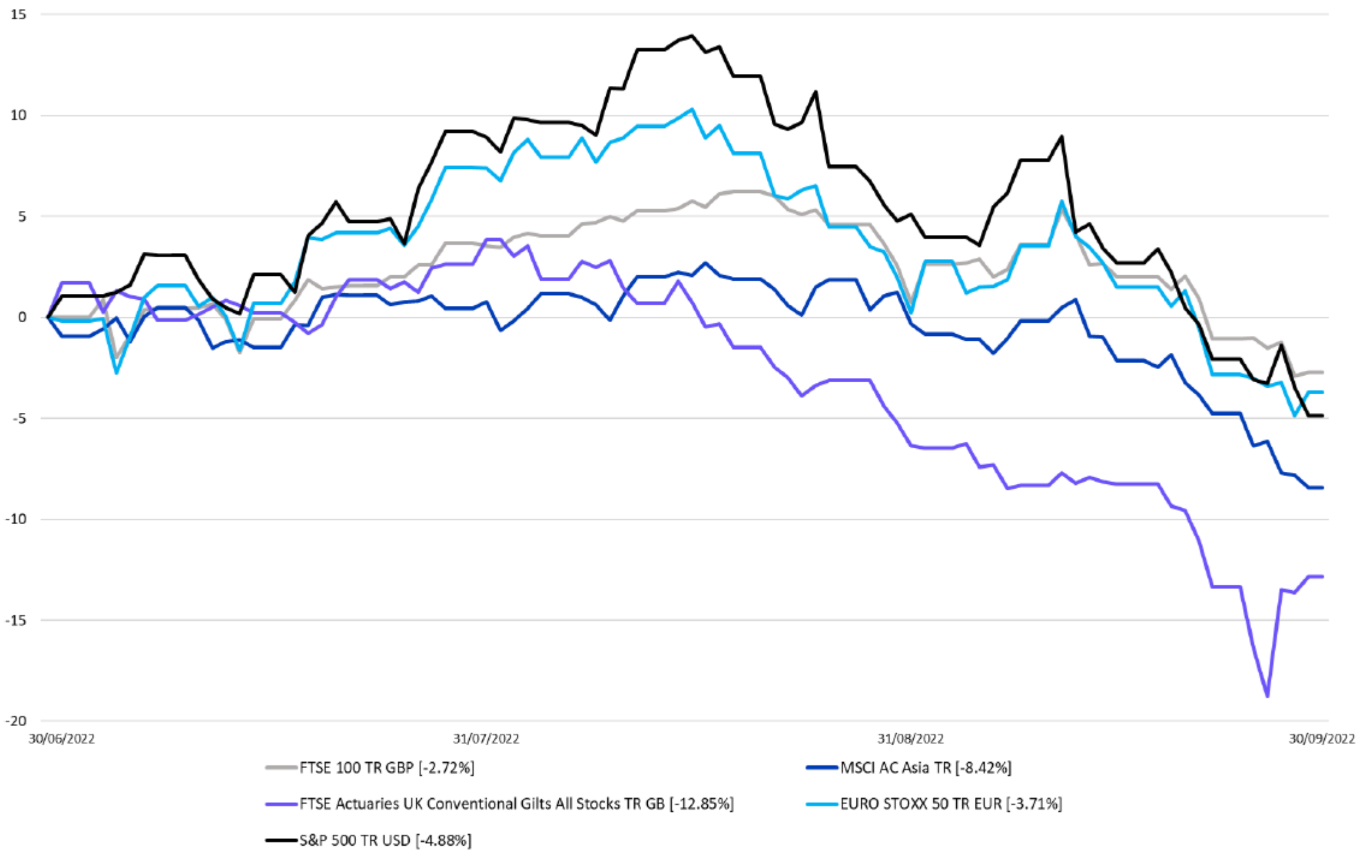
Q3 MARKET REVIEW

Summary

- Inflation and central banks remain firmly centre stage as global interest rates rise at speed
- Chancellor of the UK delivered a controversial mini-budget
- War in Ukraine continues, with Ukraine taking back territory
- Fears of a global recession grow

It has been a turbulent time for investment portfolios, dominated by the impact of actual and expected interest rate rises as central banks continue to fight inflation. Equity markets dipped in June, but generally rallied as the quarterly results season progressed. By August, the S&P 500 was 17%[1] up from the June low. However, the optimism was short lived as central banks on both sides of the Atlantic made it clear they were prepared to raise rates aggressively to counter the surge in inflation. Equity markets fell back and by the end of the quarter, the S&P 500 reached a new low for the year.

Q3 2022 INDEX PERFORMANCE



Source: Morningstar

Central Banks across the globe

The US Federal Reserve (Fed) has now raised interest rates by 3% over the last six months and is expected to make further tightening moves at the remaining meetings this year. They are also reducing their balance sheet, reversing the quantitative easing put in place during the pandemic. The pace of tightening elsewhere has been more modest. The Bank of England (BoE), who moved earlier than the Fed, has only raised rates by 2.15% since its first move in December, last year. The European Central Bank has been slower to act, and only started to raise rates in July by 0.5%, accelerating the tightening further in August with a 0.75% move. In the Far East, Japan has stubbornly held back from rate rises and China, with a continuation of lockdown policies, has moved to ease rather than tighten. The increased interest differential between the US and the rest of the world, combined with economic woes in Euroiope and the war in Ukraine, has seen the Dollar strengthen against most other currencies.

The big mini-budget

In the UK, former Prime Minister, Liz Truss, and her Chancellor, Kwasi Kwarteng, delivered a 'mini-budget' in an effort to boost the economy. However, this was seen as boosting inflation at a time when the BoE is raising rates to fight inflation. Borrowing to cut taxes was not favourably received by markets and triggered a sharp sell-off in both Sterling and Gilts. Pension funds have been encouraged since 1997 to hedge their liabilities using fixed income strategies. In recent years, pension funds have taken leveraged exposure to fixed income to match the interest rate risk. As interest rates rose, there were collateral calls on pension funds and the sell-off became exaggerated. As the bond price falls became precipitous, the BoE had to step in to support the market by buying Gilts. This provided some stability and some of the losses were reversed.

Gas supply in Europe

The war in Ukraine continues and, with Ukraine taking back territory, Putin is getting more aggressive by further reducing supplies of gas to Europe. Many countries in Europe have been building gas reserves for the winter and regulating to cut demand, however, it still looks as if this winter could be particularly difficult. As fears of a global recession grow, the oil price has been declining which may ease some inflationary fears. However, historic price rises are still feeding through, and in the Eurozone inflation has topped 10%. The cost-of-living criss is leading to higher wage demands, which if met, will continue to push prices higher.

PERFORMANCE ATTRIBUTION FOR THE QUARTER

The third quarter of the year was once again a volatile one for markets, with a vast number of macro drivers that aggressively whipped equities and bonds around. The S&P 500 fell by 5.3% through the quarter while the technology-heavy Nasdaq Composite Index shed 4.1%, buoyed slightly by July's rally in markets. Closer to home, the FTSE 100 declined by 3.8%, though the mainland European MSCI Europe Index saw greater losses of 10.1% as the war in Ukraine continued. Currency movements over the quarter have also been prominent with the US Dollar Index seeing its strongest year on record while the Japanese Yen continues to weaken. The sell-off, which was worsened by Fed Chair Jerome Powell's comments at the Jackson Hole Economic Symposium, pushed almost all sectors into the red. Alongside energy, economically sensitive cyclical stocks succeeded in achieving a positive return while all other sectors ended with losses. The largest detractors were real estate and the communication services sectors, dragged lower by the underperformance of tech heavyweights.

TOP PERFORMERS

MS US Advantage
+12.61

Stewart Investors Asia Pacific Leaders Sustainability
+7.85%

T. Rowe Price US Smaller Companies
+7.26%

	Performance		Comment
MS US Advantage	**Return** **Benchmark*** ***Relative***	+12.61% +3.48% *+9.13%*	The concept of a Fed pivot caused growth funds to return to favour over Q3, while value managers suffered. The MS US Advantage's top holdings such as Amazon and Zoom, saw returns boosted in July as market sentiment improved on the belief that the Federal Reserve's hiking cycle would be less severe than many had previously predicted. The fund's focus on more volatile, quality growth companies therefore contributed to its improved performance over the quarter.
Stewart Investors Asia Pacific Leaders Sustainability	**Return** **Benchmark**** ***Relative***	+7.85% -5.05% *+12.90%*	Though Asian markets overall suffered in Q3, particularly due to the escalated tensions in Taiwan and China's "zero-Covid" policies inducing further supply disruption, Indian markets were particularly resilient. As 46% of the fund's investments are in Indian equities, this led to its strong performance over the quarter. Both of India's leading indices, Sensex, and Nifty, succeeded in closing the quarter in positive territory despite rising concerns surrounding interest rate increases towards the end of September. Alongside this, ESG funds proved to be resilient in the face of the wide market sell-off over the quarter (as measured by ESG ETF inflows), boosting its relative attraction.
T. Rowe Price US Smaller Companies	**Return** **Benchmark***** ***Relative***	+7.26% +3.48% *+3.77%*	The fund was buoyed by its US Dollar exposure throughout the quarter, elevating returns. Small and mid-cap companies outpaced their larger peers through the period, aiding performance. The portfolio's stock selection in materials also aided the portfolio, driven by names in construction materials and chemicals

*S&P 500 GBP ** MSCI AC Asia ex Japan
*** S&P 500 USD

BOTTOM PERFORMERS

VT Gravis UK Infrastructure
-8.03%

Threadneedle UK Equity Income
-6.03%

L&G European Index
-1.46%

	Performance		Comment
VT Gravis UK Infrastructure	**Return**	-8.03%	Cyclical and defensive companies sold-off through the third quarter as more speculative growth companies rallied in July. The belief that the US was close to peak inflation decreased the relative attraction of the inflation linking contracts within the fund. Moreover, real estate and infrastructure proved to be some of the worst performing sectors in Q3, with the Morningstar Direct Real Estate Index falling by 10.71% and the Global Listed Infrastructure Index shedding 8.2%. Rising interest rates have harmed the development of infrastructure projects as the cost of borrowing increases, damaging the sector.
	Benchmark*	-2.92%	
	Relative	*-5.11%*	
Threadneedle UK Equity Income	**Return**	-6.03%	The main driver of underperformance was sector allocation, with the zero weight in energy and the overweight in health care detracting from relative performance. However, security selection was accretive to relative returns, where picks in industrials and communication services were particularly helpful. On the positive side, RS Group, Pearson, Imperial Brands and Rentokil were all strong performers. At a stock level, GSK, BT, and Marks and Spencer were amongst the leading underperformers, along with the zero-weight in BP and Shell.
	Benchmark**	-3.45%	
	Relative	*-2.58%*	
L&G European Index	**Return**	-1.46%	The fund struggled this quarter, with the repercussions of the war in Ukraine having impacts on sentiment. This was reversed slightly in July, as investors returned to focus on quality – companies such as ASML and Novartis – but the fund still underperformed over the quarter.
	Benchmark***	-2.27%	
	Relative	*+0.81%*	

*MSCI UK
** FTSE All Share GBP
*** FTSE Europe ex UK

Source: Morningstar Direct

PORTFOLIO POSITIONING RATIONALE BY ASSET CLASS

Key

▲ Increased exposure

◀▶ Maintained exposure

▼ Decreased exposure

◀▶ Fixed interest

Overall fixed income exposure has remained the same across the models, however, we have implemented some changes to allocate further to our better performing fixed income managers.

Over the last six months the Jupiter and Allianz strategic bond managers have been adding to duration within their fund in the face of a deteriorating economic environment. Whilst we are not necessarily opposed to this view and generally happy to let our active bond managers take directional bets, we feel it is prudent to manage duration risk, particularly in the lower risk models where there is a higher proportion of fixed income within the portfolios and volatility within markets remains high.

We have therefore added the Vontobel Sustainable Short Term Bond to the lower risk portfolios. The fund is a sustainable, long only bond fund which is simple to understand and aims to keep volatility low (less than 3%). Not only does the strategy screen out securities negatively, it also applies a positive screen to select bonds that have high ESG scores. This feeds into the low risk thesis, of trying to find high quality holdings with limited downside risk. The fund has a duration of c. 1.5 and focuses on IG and BBB credit, taking a highly selective approach to screen for high quality bonds.

Furthermore, we have sold out of the Neuberger Berman EM Debt Blend fund in the higher risk models. Whilst EM assets, particularly local rates, appear attractive on a valuation basis, as reflected by the positioning of the NB EM Debt Blend fund, the short to medium term picture continues to be characterised by headwinds including the ongoing tightening of monetary conditions, and with that the strength of the USD. As such we stress caution and selectivity in the region, and find better opportunity cost in US Short Dated HY, prompting our increased allocation to the AXA fund.

◀▶ UK equity

Notable headwinds to UK equities remained this quarter with recession risks continuing to be elevated. However, as our exposure to this geography is comparatively small, and UK equities are becoming increasingly cheap, we have not felt the need to decrease this exposure any further. The FTSE 100 index has been buoyed by its exposure to energy, materials, and a weaker Pound, and despite being made up of international companies, the domestic economic situation may weigh on market sentiment.

We would advocate caution when allocating to managers focused on small and mid-cap companies while there is significant uncertainty surrounding the health of the UK economy and consumer.

◀▶ Overseas Equity

The overall allocation to international equities has remained the same this quarter, however, we have introduced some currency hedging.

Following the recent tax cuts announced in the 'mini budget' by the former UK government, we witnessed a sharp sell-off in Sterling, UK equity markets and Gilts. Whilst all developed currencies have sold off versus the Dollar, the move in Sterling was more pronounced as the Chancellor's announcement unnerved markets. Sterling initially fell by 3.57% versus the Dollar, with further sell offs resulting in cable touching 1.035. The

Gilt market too has seen a dramatic sell-off, with yields rising by around 50bps since the budget announcement – the worst single day since 1985.

As you are aware, the portfolios do have substantial Dollar exposure, hence benefitting from the recent weakness in Sterling. Whilst we are generally averse to currency hedging equity exposure, we have felt for some time that we should look to hedge some of our USD exposure back to GBP if cable breaches 1.10. With this in mind, and the fact that we may see the BoE step in and raise rates as an emergency measure (or increase them by more than previously forecast at the next MPC meeting in November), we propose to hedge some of the USD exposure within the models, locking in some of the benefits generated for Sterling investors. This has been done by switching the T. Rowe US Smaller Companies fund into a hedged share class.

In the adventurous model we propose to top slice some of our active managers, reallocating to low cost, passive alternatives. Whilst we continue to favour our high quality active managers, adding market exposure through low cost alternatives will dampen some of the style exposure within the portfolio whilst simultaneously reducing cost.

◄► Absolute return / Alternatives

After increasing the allocation to the Ruffer Diversified Return fund last quarter, there have been no material changes to the alternatives sleeve of the portfolio this quarter (other than a small increase to the holding in some portfolios). The Ruffer fund posted a solid gross return of 2.01% through the period and has successfully navigated elevated volatility levels to take advantage of market dislocations. The holding complements the other funds within the alternatives sphere well, by taking a different approach to portfolio construction and market outlook due to the manager's more bearish outlook on the global economy.

▲ Cash

Cash levels have been marginally increased in some of the models and we have opted to increase the allocation to the BlackRock Cash Fund. The fund offers a decent yield of 1.7%, providing investors with the rare opportunity to make money on their cash holdings. We will remain vigilant of opportunities to deploy the cash as we close out the year, looking particularly at the fixed income space.

While traditional indices have fallen throughout the quarter, money market funds have succeeded in posting a small, yet positive return, offering investors the chance to capitalise on higher interest rates while they await chances to purchase assets at lower valuations.

THE PERFORMANCE OF YOUR RISK GRADED DEFINE WEALTH PORTFOLIOS (30th September 2022)

Portfolio	1 month	3 months	6 months	1 year	Since Inception
Define 3	-3.46	-1.62	-6.11	-7.81	-0.33
Define 4	-4.06	-1.64	-7.04	-9.82	1.85
Define 5	-4.24	-0.66	-7.63	-10.96	5.46
Define 6	-4.54	0.00	-7.70	-11.72	7.79
Define 7	-4.88	1.35	-8.03	-13.61	5.29
Define 8	-5.58	1.39	-8.29	-14.94	8.46
Define 4 Income	-4.87	-2.70	-7.99	-8.22	-0.07
Define 6 Income	-4.76	-1.17	-7.61	-6.27	6.25
FTSE All Share	-5.88	-3.45	-8.31	-4.00	2.40
UK RPI	0.70	2.24	7.45	12.64	19.45
BlackRock Cash	0.10	0.29	0.47	0.47	0.69
FTSE Act Conventional Gilts Over 15 Yrs	-11.14	-18.77	-30.33	-35.51	-39.77

Source: Morningstar Direct

The performance figures shown are net of underlying fund management fees but do not include Wrap platform, ongoing Adviser charges or LGT Wealth Management charge

Past performance is not a reliable indicator of future performance; and the value of investments, as well as the income from them can go down as well as up, and investors may get back less than the original amount invested.

In conclusion

Overall, it has been a difficult quarter for both equities and bonds. The markets have priced in considerable further tightening and a challenging economic backdrop. Curiously as we enter the final quarter, weaker economic data may be taken positively by both bond and equity markets, as this could see less monetary tightening than the market fears. We will have to watch wage settlements closely, but with the oil price down by over 30% from the high earlier this year, some of the inflationary pressures may ease as we move into the new year.

THE DEFINE WEALTH MODEL PORTFOLIO SERVICE JOINT INVESTMENT COMMITTEE (IC)

The joint Investment Committee (IC) is comprised of LGT Wealth Management's investment managers and asset class specialists along with key staff from Define Wealth. Define Wealth's role is to set and monitor the overall investment strategy. As a matter of course, the IC meets quarterly to discuss the market outlook but can, and does, meet at other times in response to events that occur between meetings.

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define WEALTH in partnership with LGT Wealth Management

HOW WE WORK FOR YOU

Our commitment to you is to review and monitor your investment portfolio on a regular and ongoing basis to ensure diversity, to reduce investment risks and to seek to improve returns over the longer term. The aim is to add real value to your investment experience backed by 'real time' monitoring of your investments. To achieve this, we work in partnership with our preferred investment partner, LGT Wealth Management, an award-winning Discretionary Fund Manager (DFM), to run a collection of model portfolios.

The risk rated model portfolios are unique to Define Wealth and reflect our combined views on economic and investment markets. The portfolios have been created to power our Wealth Management investment proposition, with the portfolios monitored and managed by a joint Investment Committee (IC) composed of LGT Wealth Management's Investment Managers and Define Wealth. The Investment Committee meets every quarter to analyse the portfolios' asset allocation strategy and recommended fund choices.

Your portfolio benefits from the most current investment thinking and the best ideas through dynamic portfolio construction, combining Define Wealth's expertise and in-depth knowledge of your personal financial requirements and LGT Wealth Management's investment process, research capabilities and understanding of markets. We believe that we have found the optimum blend to improve further on the services which we can provide and the ongoing management of your portfolio.

Central to the Model Portfolio Service proposition are LGT Wealth Management's discretionary investment powers and we firmly believe that one of the critical advantages that these discretionary powers bring is the ability to react far more quickly to economic, market and fund management changes.

In Committee, if the analysis of the portfolios and their constituent parts lead to a recommendation for change then we are able act on that proposal immediately and then communicate those changes to you. You no longer have to give your consent every time a portfolio change is made. Instead, the partnership Investment Committee will make changes and rebalance all of the portfolios every quarter and then tell you what changes, if any, have been made.

The joint committee will continue to communicate with you every quarter, providing you with our investment 'outlook', informing you of any changes made to your investment portfolio and explaining the thinking behind those changes. The partnership will work to common governance and investment philosophies, and you can be assured that the Define Wealth portfolios - and their component parts - remain aligned to your attitude to investment risk.

HOW DOES THE MODEL PORTFOLIO SERVICE BENEFIT YOU?

- Investment decisions are made in partnership between Define Wealth and LGT Wealth Management, ensuring your investment is aligned to your needs.
- Your portfolio benefits from specialised and dedicated investment research capabilities provided by LGT Wealth Management, an award-winning investment house.

- Define Wealth has access to effective communication on investment markets and market views, which can be shared with you.
- We have the ability to react nimbly to market events, ensuring your portfolio is positioned appropriately regardless of market fluctuations.
- You have exposure to industry leading investment expertise, providing you with reassurance that your investment is supported by a trusted and reliable partner.

Important information

There may have been a few reallocations of exiting fund weightings as well as the quarterly portfolio rebalance. From an environmental perspective we are trying to keep the amount of paper which we send out to a bare minimum and therefore any new fund facts sheets are available on request.

We trust that you will understand the rationale behind the changes and confirm that there are no costs to you for switching funds or portfolio rebalancing on the Wrap Platforms. Please call if you have any questions. Call 01737 888110 or email admin@definewealth.co.uk

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This document is not intended and should not be construed as an offer, solicitation, or recommendation to buy or sell any investments. You are recommended to seek advice concerning suitability of any investment from your investment adviser.

Past performance is not a reliable indicator of future performance; and the value of investments, as well as the income from them can go down as well as up, and investors may get back less than the original amount invested.

It is important to note that returns from investment funds are not guaranteed and the value of your capital and any income taken can fall as well as rise.

Past performance should not be seen as a guide to future returns.

The views expressed in this Market Review are based on our current understanding of market conditions.