

ABACUS ESG - DFM PROFILES

QUARTERLY UPDATE (Q1 2023)



Market Commentary

2023 started positively, with both bond and equity markets seemingly shrugging off the disappointment of the year before.

UK and Emerging Market equities rose by, on average, 3%, whilst the US, Europe, and Japan fared better, up around 7% for the quarter. Fixed Interest securities, otherwise known as bonds, recovered some of their losses from 2022, rising on average by 3% in Q1.

Commodities as a whole were down over 5% in the first three months of the year; however, Gold was up around 8%. In the month of March Silver also shone, rising over 15%.

Despite a strong quarter overall, we believe there are challenging times ahead.

There was a sharp rise in volatility across markets in March, following the collapse of three regional banks in the US, including the 2nd and 3rd largest US bank failures on record (Silicon Valley Bank and Signature). Credit Suisse also had its own set of separate issues which resulted in the state brokering an acquisition by UBS.

We think that markets will remain volatile.

We expect inflation to remain high (or 'sticky' as some call it) and to have higher-for-longer interest rates, both in the UK and US. We also believe that we are yet to feel the full effects of rising interest rates in the real economy, and we believe equity valuations, particularly in the US, remain expensive.

With all this in mind, we think markets have got ahead of themselves.

We think the recent market rise (especially in January) is not backed by the fundamentals; we think the last few months represent a relief rally within a broader bear market i.e., we don't expect it to last. We are not chasing this market rally and remain defensively positioned with exposure to high quality companies in both equity and bond markets.

As always, we remain pragmatic and continue to question our assumptions and market outlook. Should the economic environment change, the team will adapt as required.



ESG Profile Allocations

FUND	3	4	5	6	7	8
Amundi MSCI Emerging Markets SRI PAB Index Fund	0.00%	3.00%	6.00%	9.50%	15.00%	18.00%
Stewart Investors Global Emerging Markets Sustainability Fund	0.00%	3.00%	6.00%	9.50%	15.00%	18.00%
Amundi MSCI World SRI PAB Index Fund	7.00%	8.00%	8.00%	9.00%	9.00%	11.00%
Baillie Gifford Responsible Global Equity Income Fund	7.00%	8.00%	8.00%	9.00%	9.00%	11.00%
Schroders Global Sustainable Value Equity Fund	7.00%	8.00%	8.00%	9.00%	9.00%	11.00%
CT Responsible UK Income Fund	3.00%	5.50%	6.00%	7.50%	8.00%	8.00%
Royal London Sustainable Leaders Trust	3.00%	5.50%	6.00%	7.50%	8.00%	8.00%
Impax Environmental Leaders Fund	0.00%	3.00%	3.00%	4.00%	4.00%	5.00%
M&G Global Listed Infrastructure Fund	0.00%	3.00%	3.00%	4.00%	4.00%	5.00%
Triodos Pioneer Impact Fund	0.00%	3.00%	3.00%	4.00%	4.00%	5.00%
Allianz Green Bond Fund GBPH	13.00%	9.00%	8.00%	5.00%	3.00%	0.00%
Dimensional Global Sustainability Fixed Income Fund GBPH	13.00%	9.00%	8.00%	5.00%	3.00%	0.00%
Schroders Sustainable Bond Fund	13.00%	9.00%	8.00%	5.00%	3.00%	0.00%
EdenTree Responsible and Sustainable Short-Dated Bond Fund	10.00%	7.00%	5.00%	3.50%	3.00%	0.00%
TwentyFour Sustainable Short Term Bond Income Fund GBPH	10.00%	7.00%	5.00%	3.50%	3.00%	0.00%
CT UK Social Bond Fund	4.00%	4.00%	4.00%	0.00%	0.00%	0.00%
Cash	10.00%	5.00%	5.00%	5.00%	0.00%	0.00%
OCF*	0.42%	0.52%	0.53%	0.58%	0.62%	0.66%

*OCFs as at 31/03/2023



Changes & Rationale

There were no changes made to the Abacus ESG – DFM Profiles this quarter.

Whilst events have been fast moving in financial markets over the quarter, the ESG Profiles have held up well. All ESG Profiles rose in absolute terms in Q1, exhibiting solid performance across all risk levels.

We remain comfortable with the current Profile allocations and their ability to protect clients in the event of a market downturn, whilst also meeting our longer-term strategic investment outlook, adhering to our ESG Investment Policy.

We are therefore content not to have made any changes in Q1.

Performance

Performance over the last 12-months is as follows:

Abacus ESG Profile 3 - DFM	-6.95%
Abacus ESG Profile 4 - DFM	-5.11%
Abacus ESG Profile 5 - DFM	-4.31%
Abacus ESG Profile 6 - DFM	-3.28%
Abacus ESG Profile 7 - DFM	-2.80%
Abacus ESG Profile 8 - DFM	-1.85%

Source of Data: Titan Asset Management
Data as of 31/03/2023



Case Study / Theme

This quarter, we focus on Larry Fink, the boss of BlackRock.

At first glance, it looks like Larry Fink, the boss of the world's largest fund manager, changed his tune on sustainable investing in his most recent annual letter to investors. There were certainly fewer grandiose claims about the investment opportunities associated with the decarbonisation of the global economy.

However, upon further inspection it seems more like Fink has attempted to tone down his rhetoric without changing his convictions, likely in response to the challenging political climate surrounding all things ESG in the USA. To that end, he acknowledged that there are also "attractive investment opportunities... in the traditional space," whilst maintaining his conviction that "climate risk is an investment risk."

This exercise in subtlety reflects the fact that, after several years of surging popularity, sustainability considerations are now firmly embedded into the capital allocation process, rather than a fleeting trend.

Across the pond it is a similar story. The reception to the UK's green finance strategy, updated on 31/03/23, was lukewarm. What was at one point labelled 'Green Day' morphed into 'Energy Security Day' as it became clear that new proposals would not be the "big bazooka" that was hoped for.

Although the strategy might not be quite as ambitious as its equivalents in the USA or in Europe, there is good reason to balance the opportunities of greater energy sustainability with the risks of weaker energy security.

Ultimately, as with Fink's letter, these are small but important steps in the right direction; and more welcome in light of a new Intergovernmental Panel on Climate Change (IPCC) report, a summary of the last few years of work by the United Nations (UN) body, which emphasised the urgent need to reduce global emissions in order to avoid missing the goals of the Paris Agreement to limit global warming.

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](#)

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

+44 (0) 1753 867000 www.tavistockam.com