

## 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

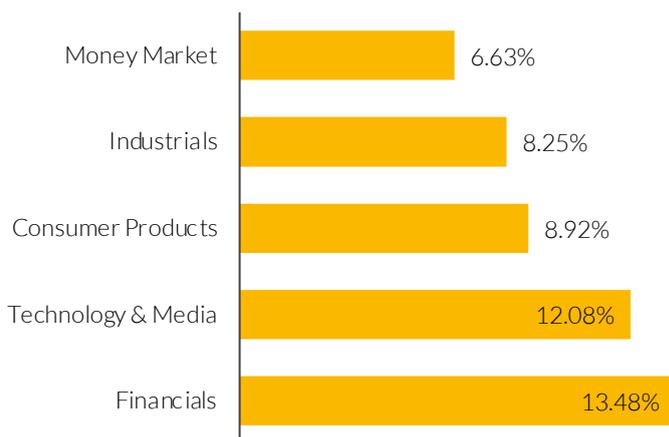


**CURRENCY**  
**GBP**

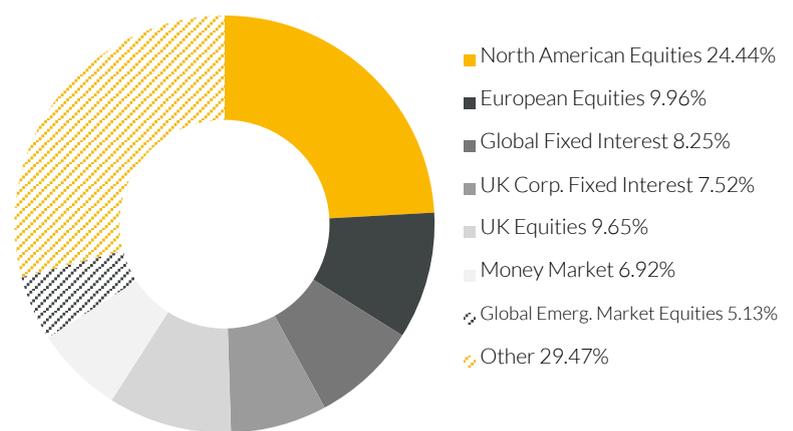
**HISTORIC YIELD**  
**0.83% p.a.**

**TOTAL FUND CHARGES**  
**1.05% p.a.**

### Top Sector Allocation



### Asset Allocation



### Largest Fund Holdings\*



## Performance

	31/12/20 to 31/12/21	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**	8.55%	11.05%	17.22%	-4.92%	9.81%	112.37%	8.47%
ARC Sterling Balanced PCI (Benchmark)	7.90%	2.69%	11.73%	-5.10%	6.69%	64.77%	5.54%

**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 and platform fees.

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## Quarterly Commentary

Over the fourth quarter of the year, developed markets continued to rally, providing global investors with their third calendar year of strong positive returns. The continuation of accommodative central bank policy, strong corporate earnings growth, and the best year on record for global mergers and acquisitions helped to propel global markets higher throughout most of the year. While market volatility remained low, the emergence of Omicron (a highly infectious variant) combined with a significant rise in global inflation to levels not seen in decades, gave rise to some concern in the latter part of the year. This pickup in inflationary pressures has pushed up the prices of essential goods (such as food), as well as the cost of transport and utilities: more than two-thirds of people around the world are now feeling the squeeze. The Bank of England reacted immediately by raising interest rates to 0.25%, while many other leading central banks reduced their monthly asset buying programmes.

The performance of fixed-income markets remained flat, as they tried to assimilate the effects of higher inflation and likely central bank intervention. Equally, commodities have been among the most volatile assets in 2021 with coffee and crude oil to lithium and gas delivering stellar performances. Other economic challenges came in the shape of global supply chain bottlenecks and labour shortages, as the “Great Resignation” hit the headlines around the world. Nevertheless, Wall Street continued to hit new all-time highs, completing a hat-trick of positive annual returns, its best three-year stretch since 1999, and setting a near 90% return over the past 36 months.

Looking towards 2022, portfolios will need to stay broadly diversified: Covid, inflation and changes to central bank policy are likely to affect market sentiment over the coming months. However, above-trend GDP growth and robust corporate earnings should justify maintaining an overweight asset allocation towards global equities.

## Strategy Commentary

Performances have been mixed across funds over the past quarter. The global recovery from the effects of Covid-19 was again disrupted with the emergence of the Omicron variant, with concerns over persistent inflation and rate hikes continuing to unsettle global markets.

The top three performing funds were **iShares MSCI USA SRI ETF (+14.26%)**, **ASI Global Sustainable and Responsible Investment Equity (+8.05%)** and **Quilter Ethical Equity (+7.29%)**. The strong performance of the iShares ETF reflects the continued outperformance of the US stock market compared to global competitors: the Dow S&P 500 reached new all-time highs in December, the NASDAQ also hit its record in November, and company earnings across a variety of sectors remained incredibly strong. We believe ethical funds should continue to confirm 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 for the future.

The worst performing fund over the quarter was **Artemis Positive Future (-5.97%)**. We believe that the 20th-century consumer-industrial complex is being disrupted, and the funds investing in unsustainable businesses are unlikely to change quickly enough. The fact that the fund focuses on the most innovative companies which are addressing the most significant challenges to sustainability is encouraging: this implies that its experienced management team is well placed to deliver a Positive Future by contributing to a more inclusive world. We believe the strategy is well placed to navigate short-term volatility and deliver strong returns as investors endeavour to boost the ESG profiles of their portfolios.

Powered by data from FE, data collected: 01/01/2022

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 joined IQ in 2014 and was appointed Wealth Manager in 2017, providing him with many opportunities to interact with clients. George holds the CFA UK Certificate in Investment Management.



**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. Nick holds the CFA UK Certificate in Investment Management.



**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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