

## IQ Ethical Strategy

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.

### RISK & REWARD PROFILE

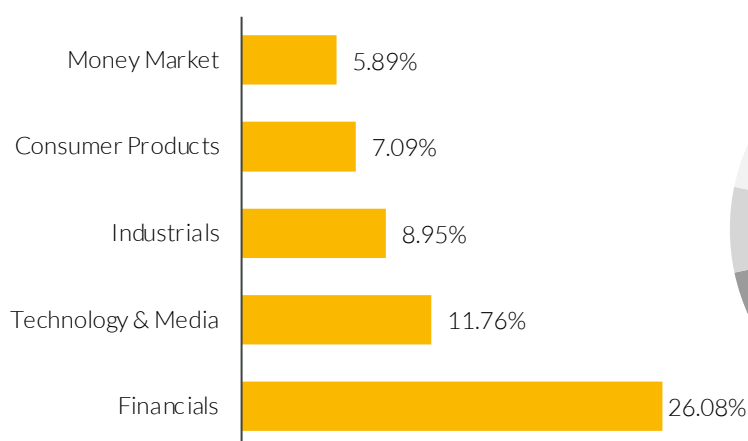


**CURRENCY**  
**GBP**

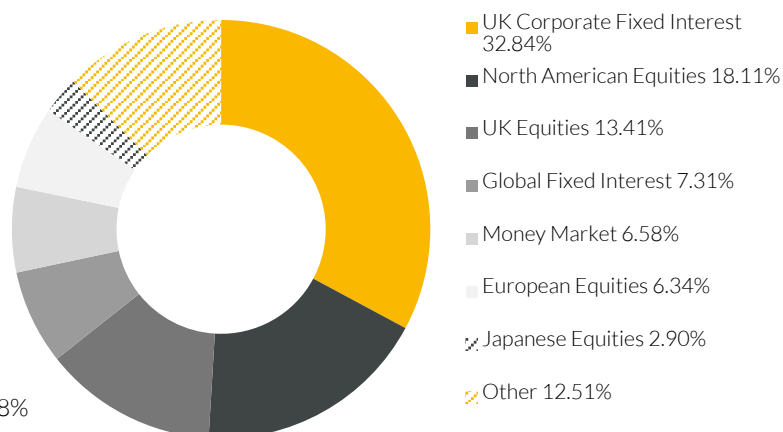
**HISTORIC YIELD**  
**1.42% p.a.**

**PORTFOLIO EXPENSE**  
**1.25% p.a.**

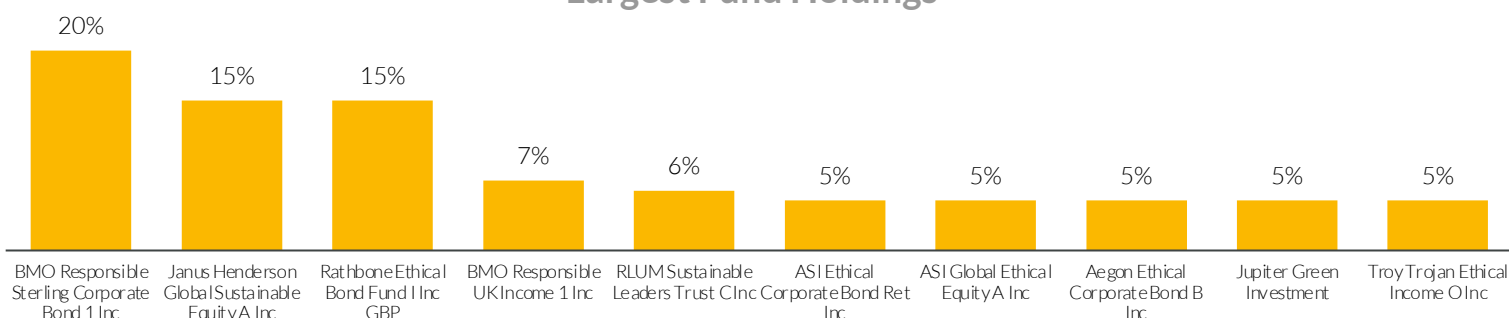
### Top Sector Allocation



### Asset Allocation



### Largest Fund Holdings\*



## Performance

	YTD	31/12/19 to 31/12/20	31/12/18 to 31/12/19	31/12/17 to 31/12/18	31/12/16 to 31/12/17	Cumulative return (since Sep-12)	Annualised return (since Sep-12)
Ethical Portfolio**	-1.28%	11.05%	17.22%	-4.92%	9.81%	93.15%	8.04%
ARC Sterling Cautious PCI (Benchmark)	1.09%	2.69%	11.73%	-5.10%	6.69%	54.38%	5.24%

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

\*Key (investor) information documents are available for each fund on request.  
\*\*Performance figures take account of underlying fund charges but not IQ's fees.

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## Quarterly Commentary

The first quarter of the New Year was dominated by rising bond yields and a rotation out of equity growth stocks into value. The announcement of a further US stimulus package and the phenomenal success that the vaccine rollout has enjoyed in the US and in the UK were the two main drivers behind this.

It has now been over a year since the global equity markets collapsed before rallying back, recording their shortest bear market in history; and recent predictions regarding the reopening of the global economy have meant further advancements for risk assets.

Other asset classes – such as commodities – have also benefitted from the potential for global GDP numbers to see significant improvement. The prospects of increased manufacturing demand, China's insatiable appetite for commodities and growing investor interest in sustainable themes have been behind many of their price movements. While overall inflation remains relatively low, the recent rise in commodity prices is beginning to show up in producer price inflation, which is usually good news for the value end of the market. Nevertheless, there are still many good quality growth opportunities in technology and in the green energy sector. Admittedly, some equity valuations do look rather stretched but there is a positive outlook for corporate earnings over the coming months which should support many of those higher valuations.

As lockdowns ease, vaccination programmes continue and central bank policies remain accommodative, the global economy is now expected to strengthen significantly between now and the end of the year. This is likely to create a further positive backdrop for risk assets such as global equities and a broadening out of stock market asset allocations. Covid-19 will doubtless leave an enduring mark on people's lives and on the business community. Just as importantly, the pandemic is predicted to result in the fastest growth in GDP in a generation, as well as catalysing major advances in disruptive technologies and the green revolution – all of which will mean further exciting investment opportunities for the future.

## Strategy Commentary

Performance was mixed across the funds over the past quarter: rising government bond yields, a rotation to value and concerns over higher inflation combined to cause widespread volatility in global markets. The top three performing funds were **Quilter Investors Ethical Equity (+4.37%)**, **BMO Responsible UK Income (+3.12%)** and **Jupiter Ecology (+2.76%)**. The Jupiter fund's holdings feature many of the global leaders of the green revolution. These companies find themselves in a sweet spot amid the structural changes happening across markets, as the fund's screen ensures capital is invested in shares of companies whose core products and services address global sustainability challenges. The worst performing fund was **BMO Responsible Sterling Corporate Bond (-4.44%)**, reflecting the underperformance of high-quality corporate credit amid rising bond yields, reflecting the widespread optimism surrounding the UK's successful vaccine roll-out and plans for easing the lockdown.

As Covid-19 continues to influence everybody's lives, we are learning to adapt to a new state of affairs and are trying to define a new normal. In this environment, ethical and sustainable investment funds are confirming their efficiency in managing underlying risks and delivering more resilient returns – precisely because they support and finance companies that are engaged in improving the planet and society. Throughout these periods, our investment team will continue to work tirelessly on our client portfolios, monitoring the financial markets, ensuring funds comply with the parameters defined in the ethical screening policy and making investment decisions that we believe will benefit them in the long term.

Powered by data from FE, data collected: 01/04/2021

This document is for information only and is not intended to constitute investment advice or promotion of this strategy. Errors & omissions excepted.

## Investment Team



**Peter Lowman**  
CIO

Before joining IQ, Peter was a Vice President and Private Client Executive for Morgan Stanley Quilter. Prior to that, he spent thirty years at Cazenove & Co where he worked primarily as an Investment Director for Cazenove Fund Management Limited, as well as serving as Fund Manager for the Cazenove Global Equity Fund.



**George Steger**  
Senior Wealth Manager

After graduating from Exeter in 2012, George managed retail wine stores for two years. George joined IQ in 2014 and was appointed Wealth Manager in 2017, providing him with many opportunities to interact with clients.



**Nick Harrington**  
Associate Investment Analyst

Nick graduated from Durham in 2019 and joined in January 2020 as part of the IQ Graduate Scheme. Nick currently focuses on North American and Asian markets, alongside assisting the CIO with the firm's thematic research.



**Holly West**  
Associate Investment Analyst

Holly graduated from Southampton in 2020 and joined in June 2020 as part of the IQ Graduate Scheme. Holly currently focuses on the UK, European and Emerging markets.

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