Alpha Beta PARTNERS

# AB SRI Defensive Portfolio

as at 31 March 2022

## Investment Objectives

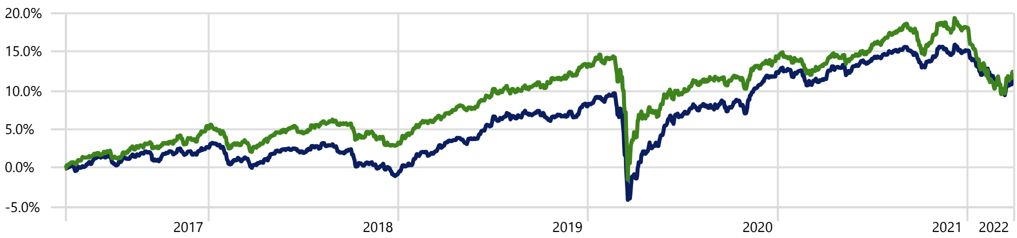
The AB SRI Defensive Model Portfolio will seek to deliver long-term capital growth by blending collective strategies and employing our proprietary rating and risk profiling systems.

The equity allocation of the portfolio will be managed within our self imposed parameter of 0% - 35% and in line with a Alpha Beta Risk Profile of 3 - 5.

The AB SRI Defensive Portfolio only invests in funds that are sustainable and contribute positively to either the environment or society. The model selects investments that provide solutions to global issues such as climate change, biodiversity, water shortage, urbanisation, health and well-being, and social inclusion. The United Nation's Sustainable Development Goals are utilised to inform analysis and research on these themes, and the holdings in the model.

## Investment Growth

Time Period: 01/04/2017 to 31/03/2022




AB SRI Defensive 12.4% IA Mixed Investment 0-35% Shares 11.6%

## Snapshot

| | |
|---|---|
| Base Currency | Pound Sterling |
| 12 Mo Yield | 1.84% |
| Ongoing Charge | 0.69% |
| Management Fee (VAT where applicable) | 0.25% |
| Portfolio Cost | 0.94% |

## Trailing Returns

Data Point: Return

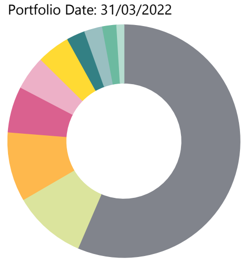
| | 3 Months | 6 Months | YTD | 1 Year | 3 Years | 5 Years |
|---|---|---|---|---|---|---|
| AB SRI Defensive | -4.80 | -3.34 | -4.80 | -0.77 | 5.42 | 12.43 |
| IA Mixed Investment 0-35% Shares | -3.08 | -2.08 | -3.08 | 0.21 | 8.48 | 11.60 |

## Benchmark

| | |
|---|---|
| Benchmark | UK RPI |
| Comparator Benchmark | IA Mixed Investment 0-35% Shares |

## Asset Allocation

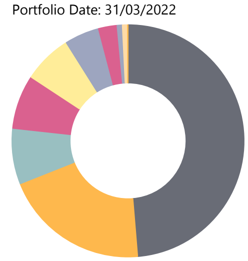
Portfolio Date: 31/03/2022



| | % |
|---|---|
| Sterling Fixed Income | 56.5 |
| Aggressive Allocation | 10.2 |
| US Equity Large Cap Growth | 9.6 |
| UK Equity Large Cap | 6.4 |
| Asia Equity | 4.7 |
| Cash | 4.6 |
| Real Estate Sector Equity | 2.6 |
| Infrastructure Sector Equity | 2.5 |
| Global Emerging Markets Equity | 2.0 |
| Global Equity Large Cap | 1.0 |
| **Total** | **100.0** |

## Equity Regional Exposure

Portfolio Date: 31/03/2022



| | % |
|---|---|
| North America | 48.7 |
| United Kingdom | 20.3 |
| Asia emrg | 7.8 |
| Europe dev | 7.5 |
| Asia dev | 6.8 |
| Japan | 4.8 |
| Australasia | 2.6 |
| Latin America | 0.7 |
| Africa/Middle East | 0.7 |
| Europe emrg | 0.1 |

## Risk

| | Sharpe Ratio | Std Dev |
|---|---|---|
| AB SRI Defensive | -0.61 | 5.66 |
| IA Mixed Investment 0-35% Shares | -0.56 | 3.81 |

## Top 10 Holdings

Portfolio Date: 31/03/2022

| | Portfolio Weighting % |
|---|---|
| EdenTree Responsible & Sust Shrt Dtd B | 22.32% |
| RLBF II Royal London Ethical Bond M Inc | 14.62% |
| Climate Assets Fund B GBP Inc | 10.16% |
| EdenTree Responsible & Sust Stlg B | 9.84% |
| Sarasin Responsible Corporate Bond P Acc | 9.70% |
| Brown Advisory US Sust Gr GBP B Inc | 9.63% |
| Impax Asian Environmental Markets IRL X | 4.72% |
| CASH | 4.59% |
| BMO Responsible UK Income 2 Inc | 4.05% |
| FP Foresight Sust RI Estt Scs A GBP Acc | 2.57% |
| | 92.20% |

## Manager's Commentary

The geopolitical risk emanating from Russia-Ukraine conflict continued to affect the market. The wider impact of this conflict can be felt across energy and agricultural commodity prices, ultimately finding its way to the inflation numbers. Economists are busy recalibrating possible trajectories for inflation given the current squeeze on energy prices, particularly oil. The CPI readings are expected to remain high over the next few months. In the absence of the current geopolitical risk, we had expected these readings to have peaked by Q1 this year.

The Federal Reserve announced on March 16th that it would raise interest rates for the first time since 2018. Rates were raised 0.25% in response to rising inflation and undoubtedly have further to go with mortgages set to cost significantly more in time. Again, equities have been resilient in the face of central banks tightening monetary policy – which is not unusual during the early stages of an interest rate rising cycle.

Central bankers have other tools at their disposal to reduce excess liquidity in economies, with quantitative tightening, or QT if you prefer, potentially able to play a role alongside higher interest rates. Care should be taken not to raise rates too high too soon and choke off growth aggressively as economies naturally retard, as set out earlier. There is scope for central bank policy error in this regard and we remain alert to early signals.

The spread between 10Y and 2Y treasuries act as a rough measure to gauge market sentiments with regards to economic growth and risk on/off mood. An inversion of this curve generally acts as a signal for a possible slowdown within the next 12/24 months. This yield curve inverted briefly towards the end of the month signaling the shorter end of the yield curve is expecting further rate rises and demand for longer duration securities due to a possible slow down during 2023.

We believe now is time for some sensible housekeeping. There is still scope for equity upside, of that we have little doubt, but the risk reward balance has shifted.

At portfolio level, the SRI Defensive model has benefited from its sustainable global infrastructure exposure, with the best performing fund being the FP Foresight Global Real Infrastructure fund. One of the fund's biggest holdings is Brookfield Renewable Partners, who are one of the world's largest publicly traded, renewable power platforms. Their portfolio consists of hydroelectric, wind, solar and storage facilities in North America, South America, Europe and Asia.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## Investment Team

| | |
|---|---|
| Investment Manager | Alpha Beta SRI Investment Team |



Source: Morningstar Direct