Registered in England No: 4802683. A list of Directors can be viewed at the Registered Office.
Registered Office: 55 Victoria Street, Burnham-on-Sea, Somerset, TA8 1AW
All correspondence to Registered Office. (T) 01278 788646 • (F) 01278 789237
Website: **www.pwcltd.co.uk**, Email: **enquiries@pwcltd.co.uk**, Twitter: **@pwcltd**, Skype: **pwc.ltd**.
Positive Wealth Creation Ltd is authorised & regulated by the Financial Conduct Authority: 481182.

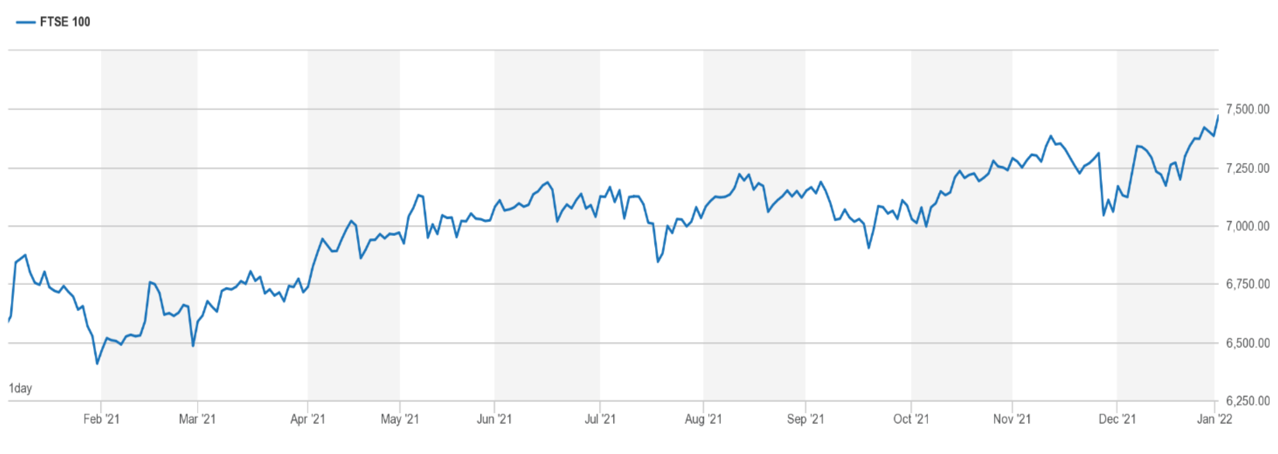
January 2022 Investment Commentary

After a short period of volatility, financial markets have recovered from the Omicron Covid variant, and advanced further. The global economic response has been a success in general terms as a consequence of unprecedented monetary and fiscal stimulus. However, ongoing volatility is expected because global growth will not continue as strongly, or constraints on production leading to shortages of goods.

Inflation has been rising in the US, UK and parts of the European Union. Whilst much of the inflationary pressure may be temporary as a consequence of both reversal of price falls from the initial stages of the pandemic, and excess demand, central banks will react. The Bank of England raised interest rates in December, and the US Federal Reserve is cutting asset purchases as the start of monetary policy tightening. However, the US Government continues with very loose fiscal policy.

In mid 2021, the Chinese government tightened the regulatory environment for a range of sectors including entertainment, technology, finance and property, depressing these markets. Chinese manufacturing output continues to rise but is hampered by higher raw material costs and a shortage of semiconductors, and zero tolerance to Covid spread.

Index / Asset Class	**Return Period**	**Change**
FTSE 100 (UK shares)	Year to 31 December 2021	**14.3%**



FTSE 100	Rise from post financial crisis trough (6 March 2009)	**110.6%**
FTSE 100	Fall from most recent peak (22 May 2018)	**-6.3%**
S&P 500 (US shares)	Year to 31 December 2021	**26.6%**
Nikkei 225 (Japanese shares)	Year to 31 December 2021	**4.4%**
Hang Seng (Hong Kong shares)	Year to 31 December 2021	**-13.6%**
UK CPI (inflation)	Year to 30 November 2021	**5.1%**
UK GDP (economic growth)	Q3 2021	**1.1%**
UK 10 year Gilt	Yield change year to 31 December 2021	**270.6%***
UK 10 year Gilt	Yield change month to 31 December 2021	**-26.7%***
Residential Property (Nationwide House Price Index)	Year to 31 December 2021	**10.4%**

Residential Property (Nationwide House Price Index)	Rise from pre financial crisis peak October 2007	**37.0%**
Gold	Year to 31 December 2021	**-6.5%**

*An increase in yield means a decrease in capital and vice versa.

Why most people do not need to take action during periods of uncertainty:

Time in the market, rather than timing the market, is often the key to successful long-term investing. **If you sell today, then when do you buy back?** We believe investments should be held for the medium to long-term. Portfolios are generally spread and so not overexposed to one asset class and this means you are highly unlikely to be fully invested in shares.

It is not advisable generally for medium to long term investors, whose attitude to risk and circumstances have not changed, to alter a diversified portfolio because of short term volatility:

- Fidelity International published data on returns from the FTSE All Share **for five years to the end of September 2021,** which shows the effect of short term volatility. The effect of missing out on the **ten best days** in the market is that **returns are cut from 6.2% per annum to 2.0% per annum.** Missing the best thirty days makes returns negative at -2.7%.
- Therefore, consistently timing the market whether out or in is incredibly difficult. Nobel Laureate William Sharpe found that 'market timers' must be right **82%** of the time to match the return realised by long term investors.
- This underpins our belief that investments should be held for the medium to long-term. Since 1899 the UK stockmarket has outperformed cash in around 75% of five year periods and around 90% of ten year periods.

Who needs to take action, and if so, what action:

- **Investment risk** refers to the range of possible returns, with the greater risk taken leading to the greater range of returns both positive and negative. If you feel your risk tolerance might have changed, or you want us to check the ongoing suitability of the portfolio based on your risk tolerance, please ask us for a **fresh Risk Profile Questionnaire.**
- If you a short-term investor, which means you are **approaching taking benefits from your pension in 2022, or have a known or emerging need to take a capital withdrawal** from your portfolio, you need to contact us so we can assess your options.
- If you take **fixed regular withdrawals** from your pension or investments, sharp market movements are to be avoided and it is necessary to review the ongoing sustainability of these payments. If you are spending less, then withdrawal reductions might be affordable.
- Whilst it is important to keep a buffer of six to twelve months of outgoings in cash deposits, **cash interest rates have decreased.** Your options need to be reviewed.

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