

# ABACUS SRI - DFM PROFILES

## QUARTERLY UPDATE (Q2 2022)



### Market Commentary

Financial markets have continued to come under pressure in the second quarter of the year and have remained volatile. This has led to further 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 -18% year to date (YTD), Emerging Market equities are down around -14.5%, European ex-UK equities are down -13.5% YTD, Asia Pacific ex-Japan equities are down nearly -13%, and Chinese equities are down nearly -10% YTD. The UK is the best performing equity region but even that is down -1% so far this year. Bond markets are also down YTD, on average by around -15%.

2022 continues to be a challenging year for investors.

The reasons behind these falls remain varied. We clearly still have a very worrying situation in the Ukraine following the Russian invasion, and our hearts go out to all affected. Added to this, inflation, and rising recession fears ahead of aggressive central bank tightening, have investors on the run, looking for safety. In short, investors are selling risk assets as central banks double down on their priority to fight inflation no matter what.

Risks of further market falls therefore remain and we expect more volatility ahead. That said challenging times and volatility present opportunities for nimble asset-allocators, and we retain a positive outlook for risk assets.

### SRI Profile Allocations

FUND	3	4	5	6	7	8
Baillie Gifford Responsible Global Equity Income	6.00%	6.00%	8.00%	9.00%	9.00%	10.00%
BMO Responsible Global EM Equity	0.00%	3.00%	4.00%	5.00%	10.00%	15.00%
BMO Responsible UK Income Equity	3.00%	6.00%	6.00%	9.00%	9.00%	10.00%
Columbia Threadneedle UK Social Bond	8.00%	5.00%	4.00%	4.00%	0.00%	0.00%
Dimensional Global Sustainability Fixed Income	13.00%	12.00%	10.00%	6.00%	5.00%	0.00%
EdenTree Responsible and Sustainable Short Dated Bond	8.00%	6.00%	4.00%	4.00%	3.00%	0.00%
EdenTree Responsible and Sustainable Sterling Bond	8.00%	5.00%	4.00%	4.00%	0.00%	0.00%
First Sentier Stewart Investors Asia Sustainability	0.00%	0.00%	4.00%	5.00%	10.00%	10.00%
First Sentier Stewart Investors EM Sustainability	0.00%	3.00%	4.00%	5.00%	10.00%	15.00%
Impax Environmental Leaders	0.00%	3.00%	4.00%	4.00%	4.50%	5.00%
Liontrust Sustainable Future Global Growth	6.00%	6.00%	8.00%	9.00%	9.00%	10.00%
Rathbone Ethical Bond	8.00%	5.00%	4.00%	4.00%	0.00%	0.00%
Pictet Global Sustainable Credit	13.00%	12.00%	10.00%	6.00%	5.00%	0.00%
Royal London Sustainable Leaders Trust	3.00%	6.00%	6.00%	9.00%	9.00%	10.00%
Schroders Global Sustainable Value	6.00%	6.00%	8.00%	9.00%	9.00%	10.00%
Triodos Pioneer Impact	0.00%	3.00%	4.00%	4.00%	4.50%	5.00%
TwentyFour Sustainable Short Term Bond	8.00%	6.00%	4.00%	4.00%	3.00%	0.00%
Cash	10.00%	7.00%	4.00%	0.00%	0.00%	0.00%
OCF*	0.50%	0.59%	0.66%	0.71%	0.78%	0.85%

\*OCFs as at 31/05/2022



## Changes & Rationale

### Funds Removed/Allocation Reduced

- **Aegon Ethical Cautious Managed**  
This security is a legacy allocation and since it is multi-asset class strategy is no longer appropriate for Abacus SRI.
- **Liontrust Sustainable Future Cautious Managed**  
This security is a legacy allocation and since it is multi-asset class strategy is no longer appropriate for Abacus SRI.
- **Liontrust Sustainable Future Corporate Bond**  
This security is a legacy allocation and is being removed because we believe there to be more attractive opportunities in the UK corporate bond sector from a risk / return point of view.
- **Liontrust Sustainable Future Managed**  
This security is a legacy allocation and since it is multi-asset class strategy is no longer appropriate for Abacus SRI.
- **Liontrust Sustainable Future Managed Growth**  
This security is a legacy allocation and has a 0.9995 correlation to another legacy allocation, Liontrust Sustainable Future Global Growth, and so is an unnecessary allocation from a portfolio management point of view.



## Funds Added/Allocation Increased

### + Dimensional Global Sustainability Fixed Income

We added exposure to this security to better map to our strategic asset allocation at low cost. The OCF for the security is 0.29%, one of the lowest in our investable universe (which has an average of about 0.80%).

### + Impax Environmental Leaders

We added exposure to this security to reflect our constructive outlook regarding companies positively aligned to the decarbonization of the global economy. The security offers broad-based exposure to this theme, which encompasses sub-themes like clean energy, water treatment and waste management. The security has a > 5 year track record and has exhibited less volatility than other securities in this theme.

### + Pictet Global Sustainable Credit

We added exposure to this security because we have confidence in the ESG methodology of this fund, which demands the portfolio to be at least 50% invested in ESG-labelled bonds (for example, green bonds), bonds issued by companies with more than 20% of revenue from 'green' activities, or bonds issued by companies that operate in environmentally- or socially-friendly sectors. More, the team managing the security is both experienced and well-resourced, and there are strict credit-related investment guidelines designed to improve risk management.

### + Schroders Global Sustainable Value

We added exposure to this security to reflect our constructive outlook regarding the value style factor, and to balance our exposure elsewhere in the global equity sector, which is biased towards the growth style factor. It is one of the few securities in this sector in our investable universe with a genuine bias towards value, as measured using the Morningstar Style Box.

### + TwentyFour Sustainable Short Term Bond

We added exposure to this security to reflect our preference towards the shorter end of the yield curve. Though the fund was launched in 2020, the non-ESG-labelled version of the strategy has an excellent long term track record.



## Funds Rebalanced

We adjusted exposure to all other allocations to better map to our strategic asset allocation:

- Baillie Gifford Responsible Global Equity Income
- BMO Responsible Global EM Equity
- BMO Responsible UK Income Equity
- Columbia Threadneedle UK Social Bond
- EdenTree Responsible and Sustainable Short Dated Bond
- EdenTree Responsible and Sustainable Sterling Bond
- First Sentier Stewart Investors Asia Sustainability
- First Sentier Stewart Investors EM Sustainability
- Liontrust Sustainable Future Global Growth
- Rathbone Ethical Bond
- Royal London Sustainable Leaders Trust
- Triodos Pioneer Impact



## Performance

Performance over the last 12-months is as follows:

Abacus SRI Profile 3 - DFM	-4.85%
Abacus SRI Profile 4 - DFM	-5.05%
Abacus SRI Profile 5 - DFM	-4.97%
Abacus SRI Profile 6 - DFM	-4.23%
Abacus SRI Profile 7 - DFM	-3.28%
Abacus SRI Profile 8 - DFM	N/A

Source of Data: Titan Asset Management  
Data as of 31/05/2022  
Abacus SRI 8 inception date 14/10/2021

## Case Study / Theme

This quarter, our theme is greenwashing.

There has been a series of greenwashing-related developments over the past few weeks that have shone a harsh spotlight on the ESG ecosystem.

First, the head of responsible investment at HSBC was suspended for criticising the amount of time and money that the finance industry is spending on climate change risks and opportunities. Understandably, questions have since been asked of the bank's commitment to the transition to a more sustainability-minded planet.

Second, the SEC (the US Securities and Exchange Commission) charged and fined BNY Mellon for exaggerating the extent to which it had been integrating ESG data into its asset management processes.

Third, the Frankfurt offices of Deutsche Bank and DWS, its asset management unit, were raided by German police in relation to an ongoing greenwashing investigation, which caused the CEO of DWS to resign.

The lesson for asset managers is that, until a regulator (preferably a global body) defines what does and does not constitute a sustainable use of capital, intentionality is everything. If you say that you do something, and then you do it, it is difficult to land an accusation of greenwashing.

The Tavistock Asset Management (TAM) ESG Investment Policy outlines our approach to sustainable investing, explaining how we separate ESG leaders from laggards, and how we exclude certain controversial sectors from our investable universe. In other words, what we invest in and what we do not.

The TAM ESG Investment Policy can be found on the TAM Library Page: [TAVISTOCK AM | Adviser Downloads](#)

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