Active Strategies

JANUARY 2022

INVESTMENT QUORUM
UNIQUE, BOUTIQUE WEALTH MANAGEMENT

IQ Sustainable Strategy

The aim of this portfolio is to provide growth opportunities by investing in collective investment schemes which display strong sustainable characteristics and themes. This portfolio will invest principally through global equities, themes, fixed-interest, alternatives and (to a lesser extent) property.

The portfolio's holdings undergo the IQ Sustainability Screen to determine their respective environmental, social and governance credentials in accordance with the strategy's criteria. The portfolio can hold a percentage weighting in cash deposits for both liquidity and tactical reasons.

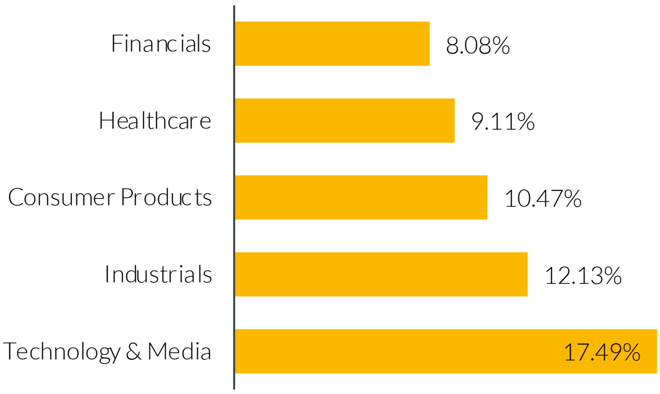
RISK & REWARD PROFILE

LOWER RISK ← → HIGHER RISK

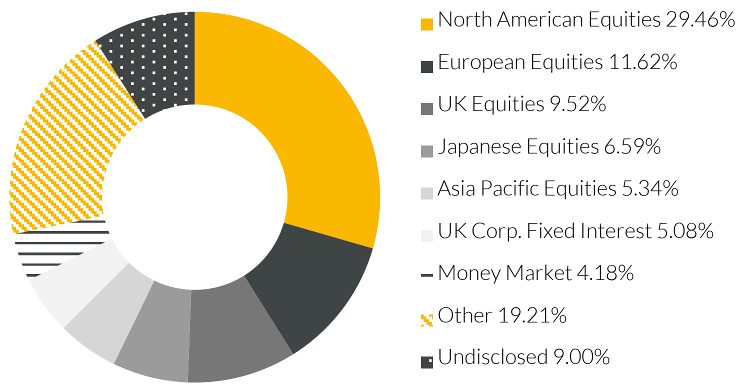
1 2 3 4 5 **6** 7

CURRENCY	HISTORIC YIELD	TOTAL FUND CHARGES
GBP	0.42% p.a.	0.94% p.a.

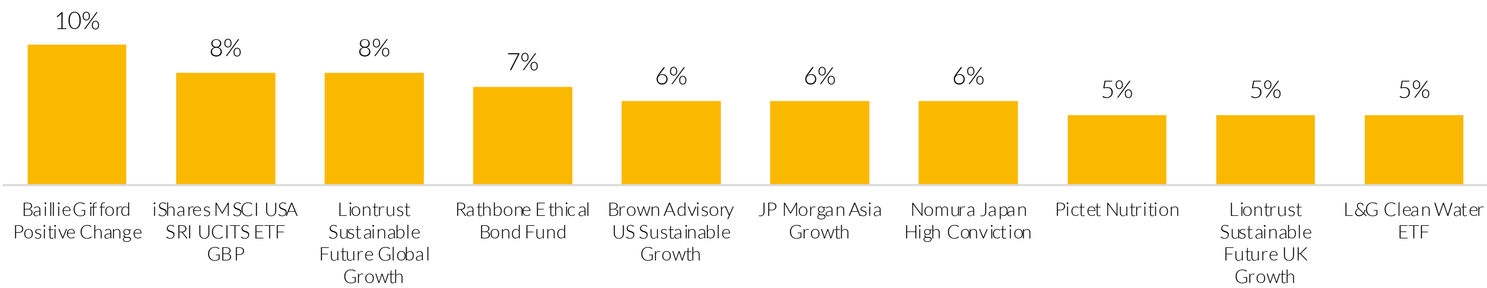
Top Sector Allocation



Asset Allocation



Largest Fund Holdings*



Performance

YEAR	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 Jan-21))	Annualised return (since Jan-21)
Sustainable Portfolio**	12.00%	n/a	n/a	n/a	n/a	12.00%	12.00%
ARC Sterling Equity Risk PCI (Benchmark)	13.32%	n/a	n/a	n/a	n/a	13.32%	13.32%

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%), Brown Advisory US Sustainable Growth (+8.46%)** and **AB Sustainable Global Thematic (+8.29%)**. 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 sustainably minded managers should continue to confirm their efficiency in managing underlying risks and delivering more resilient returns – precisely because they support companies that are engaged in improving the planet and society for the future.

The worst performing fund over the quarter was **Nomura Japan High Conviction (-7.26%)**. Following a strong Q3 with the resignation of Prime Minister Suga and ambitious fiscal promises from new PM Fumio Kishida, the stock market dipped in November. This can be attributed to the increase in long-term interest rates in the US following heightened expectations of an early rate hike and the reappointment of Fed Chairman Jerome Powell. Currency fluctuations have historically impacted Japanese equities. With this rise in rates, the Yen dropped 3.15% over the quarter relative to the US dollar, further impacting many of the domestically focused businesses which comprise this highly concentrated portfolio. However, with a new PM committed to a stimulus package worth $490 billion and encouraging data which suggests that Omicron is milder than previous variants, we feel positive in relation to Japanese equities as 2022 gets under way.

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

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.