IQ Ethical Strategy

JANUARY 2024

INVESTMENT QUORUM
UNIQUE, BOUTIQUE WEALTH MANAGEMENT

The aim of this strategy is to secure a combination of both long-term capital growth and income as part of a multi-asset class strategy by investing only in funds, ETFs and investment trusts which are approved through the IQ Ethical Screen. The screen will ensure these have – as a minimum – exclusion policies in relation to the following six areas: tobacco, alcohol, pornography, gambling, armaments and nuclear power. The portfolio may hold a percentage in cash for both liquidity and tactical reasons.

KEY INFORMATION

Currency: **GBP**

Historical Yield: **1.55% p.a.**

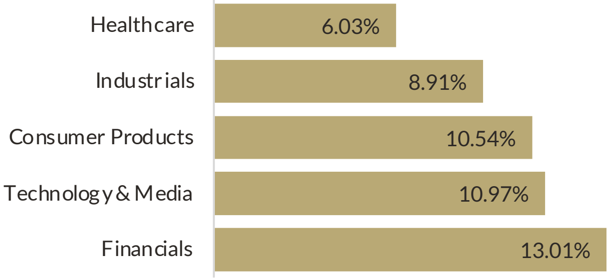
Total Fund Charges: **0.87% p.a.**

RISK & REWARD PROFILE

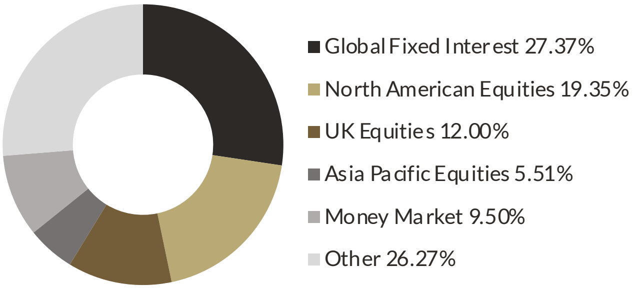
LOWER RISK ← → HIGHER RISK

1 2 3 **4** 5 6 7

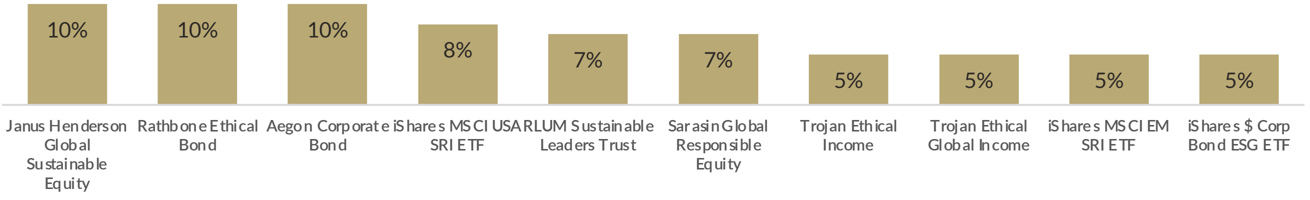
Top Sector Allocation



Asset Allocation



Largest Fund Holdings*



** Key (investor) information documents are available for each fund.*

Discrete Calendar Year Performance

PERIOD	01/01/2018 to 31/12/2018	01/01/2019 to 31/12/2019	01/01/2020 to 31/12/2020	01/01/2021 to 31/12/2021	01/01/2022 to 31/12/2022	01/01/2023 to 31/12/2023	ANNUALISED RETURN *(since Sep-12)*
Ethical Strategy**	-4.92%	17.22%	11.05%	8.55%	-14.01%	6.75%	6.10%
ARC Sterling Balanced PCI (Benchmark)	-5.10%	11.73%	4.31%	7.64%	-9.14%	5.98%	4.16%

Cumulative Performance

PERIODS TO 31/12/2023	3 MONTHS	6 MONTHS	1 YEAR	3 YEARS	5 YEARS	10 YEARS	CUMULATIVE RETURN *(since Sep-12)*
Ethical Strategy**	4.92%	3.21%	6.75%	-0.36%	29.71%	64.81%	94.95%
ARC Sterling Balanced PCI (Benchmark)	4.89%	4.92%	5.98%	3.65%	20.80%	41.46%	58.29%

*** Performance figures take account of underlying fund charges but not IQ's and platform fees.*

Please remember that past performance is not a guide to the future.

Strategy Commentary

Following a tricky October, global equity and fixed-income markets ended the year on a more buoyant note. US treasury yields dropped sharply as the Federal Reserve Bank's tone changed, with Chairman Jerome Powell indicating that rates would probably be cut faster than expected over the course of 2024. Equity markets reacted positively to this news: performances improved across most equity markets and down the market cap spectrum. This improvement was not limited to the Magnificent Seven US technology stocks – stocks which enjoyed a stellar year, particularly over the first three quarters. The top three performing funds through Q4 were **Jupiter Ecology (+9.03%)**, **Janus Henderson Global Sustainable Equity (+8.82%)** and **Aegon Ethical Corporate Bond (+8.40%).** Bond markets moved higher through the quarter as signs of slowing inflation in the US, the Eurozone and the UK elicited significantly more dovish comments from the central banks. This put substantial downward pressure on yields, which explains the strong performance of the Aegon portfolio. Should there be a recession in the UK, investment-grade corporates would be entering it with far stronger balance sheets than in previous downturns. Many companies have been sensible over the past few years as they refinanced, de-leveraging and ensuring they had lower sensitivity to higher-for-longer rates. This, for us, partly explains why credit spreads have continued to narrow and the Aegon fund has performed so strongly over such a short period of time.

The worst performing fund over the quarter was **iShares MSCI SRI EM ETF (+1.15%):** China's faltering economic recovery combined with investor apprehension about the country's prospects were a drag versus other global markets. The story is slightly different in other emerging markets. Strong rallies in Indian, Brazilian and Mexican stocks helped those indices to post returns closer to those of US markets over the year. With the Federal Reserve Bank already forecasting rate cuts in the US, the dollar looks set to continue weakening throughout 2024. This will create an inflection point for markets such as Brazil and Mexico. A weaker dollar has historically been positive for emerging markets, boosting returns for those with dollar-denominated debt. Inflation has already dropped significantly in these Latin American economies, and the potential for lower interest rates in these countries is high. Should central banks cut interest rates substantially as a result, then we should see an improved growth outlook for many of the companies featuring in this ETF.

Powered by data from FE, data collected: 01/01/2024

Investment Team

Peter Lowman
Chief Investment Officer

Peter has served as IQ's CIO and Global Market Strategist since 2007. With over 50 years of investing experience, he has delivered impressive returns on IQ clients' investments over the past 15 years. He oversees and manages every aspect of our investment process – from asset allocation to fund selection. His ability to navigate the intricate world of investment markets is underpinned by a blue-sky thinking approach and an ongoing commitment to innovation.

Nick Harrington
Investment Analyst

Nick has been an Investment Analyst at IQ for 4 years. Nick is responsible for analysing North American and Asian markets, evaluating investments to find the best opportunities for our clients. Nick holds the CFA UK Certificate in Investment Management and the CFA Certificate in ESG Investing.

Holly West
Investment Analyst

Holly has been an Investment Analyst at IQ for 3 years. Holly is responsible for analysing UK and European markets, evaluating investment to find the best opportunities for our clients. Holly holds the CFA UK Certificate in Investment Management and a diploma in Financial Planning.

Sophie Ajuda
Investment Team Administrator

Sophie is the Investment Administrator for the team. Her daily responsibilities include dealing, cash management, and meeting our clients' cash needs for income and withdrawals. She is committed to providing the highest level of service to our clients.