

# ABACUS SRI - DFM PROFILES

## QUARTERLY UPDATE (Q1 2022)



### Market Commentary

We have seen a volatile start to the year leading to significant falls for most asset classes, and the Abacus SRI Models have not been immune to this.

At the time of writing US equities are down -9% year to date (YTD), European ex-UK equities are down -13.5% YTD, Japanese equities are down around -10% YTD, Asia Pacific ex-Japan equities are down over -7% YTD, and UK and Chinese equities are down over -5% YTD. Bond markets are also down YTD, on average by around -5.5%.

So, it has been a difficult start to the year.

The reasons behind these falls are varied. We clearly have a very worrying situation in the Ukraine following the Russian invasion and we have the issue of rising inflation, meaning that interest rates must rise to try to dampen down spending. We have also seen large institutions profit-taking in the first quarter of this year, especially from the technology sector in the US. There has also been a real crackdown in China and the Far East on some of the larger organisations regarding anti-money-laundering and company procedures. If that wasn't enough, we also still have COVID looming over us.

Risks therefore remain and we expect more volatility ahead. Having said all that most equity markets were up in 2021, aside from Emerging Markets which ended the year around -4.5% lower, and we retain a positive outlook for risk assets.

### SRI Profile Allocations

FUND	3	4	5	6	7	8
Aegon Ethical Cautious Managed	7.00%	8.00%	6.00%	5.00%	8.00%	0.00%
Baillie Gifford Responsible Global Equity Income	4.00%	4.00%	3.00%	6.00%	8.00%	12.00%
BMO Responsible Global EM Equity	0.00%	0.00%	3.00%	4.00%	10.00%	15.00%
BMO Responsible UK Income Equity	3.00%	7.00%	9.00%	12.00%	7.00%	10.00%
Columbia Threadneedle UK Social Bond	5.00%	4.00%	3.00%	0.00%	0.00%	0.00%
EdenTree Responsible and Sustainable Short Dated Bond	18.00%	13.00%	8.00%	3.00%	0.00%	0.00%
EdenTree Responsible and Sustainable Sterling Bond	11.00%	10.00%	8.00%	5.00%	4.00%	0.00%
First Sentier Stewart Investors Asia Sustainability	0.00%	1.00%	3.00%	8.00%	9.00%	12.00%
First Sentier Stewart Investors EM Sustainability	0.00%	3.00%	3.00%	4.00%	10.00%	15.00%
Liontrust Sustainable Future Cautious Managed	7.00%	8.00%	7.00%	6.00%	6.00%	0.00%
Liontrust Sustainable Future Corporate Bond	12.00%	8.00%	8.00%	3.00%	2.00%	0.00%
Liontrust Sustainable Future Global Growth	2.00%	5.00%	12.00%	12.00%	12.00%	12.00%
Liontrust Sustainable Future Managed	3.00%	5.00%	7.00%	6.00%	0.00%	0.00%
Liontrust Sustainable Future Managed Growth	0.00%	2.00%	2.00%	3.00%	4.00%	4.00%
Rathbone Ethical Bond	10.00%	7.00%	6.00%	6.00%	4.00%	0.00%
Royal London Sustainable Leaders Trust	3.00%	3.00%	4.00%	6.00%	7.00%	9.00%
Triodos Pioneer Impact	3.00%	3.00%	4.00%	6.00%	7.00%	9.00%
Cash	12.00%	9.00%	4.00%	5.00%	2.00%	2.00%

OCF*	0.54%	0.62%	0.71%	0.76%	0.84%	0.87%
------	-------	-------	-------	-------	-------	-------

\*OCFs as at 04/03/2022



## Changes & Rationale

### Funds Removed/Allocation Reduced

— **AXA Ethical Distribution**

This security is a legacy allocation and does not pass the revised ESG investment policy.

— **Baillie Gifford Positive Change**

This security was only hypothetically included in Abacus SRI. As part of the reconstruction process, we have decided to remove this allocation to reduce exposure to the growth style factor across the models.

— **BlackRock iShares MSCI EM SRI**

This security is an ETF and is no longer appropriate for Abacus SRI, due to potential ETF trading issues on certain platforms.

— **BlackRock iShares MSCI USA SRI**

This security is an ETF and is no longer appropriate for Abacus SRI, due to potential ETF trading issues on certain platforms.

— **HANetf iClima Global Decarbonisation Enablers**

This security is an ETF and is no longer appropriate for Abacus SRI, due to potential ETF trading issues on certain platforms.

— **L&G Cash Trust**

This security is a legacy allocation and does not pass the revised ESG investment policy.

— **Lyxor MSCI Water ESG Filtered**

This security is an ETF and is no longer appropriate for Abacus SRI, due to potential ETF trading issues on certain platforms.

— **Royal London Ethical Bond**

This security is a legacy allocation and does not pass the revised ESG investment policy.

— **UBS MSCI Pacific Socially Responsible**

This security is a legacy allocation and does not pass the revised ESG investment policy.

— **UBS MSCI United Kingdom IMI Socially Responsible**

This security is an ETF and is no longer appropriate for Abacus SRI, due to potential ETF trading issues on certain platforms.



## Funds Added/Allocation Increased

### + Baillie Gifford Responsible Global Equity Income

We added exposure to this security to reflect our constructive outlook (on a total return basis) regarding income strategies. We can allocate to this security because we loosened the constraint on our investable universe.

### + BMO Responsible Global EM Equity

We added exposure to this security to replace BlackRock iShares MSCI EM SRI. We can allocate to this security because we loosened the constraint on our investable universe.

### + Columbia Threadneedle UK Social Bond

We added exposure to this security to reflect our high conviction in the ESG methodology of the security (and that of the portfolio manager, Simon Bond). This security was planned for inclusion in the prior phased rebalance of Abacus SRI.

### + Rathbone Ethical Bond

We added exposure to this security to replace Royal London Ethical Bond. This security was planned for inclusion in the prior phased rebalance of Abacus SRI.

### + Royal London Sustainable Leaders Trust

We added exposure to this security to reflect our constructive outlook regarding the UK. The security has a > 30 year track record and is in the first quartile of the IA UK All Companies sector over this period.



## Funds Rebalanced

### ■ BMO Responsible UK Income Equity

We have increased exposure to this legacy allocation to reflect our constructive outlook regarding the UK.

### ■ First Sentier Stewart Investors Asia Sustainability

We decreased exposure to this legacy allocation in 7 to reduce concentration risk.

### ■ First Sentier Stewart Investors EM Sustainability

We marginally increased exposure to this legacy allocation to better map to our strategic asset allocation.

### ■ Liontrust Sustainable Future Global Growth

We decreased exposure to this legacy allocation in 6 to reduce concentration risk.

### ■ Triodos Pioneer Impact

We marginally increased exposure to this new allocation to better map to our strategic asset allocation.



## Performance

Performance over the last 12-months is as follows:

Abacus SRI Profile 3 - DFM	2.84%
Abacus SRI Profile 4 - DFM	6.19%
Abacus SRI Profile 5 - DFM	8.40%
Abacus SRI Profile 6 - DFM	10.91%
Abacus SRI Profile 7 - DFM	12.45%
Abacus SRI Profile 8 - DFM	N/A

Source of Data: Titan Asset Management  
Data as of 31/12/2021  
Abacus SRI 8 inception date 14/10/2021

## Case Study / Theme

This quarter, our theme is Russia.

The ongoing Russian invasion of Ukraine involves a series of short-term unknown unknowns. Our focus across the ESG-labelled proposition is on the responsible long-term management of ESG risks and opportunities, aided by our ESG investment policy.

We have historically had only negligible exposure to Russian assets across the proposition and so were largely unaffected by the severe derating (and subsequent cessation of trading) of Russian assets in February.

The invasion has presented the ESG ecosystem with several difficult challenges, much like the COVID-19 pandemic did a couple of years ago.

First, ESG data providers must explore how to improve the analysis of social and governance risks in emerging markets - we think that integrating some of the work done by Freedom House, a non-profit, might be a good place to start.

Second, asset allocators must question, as several banks have done recently, whether negatively screening out companies that manufacture or distribute weapons should remain best practice moving forwards, especially considering Germany's decision to increase military spending in-line with its NATO commitment.

Tavistock Asset Management, 1 Queen's Square, Ascot Business Park, Lyndhurst  
Road, Ascot, Berkshire, SL5 9FE

+44 (0) 1753 867000 [www.tavistockam.com](http://www.tavistockam.com)

---

The value of investments may fall as well as rise. Past performance should not be seen as an indication of future performance. Tavistock Asset Management is a trading style of Tavistock Private Client Ltd, authorised and regulated by the Financial Conduct Authority. Tavistock Private Client is a wholly owned subsidiary of Tavistock Investments Plc. This document is for use by financial advisers only. It should not be relied upon by a retail client. This document does not constitute an offer to invest in any Abacus Profiles. The Abacus profiles are based on a series of model portfolios managed by Abacus Associates since 2015. Date of Data: 04/03/22 unless stated otherwise.