Quarter Four Review

Your guide to the markets and the Ethical Portfolios

Investment solutions to suit all risk profiles

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Best Model Portfolio Service

INVESTMENT WEEK

SPECIALIST INVESTMENT AWARDS 2020

WINNER

Best Specialist Multi-Asset Group of the Year

money marketing AWARDS 19

WINNER

BEST DISCRETIONARY FUND MANAGER

Contents

Our ethical range of model portfolios

Our Ethical Model Portfolio range is designed to do two things: to provide you with a good return and, equally important, to ensure your money is invested taking into account ethical considerations.

When a client chooses to take an ethical investment approach, it is essential to have a clear mandate, so that investors can understand how you are managing this increasingly more complex area of investing. There is no silver bullet for Ethical investing, with many different, and often conflicting, approaches and styles.

In order to deliver both an appropriate risk adjusted return, and a portfolio that delivers good outcomes, it is important not to be pigeon-holed into one single investment style within the ethical arena.

We have an extremely thorough due diligence process for our ethical funds, which is the same rigorous process for all of our investment solutions. In addition, we want to ensure that the funds, the fund managers, and the fund groups are all committed to ethical investing and not simply providing a green rhetoric to take advantage of a growing trend. Greenwashing will not be tolerated.

Within the Ethical range of model portfolios, we manage three risk profiles, Cautious, Balanced and Growth. These are constructed to follow the Strategic Asset Allocation (SAA), for their given risk profile. The SAA is regularly assessed and formally reviewed at least every five years where changes are made if relevant and appropriate.

The Ethical products are a distinct offering which means the composition may differ from our non-Ethical mandates. The same level of care, due diligence and research is conducted across all of our product offering.

The Ethical mandates are mostly likely to differ versus a non-Ethical mandate within the regional equity allocation or the sub-asset classes within fixed income. The Ethical mandates are constructed to have all of the underlying investment managers signed up to the Principles for Responsible Investing (PRI), so that the portfolio can be mapped across to the UN's Social Development Goals (UN SDG's). There are many markets where this is difficult to achieve such as in emerging markets, where there may be more reliance on old heavy industry and fossil fuels and questions over labour rights. It becomes very difficult to marry the PRI's principles to these regions at their current point in the development cycle, but this may change with time.

From a sector perspective there could also be differences between non-ethical products such as areas like tobacco, fossil fuels and industries that are seen as heavy polluters, all of which could be excluded. In summary, asset allocation at the strategic level will match a non-ethical mandate, but the regional and sector positions could possibly differ, potentially leading to differences in the risk and return profile of the Ethical mandates compared to non-ethical mandates.

It is important that you understand the structural constraints that investing ethically can have. Whereas the Ethical Model Portfolio will be suitably and appropriately diversified, there will be geographical areas of investment that are excluded, and certain sectors could have higher concentrations. On a comparative basis, this may mean having a lower level of diversification than a non-ethical portfolio.

Our process, shown as a step diagram, is on the following page.

Strategic Asset Allocation

Our long-term view on which all our investment solutions are based upon. These are adjusted to consider that certain asset classes do not currently have any suitable ethical investment choices.

Tactical Asset Allocation

Our current views on which asset classes offer the best returns and which are challenged in the short term. Due to the nature of ethical investing, it is not always possible to replicate the precise allocations, as certain asset classes will be unavailable to us.

Portfolio Construction

Building the Ethical model portfolios, covering risk profiles 1 through to 9. Where certain asset classes are unavailable, we increase those that are; while this may not fully replicate our Tactical Asset Allocation, the broad equity content will be the same.

Ethical Research

We want fund groups to be signed up to the UN's Principles for Responsible Investment, and their funds mapped across to the UN's Sustainable Development Goals.

Fund Research

Researching the very best funds within all the sectors that offer ethical propositions and adhere to our criteria above. We aim for an unconstrained approach to ethical investing, looking to blend ESG, sustainability, stewardship, and exclusion styles.

What we are aiming to achieve

As we have already identified, there is no clear description or style for investing ethically and for each individual investor, the term means something different and personal. What we endeavour to achieve through our Ethical Model Portfolios, is to provide investors with two key answers:

- Is my investment being managed with an ethical mandate?
- What good is my investment doing for the world?

The Investment Association's Responsible Investment Definitions are excellent in helping you to understand what is meant by different methods of ethical investing.

Stewardship

Stewardship is the responsible allocation, management, and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society. Examples of stewardship would include setting clear expectations, oversight of assets, engaging with issuers and voting.

ESG Integration

ESG Integration is the systematic and explicit inclusion of material ESG factors into investment analysis and investment decisions. Examples of ESG integration include statement of commitment and firm-wide policies.

Exclusions

Exclusions prohibit certain investments from a firm, fund, or portfolio. These may be applied on a variety of issues, including to align with client expectations. They may be applied at the level of sector, business activity, products, or revenue stream, as well as company or jurisdictions. Examples of exclusion include ethical, value-based, or religious exclusions.

Sustainability Focus

Sustainability Focus is an investment approach that selects and includes investments based on their fulfilling certain sustainability criteria and/or delivering on specific and measurable sustainability outcomes. Examples of sustainability focus include sustainability themed, positive tilts and best in class.

Impact Investing

Impact Investing covers investments made with the intention to generate positive, measurable, social, and environmental impact, alongside a financial return. Examples of Impact Investing include social bond funds and private impact investing.

We have always built appropriately diversified portfolios, utilising all asset classes available and including differing investment styles. Our ethical proposition is no different. We have built three portfolios using the same guidelines and, included an additional layer which is known as Ethical Diversification.

This quarterly review will deliver those two objectives. The first part will look at how we have delivered the return within the level of risk that you have taken; this will include commentary on the current economic and market conditions. The second part will look at how your money is being used to do good; including a description of the UN's Sustainable Development Goals, and how these relate to the underlying investments within the Ethical model portfolio range. We will include relevant news pieces relating specifically to ethical investing, as well as case studies of some of the underlying companies that you are indirectly invested with.

This will show you that the Ethical model portfolio range delivers on our two core objectives: providing you with a good return and in turn, ensuring your money is invested taking into account ethical considerations.

Performance summary

Below is an overview of how each Model Portfolio has performed over the last quarter, one year, three years, five years, since launch and it's annualised return.

We also provide details of how a typical cash account and the FTSE 100 Index have performed so you can compare your Portfolio's performance against these common alternative forms of investment.

		QTR (%)	1YR (%)	3YR (%)	5YR (%)	LAUNCH (%)	ANNUALISED (%)
Ethical Cautious	Portfolio	-2.1	5.0	-3.7	10.6	36.9	3.3
Ethical Balanced	Portfolio	-2.1	6.2	-2.6	17.0	56.4	4.7
Ethical Growth	Portfolio	-1.8	7.7	-0.4	24.7	76.3	6.0
CPI		0.7	2.2	17.4	24.5	75.7	6.0
IA Mixed Investment 20-60%		0.1	6.1	2.6	13.8	134.5	9.2
IA Mixed Investment 40-85%		1.2	9.0	6.0	23.8	225.8	13.0
IA Flexible Investment		1.9	9.4	6.6	26.6	239.2	13.4
Cash - FE Interest 0.5%		0.1	0.5	1.5	2.5	10.6	1.0
Inflation UK Retail Price		0.6	3.1	23.0	33.9	107.3	7.8
FTSE 100 Index		-0.2	9.7	23.9	29.8	271.1	14.5

The Investment Association (IA) monitors around 4,000 funds in the UK and are classified to the IA sectors. The sectors provide a way to divide these funds into broad groups, so investors and advisers can compare funds in one or more sectors.

UK CPI is for Risk Profiles 01 to 03, IA Mixed Investment 20-60% Shares is for Risk Profile 04 to 06, IA Mixed Investment 40-85% Shares is for Risk Profiles 07 to 09 and IA Flexible Investment is for Risk Profile 10.

Comparators for clients to use against three key levels of comparison: cash, inflation and the core UK stock market.

Notes: Due to rounding, relative performance may not correspond exactly with its constituent components above.

Performance commentary

Market

Global equity markets were collectively positive over the quarter, with the MSCI All Country World Index of global equities up +6.1% in GBP terms. However, this attractive result hid a wide dispersion of underlying regional equity market returns and the fact that the majority of the global index rise was driven by a single market, namely the US (S&P 500 Index +9.7%). Conversely, the FTSE All Share Index was down -0.4% for the quarter, the MSCI Europe ex-UK Index was down -4.2% and MSCI Emerging Markets Index was down -1.3%, all in GBP terms. Only Japan bucked this trend, posting a +3.3% rise for the quarter in GBP terms.

The S&P 500 Index's final quarter rally took the US equity market return to +27.3% for the calendar year in GBP terms. It is worth reflecting on just how uniquely strong this annual result for the US equity market is as it compares to an annual return of+9.5% for the UK Equity market, +2.8% for Continental European equities and just over +10% for Japanese and Emerging Market indices, all in GBP terms. For a second year in a row, the nature of this US market dominance has been highly concentrated in the largest, technology and AI-oriented names, often referred to as the "magnificent seven", with these stocks alone responsible for half of the S&P 500 index's 2024 gains.

News over the quarter was dominated by the election of Donald Trump as the next US President. This prompted speculation of future corporate tax cuts, higher government spending and protectionist policies that could be particularly harmful to China and Europe. Such speculation was undoubtedly impactful upon market returns over the quarter but we continue to caution whether such policies will in fact turn out to be the drivers of future market returns. In Europe, economic data continued to weaken significantly and was compounded by ongoing political turmoil in core countries like France and Germany where fiscal troubles and the continued rise of populist parties have sent alarm bells ringing. In the UK, a relatively business unfriendly budget dampened some enthusiasm for domestic UK equities that had been growing throughout the year.

Although central banks in US, UK and Europe started normalising interest rate policy over 2024, continued robust economic growth in the US and frustratingly sticky headline inflation meant many investors pared back their expectations for how quickly future interest rate cuts would be delivered going forward, particularly in the US. Higher interest rate expectations are generally unhelpful for fixed income returns and, as a result, global bonds as measured by the Bloomberg Global Aggregate Index fell -1.0% over the quarter in GBP hedged terms. Longer dated bonds, which are even more sensitive to interest rates, fell even more sharply. Over the year as a whole, global bonds as measured by the Bloomberg Global Aggregate Index rose a relatively modest +3.0% in GBP hedged terms. However, Sterling bonds as measured by the Bloomberg Sterling Aggregate index were down -2.5% for the year, once again supporting our preference for a globally diversified portfolio of fixed income securities.

Equities

Our Tactical Asset Allocation in equities delivered a positive contribution for the quarter. An underweight position to Continental European equities benefitted performance, as European markets faced challenges throughout the period. While our overweight position to Japanese equities generated positive returns over the quarter, the UK equity market underperformed, which detracted from the overall contribution.

As noted above, the re-election of Donald Trump in the US Presidential Election helped provide support to US equities over the quarter, particularly domestically focused and high-growth companies. The Brown Advisory Global Leaders Sustainable Fund performed strongly (+5.8%) on the back of this, benefiting from its bias towards growth stocks. However, it slightly lagged the benchmark due to its more diversified regional portfolio composition, contrasting with the benchmark's heavy US equity weighting. In contrast, the Schroder Global Sustainable Value Fund (-2.3%), which has a value-oriented strategy, underperformed as cheaper value stocks were out of favour compared to their growth counterparts.

However, Trump's re-election had a negative impact on Emerging Markets, notably China, where the potential for significant tariffs on Chinese exports to the US weighed heavily on sentiment. Our exposure to Emerging Markets through the Stewart Investors Global Emerging Markets Leaders Fund delivered a negative return (-0.8%) but stayed ahead of its benchmark due to the fund's relatively lower exposure to China. European equities also struggled amid the uncertainty surrounding trade policies and tariffs. The RGI European Fund (-3.5%) detracted from performance but also managed to stay ahead of its benchmark over the quarter.

Within the UK equity component, both investments underperformed the FTSE All Share Index over the quarter. The Royal London Sustainable Leaders Trust, which focuses on UK companies with more global revenue exposure, returned -0.9%.

Meanwhile, the Janus Henderson UK Responsible Income Fund, with a bias towards more UK domestic companies, returned -5.2%.

Japanese equities experienced volatility during the quarter, driven by a snap election in which the ruling Liberal Democratic Party lost its majority, and higher-than-expected inflation weighed on export-driven industries. Despite the Japanese equity index finishing the quarter in positive territory, our holding in the Nomura Japan Sustainable Equity Core Fund (-1.1%) detracted from performance as the fund has more exposure to export-driven industries. These diverse outcomes highlight the importance of maintaining a well-diversified portfolio across geographies and styles. However, achieving this within an ethical framework can be more complex due to the exclusion of certain sectors from the investable universe.

Fixed income

The quarter was broadly negative for fixed income assets. Towards the end of the quarter, the US Federal Reserve signalled they expect fewer interest rate cuts in the coming year if inflation persists and the economy does not deteriorate, weighing on fixed income returns. The PIMCO GIS Global Bond ESG Fund declined -0.7%, similarly the JP Morgan Global Bond Opportunities Sustainable Fund and the Robeco Global Credits Fund fell by -1.3% and -1.7%, respectively.

Property, real assets & absolute return

Diversifying strategies within the portfolio faced similar headwinds over the quarter. The Federal Reserve's indication of fewer interest rate cuts in 2025 negatively impacted these asset classes. The ClearBridge Global Infrastructure Income Fund declined by -4.7% over the quarter. This Fund provides exposure to infrastructure related cash flows that are typically received in the future and are therefore more interest rate sensitive. The Schroder Global Cities Real Estate Fund fell by -6.5% over the quarter.

Key portfolio changes

Complete sales

There were no new sales in Q4 2024.

New buys

There were no new buys in Q4 2024.

Market outlook

As a reminder, each of the Model Portfolios have a distinct long-term Strategic Asset Allocation that is specifically formulated based upon each Fund's stated risk profile. The higher the risk-profile selected, the more is allocated to equities and the less to diversifiers such as bonds, real assets or absolute return strategies. Around that strategic asset allocation, we implement tactical tilts when we observe highly attractive return opportunities where we believe the risk-reward is strongly in our favour. We have been overweight UK and Japanese equities and underweight Europe ex-UK equities, which has been a positive contributor to the performance of your portfolio over both the most recent quarter (Q4) and 2024 as a whole.

Japanese equities

2024 was a mixed year for Japanese equities. The return from the market in local currency terms (Japanese Yen) was up a very strong +21.2% as measured by the MSCI Japan equity index, however, the Yen weakened quite substantially vs the Pound Sterling over the year meaning that the return delivered to a GBP based investor for the year was a more modest (but still substantial) +10.6%. This dynamic was also observed in the fourth quarter of the year, whereby the Yen return for the market was +5.9% while the GBP return was +3.3%.

Looking forward into 2025, we continue to hold a very positive view on the Japanese equity market and remain overweight. The underlying equity market looks very healthy, driven by sustained corporate governance reforms which our managers continue to witness in abundance across multiple industries. This involves the ongoing process of making Japanese companies more focused on generating returns for shareholders and less focused on serving other, often conflicted, interests. The market as a whole trades on reasonable valuations, particularly relative to the US. equity market for instance. In addition, while we do not seek to forecast currency returns it is widely accepted that the Yen has been exceptionally weak in recent years vs global peers due to much higher interest rates in other countries vs rates in Japan. A reversal or stabilisation in this trend could provide a tailwind to GBP based investors as well as the more unloved smaller company segment of the Japanese market which we retain exposure to.

UK equities

We also remain overweight the UK stock market going into 2025. Over the course of 2024, the market returned a very reasonable +9.5% despite a pull back over the final quarter of the year. The returns over the year were led by larger companies, in particular banks such as Natwest and Barclays had very strong years as they benefited from the higher interest rate environment. Return from medium and smaller companies were more muted, similar to the rest of the world.

The UK Equity market remains cheap relative both to other global markets (particularly the US.) and relative to its own history. While we retain our overweight to UK equities going into 2025, we are increasingly mindful that cheapness alone may be a necessary but not sufficient requirement for future outperformance. The UK market has shrunk dramatically in recent years as major firms have re-listed in the US. where they can achieve higher share prices and initial public offerings (whereby a stock "goes public" via listing on the exchange for the first time) have all but dried up in the UK as again companies prefer to stay private for longer or list in the US. The small cap segment of the market remains interesting, but these companies are oriented towards what is unfortunately a low growth, relatively high inflation economy whose planning system has led to major supply side constraints building sufficient housing or infrastructure. The recent budget alongside changes to workers rights in the UK have also undoubtedly been primarily business unfriendly. While we think there remain some attractive opportunities in the UK and our managers' portfolios continue to benefit from elevated takeover activity, we are closely evaluating the magnitude of our overweight to this market as we enter the New Year.

Europe ex-UK equities

We continue to remain underweight Europe ex-UK equities in order to be overweight the UK and Japanese markets. This was positive for your portfolio over the fourth quarter as the Continental European market, as measured by the MSCI Europe Ex-UK index, fell -4.2% and was up +2.8% for 2024 both in GBP terms.

In lots of ways it is surprising that the European market didn't fare even worse in 2024, given the long list of challenges it continues to face such as the de-industrialisation of Germany, debt & political strife in France, ongoing demographic challenges and a lack of dynamic tech companies to rival the US (a problem likely exacerbated by the EU's stifling regulatory environment). We continue to think that the Continental European markets are in the unenviable position of being neither as cheap as the UK nor as dynamic and appealing as Japan, and therefore we retain our underweight going into the New Year. That said, there are a selection of opportunities in Europe which are interesting and we feel our active managers here are well suited to exploit them despite the wider challenges the market and economy might face.

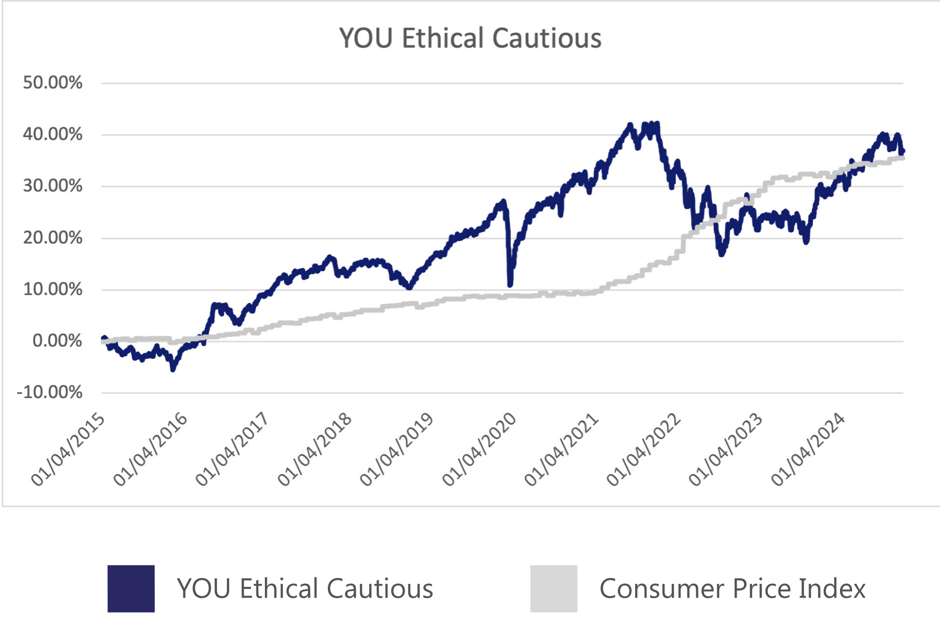
Inspired by our clients

Portfolio Holdings
Ethical Cautious

This Portfolio invests mainly in Cash and Fixed Interest and is suitable for investors who wish to protect their capital with a minimal amount of risk.

		QTR (%)	1YR (%)	3YR (%)	5YR (%)	LAUNCH (%)	ANNUALISED (%)
Ethical Cautious	Portfolio	-2.1	5.0	-3.7	10.6	36.9	3.3

Fund	Allocation (%)
Cash	5.0
Cash	5.0
Fixed Income	48.0
JPM Global Bond Opportunities Sustainable	18.0
PIMCO Global Bond ESG	15.0
Robeco SAM Global SDG Credits IH	15.0
Property & Real Assets	17.0
Schroder Global Cities Real Estate	8.5
ClearBridge Global Infrastructure Income	8.5
UK Equity	8.4
Janus Henderson UK Responsible Income	4.2
Royal London Sustainable Leaders Trust	4.2
Europe Ex-UK Equity	4.0
RGI European Fund	4.0
Japanese Equity	5.5
Nomura Japan Sustainable Equity Core	5.5
Global Emerging Market Equity	5.5
Stewart Investors Global Emerging Markets Leaders	5.5
Global Developed Market Equity	6.6
Brown Advisory Global Leaders Sustainable	2.0
Janus Henderson Global Sustainable Equity	2.6
Schroder Global Sustainable Value Equity	2.0
	100.0



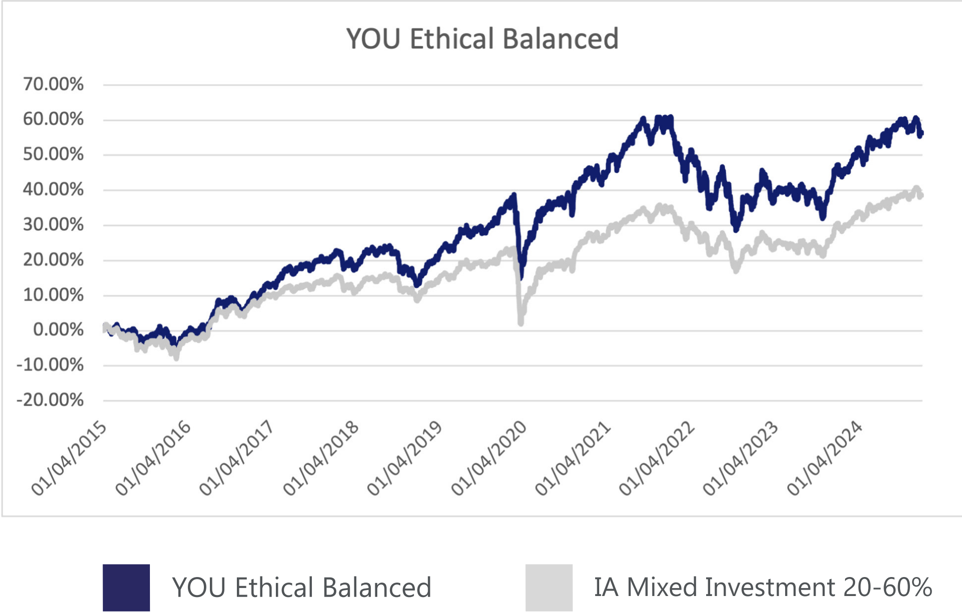
Asset Class	Strategic (%)	Tactical (%)
Cash	5.0	5.0
Fixed Income	48.0	48.0
Property & Real Assets	17.0	17.0
Absolute Return	0.0	0.0
UK Equity	7.1	8.4
US Equity	0.0	0.0
Europe ex-UK Equity	6.1	4.0
Japanese Equity	4.8	5.5
Global Emerging Market Equity	5.5	5.5
Global Developed Market Equity	6.6	6.6

Portfolio Holdings
Ethical Balanced

Invests in a moderate amount of Fixed Interest, with a greater proportion in Equities and Property. It is suitable for investors who wish to increase the chances of reasonable returns and still protect capital, if possible.

		QTR (%)	1YR (%)	3YR (%)	5YR (%)	LAUNCH (%)	ANNUALISED (%)
Ethical Balanced	Portfolio	-2.1	6.2	-2.6	17.0	56.4	4.7

Fund	Allocation (%)
Cash	2.0
Cash	2.0
Fixed Income	31.0
JPM Global Bond Opportunities Sustainable	7.0
PIMCO Global Bond ESG	12.0
Robeco SAM Global SDG Credits IH	12.0
Property & Real Assets	17.0
Schroder Global Cities Real Estate	8.5
ClearBridge Global Infrastructure Income	8.5
UK Equity	14.1
Royal London Sustainable Leaders Trust	7.1
Janus Henderson UK Responsible Income	7.0
Europe Ex-UK Equity	6.7
RGI European Fund	6.7
Japanese Equity	9.1
Nomura Japan Sustainable Equity Core	9.1
Global Emerging Market Equity	9.1
Stewart Investors Global Emerging Markets Leaders	9.1
Global Developed Market Equity	11.0
Janus Henderson Global Sustainable Equity	4.3
Brown Advisory Global Leaders Sustainable	3.4
Schroder Global Sustainable Value Equity	3.3
	100.0



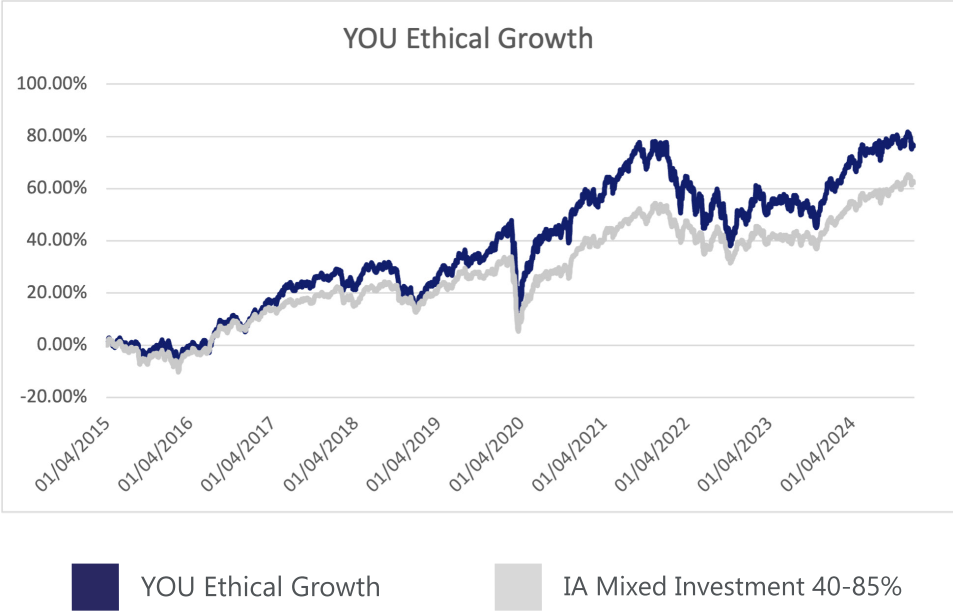
Asset Class	Strategic (%)	Tactical (%)
Cash	2.0	2.0
Fixed Income	31.0	31.0
Property & Real Assets	17.0	17.0
Absolute Return	0.0	0.0
UK Equity	11.8	14.1
US Equity	0.0	0.0
Europe ex-UK Equity	10.1	6.7
Japanese Equity	7.9	9.1
Global Emerging Market Equity	9.1	9.1
Global Developed Market Equity	11.0	11.0

Portfolio Holdings
Ethical Growth

This Portfolio invests mainly in Equities and some specialist Equities in order to obtain diversification. It is suitable for investors who are prepared to take some investment risk to improve long-term returns, where these are more important than capital protection.

		QTR (%)	1YR (%)	3YR (%)	5YR (%)	LAUNCH (%)	ANNUALISED (%)
Ethical Growth	Portfolio	2.7	17.9	4.6	33.1	79.5	6.4

Fund	Allocation
Cash	2.0
Cash	2.0
Fixed Income	10.0
PIMCO Global Bond ESG	5.0
Robeco SAM Global SDG Credits IH	5.0
Property & Real Assets	8.0
Schroder Global Cities Real Estate	4.0
ClearBridge Global Infrastructure Income	4.0
UK Equity	22.5
Royal London Sustainable Leaders Trust	11.3
Janus Henderson UK Responsible Income	11.2
Europe Ex-UK Equity	10.7
RGI European Fund	10.7
Japanese Equity	14.6
Nomura Japan Sustainable Equity Core	14.6
Global Emerging Market Equity	14.6
Stewart Investors Global Emerging Markets Leaders	14.6
Global Developed Market Equity	17.6
Janus Henderson Global Sustainable Equity	7.0
Brown Advisory Global Leaders Sustainable	5.3
Schroder Global Sustainable Value Equity	5.3
	100.0



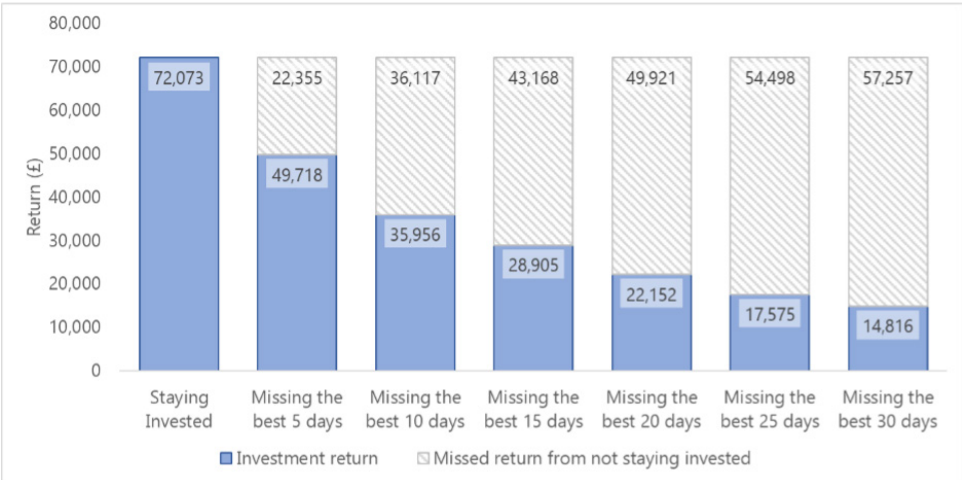
Asset Class	Strategic (%)	Tactical (%)
Cash	2.0	2.0
Fixed Income	10.0	10.0
Property & Real Assets	8.0	8.0
Absolute Return	0.0	0.0
UK Equity	18.8	22.5
US Equity	0.0	0.0
Europe ex-UK Equity	16.2	10.7
Japanese Equity	12.7	14.6
Global Emerging Market Equity	14.6	14.6
Global Developed Market Equity	17.6	17.6

Investment insights

In last quarter's Investment Insight, we discussed the differences between bull and bear markets, and the importance of not reacting to market drops. Ultimately showing it is time in the markets, not timing the markets, that matters the most. History has shown us that it is likely your investment will spend more time in a bull market, than a bear market. But the impacts of a bear market are felt more acutely on an emotional basis.

This could trigger the temptation to try and time the markets by avoiding the worst periods and only capturing the better periods. However, there is clear evidence that market timing is difficult, if not impossible, as there is typically a delayed reaction of getting back into the markets once the market has bottomed. The consequences of missing the best days in the market is still one of the clearest ways of showing this and reminds us that time in the market is more important than timing the market.

Using an initial investment of £10,000 the chart shows the total return by staying invested and the erosion caused by missing the best days. The example runs from 01/01/2000 to 30/11/2024, showing the returns this century from the S&P 500 index of US equities.



Source: Yahoo Finance, Financial Express Analytics and YOU Asset Management. Total return in pounds sterling over period 01/01/2000 to 30/11/2024. Based on initial investment of £10,000 into the S&P 500 index. The information provided is for illustrative purposes only and does not represent the past performance of any particular investment. It is not possible to invested directly into an index.

If you had stayed invested over the entire period, the initial investment of £10,000 would have grown to £72,073. But if you attempted to sell during market downturns and missed just the best 10 days as a result, half of your potential investment would have been lost. Two thirds would have been lost if you have missed the best 20 days.

If you had missed the best 60 days, then your initial investment of £10,000 would have dropped to £6,823 an annualised loss -1.5%. If missing 60 days sounds like a lot, it is just 1% of trading days over the period. This clearly shows the importance of staying invested rather than trying to time the market, getting it wrong 1% of the time can be very damaging.

	Value	Annual return
Staying Invested	£72,073	8.2%
Missing the best 10 days	£35,956	5.3%
Missing the best 20 days	£22,152	3.2%
Missing the best 30 days	£14,816	1.6%
Missing the best 60 days	£6,823	-1.5%

The historical data shows that the best days happen during stock market turmoil and times of heightened volatility; the best day in this study was less than two weeks after the worst day, and both of these happened during the Global Financial Crisis of 2008.

Bad timing can have a serious impact on your returns, which is why we advocate staying fully invested throughout the life of your investment journey. It might sound straightforward, to sell when the market is high or buy when the market is low, but it is impossible to perfectly time the markets and by missing just a handful of the best days can take a big bite out of your assets.

The importance of keeping to your financial plan and staying invested is critical. Market drops can be stressful, and it is tempting to act on fear. But history shows that staying calm and sticking to your plan pays off in the long run. Together with your financial planner, we are here to help keep you on track.

- The 9th best day in the study was in March 2020, during the COVID pandemic
- The second best day occurred two days before the worst day
- The seventh best day occurred two days after the seventh worst day
- For consistent returns, get invested and stay invested

YOU Asset Management Team

Derrick Dunne
Chief Executive

Shane Balkham
Client Investment Director

Peter Griffin
Director

Chris Ayton
Fund Manager

Cormac Nevin
Fund Manager

Millan Chauhan
Investment Analyst

Ilaria Massei
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Ashwin Gurung
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Dominic Williams
Investment Analyst

Kira Parker
Investment Operations Manager

Conor Cassidy
Investment Operations Associate

Maddie O'Connor
Investment Operations Associate

Linda Afari
Investment Operations Associate

Steven Poulton
Compliance Director

Ceris Hymas
Head of Marketing & Communications

Nicola Walmesley
Marketing & Communications Manager

Mary Fyfe
Group Head of HR

How is your money doing good?

We are focused on ensuring that you receive appropriately risk managed returns from your portfolio. We are equally motivated in providing evidence that your money is being used for good. That is what our Ethical model portfolios are aiming to deliver: appropriate returns that are making the world a better place.

We have already shown how the Ethical model portfolios have performed over the past quarter, and over longer time periods. This section is now dedicated on showing and educating you, how the Ethical model portfolios are invested to improve the world and its population. We look to ensure that the underlying funds are signed up to the UN Principles for Responsible Investing (PRI) and that the underlying companies they invest in can be mapped across to the UN Sustainable Develop Goals (SDG).

UN Principles for Responsible Investing

The six Principles for Responsible Investing (PRI) are a voluntary and aspirational set of investment principles that offer a menu of possible actions for incorporating ESG issues into investment practice. In signing up for the PRI, a fund group publicly commits to adopt and implement the Principles, and to align its investment activities with the broader interests of society.

- Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.
- Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.
- Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.
- Principle 5: We will work together to enhance our effectiveness in implementing the Principles.
- Principle 6: We will each report on our activities and progress towards implementing the Principles.

UN Sustainable Development Goals

The Sustainable Development Goals (SDGs), also known as the Global Goals, were adopted by all United Nations Member States in 2015 as a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity by 2030. All of the 17 goals are connected, which means that action in one area will affect outcomes in others, and that development must balance social, economic, and environmental sustainability.

Through the pledge to Leave No One Behind, countries have committed to fast-track progress for those furthest behind first. That is why the SDGs are designed to bring the world to several life-changing ‘zeros’, including zero poverty, hunger, AIDS and discrimination against women and girls. Everyone is needed to reach these ambitious targets. The creativity, knowhow, technology, and financial resources from all of society is necessary to achieve the SDGs in every context. While fund groups can sign up to the PRI, they cannot sign up to the SDGs, as this is for countries. However, the companies which they invest will look to work towards these goals, as through these we can map across to the SGDs and show what good your money is being used for.

- 103 countries have agreed to integrate the SDGs into their national planning.
- Over 100 requests have been received from governments to enhance their Nationally Determined Contributions, which are at the heart of The Paris Agreement to reduce national emissions and adapt to climate change.
- Over 100 countries have agreed to support youth empowerment for sustainable development.

1 NO POVERTY

End poverty in all its forms everywhere.

Millions of people around the world lack the basic resources to enjoy a decent life. Goal 1 will make sure that everyone has access to food, shelter, clothing, healthcare, and education, so they can fully participate in society.

2 ZERO HUNGER

End hunger, achieve food security and improved nutrition and promote sustainable agriculture.

While there is food available to feed everyone, so many people, including children, still do not have enough food to eat. Goal 2 focuses on addressing poor agricultural practices, food waste and environment degradation to ensure no one goes hungry.

3 GOOD HEALTH AND WELL-BEING

Ensure healthy lives and promote well-being for all at all ages.

When people are in good health, societies prosper. While a lot has been done to reduce the impact of HIV/AIDS, malaria and other diseases in recent years, real progress can only be achieved when everyone, including women and children, have access to good healthcare.

4 QUALITY EDUCATION

Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.

Access to education can help lift people out of poverty, bring a deeper understanding of the world around us and provide better opportunities for everyone, including girls. This goal is all about ensuring everyone has access to learn no matter who they are or where they are.

5 GENDER EQUALITY

Achieve gender equality and empower all women and girls.

Women and girls still suffer discrimination and violence and that is half of the world's population. This goal is about achieving gender quality, through equal access to education, healthcare and decent work, can only benefit societies.

6 CLEAN WATER AND SANITATION

Ensure availability and sustainable management of water and sanitation for all.

There are billions of people all over the world without access to clean water and toilets, a human right that many of us take for granted. Water scarcity and inadequate sanitation has a huge cost, not least of all the number of people, especially children, that die from diseases every year.

7 AFFORDABLE AND CLEAN ENERGY

Ensure access to affordable, reliable, sustainable, and modern energy for all.

We cannot only talk about providing affordable and reliable energy to the billions who still rely on wood and charcoal for cooking and heating. This goal also underscores the need for clean and renewable energy to help combat climate change.

8 DECENT WORK AND ECONOMIC GROWTH

Promote sustained, inclusive, and sustainable economic growth, full and productive employment and decent work for all.

With global unemployment on the rise, we need to find ways to create more jobs that not only provide decent pay but stimulate the economy and provide equal opportunities for both men and women while protecting the environment.

Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation.

In simple terms, this goal states that in order for a society to grow, it should encourage industries that bring opportunities to everyone while protecting the environment. These industries must also be supported by resilient infrastructure such as reliable transport as well as by technological innovation.

Reduce inequality within and among countries.

For real improvements in a society, everyone needs to have the access to opportunities that will let them grow as individuals. But this is not the case in many places where people face discrimination because of their gender, disability status, ethnic or racial group, or background. This goal seeks to make sure everyone everywhere has a chance to live a healthy and happy life.

Make cities and human settlements inclusive, safe, resilient, and sustainable.

Cities are lively hubs for ideas, commerce, culture, science, productivity and much more. But they face many challenges such as pollution, lack of basic services for many citizens, and declining infrastructure. Our cities and villages need to be clean and safe, with good housing and basic services like water and electricity. They also need clean transport systems and green areas that everyone can enjoy.

Ensure sustainable consumption and production patterns.

This goal wants to make us think twice about the things we use, the waste we create, and how that impacts our planet. Changing our behaviour towards more sustainable actions such as recycling really makes a difference when everyone, that includes individuals, companies, and governments, contributes. There are many little things you can do to achieve this goal.

Take urgent action to combat climate change and its impacts.

Our climate has always been changing, but in the past 200 years the changes have been more extreme because of human activity. Climate change is now affecting every country on every continent and the poorest and most vulnerable people are being affect the most. This goal is about finding solutions like renewable energy and clean technologies to fix climate change. But it will take actions from governments, the private sector and civil society organisations to make a significant impact.

Conserve and sustainably use the oceans, seas, and marine resources for sustainable development.

This goal is about protecting the oceans, seas, and all of its species, as they provide food, medicines, and biofuels, as well as jobs for millions of people. Keeping oceans healthy also helps us address climate change.

Protect, restore, and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.

We are all part of the global ecosystem. This goal is about making sure that we stop all the things that threaten our global home. This includes deforestation, land degradation, and loss of animal and plant species.

Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable, and inclusive institutions at all levels.

Too many people experience war and violence. This goal is about finding ways to make sure everyone lives in a peaceful society, where they can have access to justice, and do not have to live in fear.

17 PARTNERSHIPS FOR THE GOALS

Strengthen the means of implementation and revitalise the global partnership for sustainable development.

To make all the goals a reality will require the participation of everyone. That includes governments, the private sector, civil society organisations, and individual people. It is about joining forces and partnering, so the goals can be achieved faster.

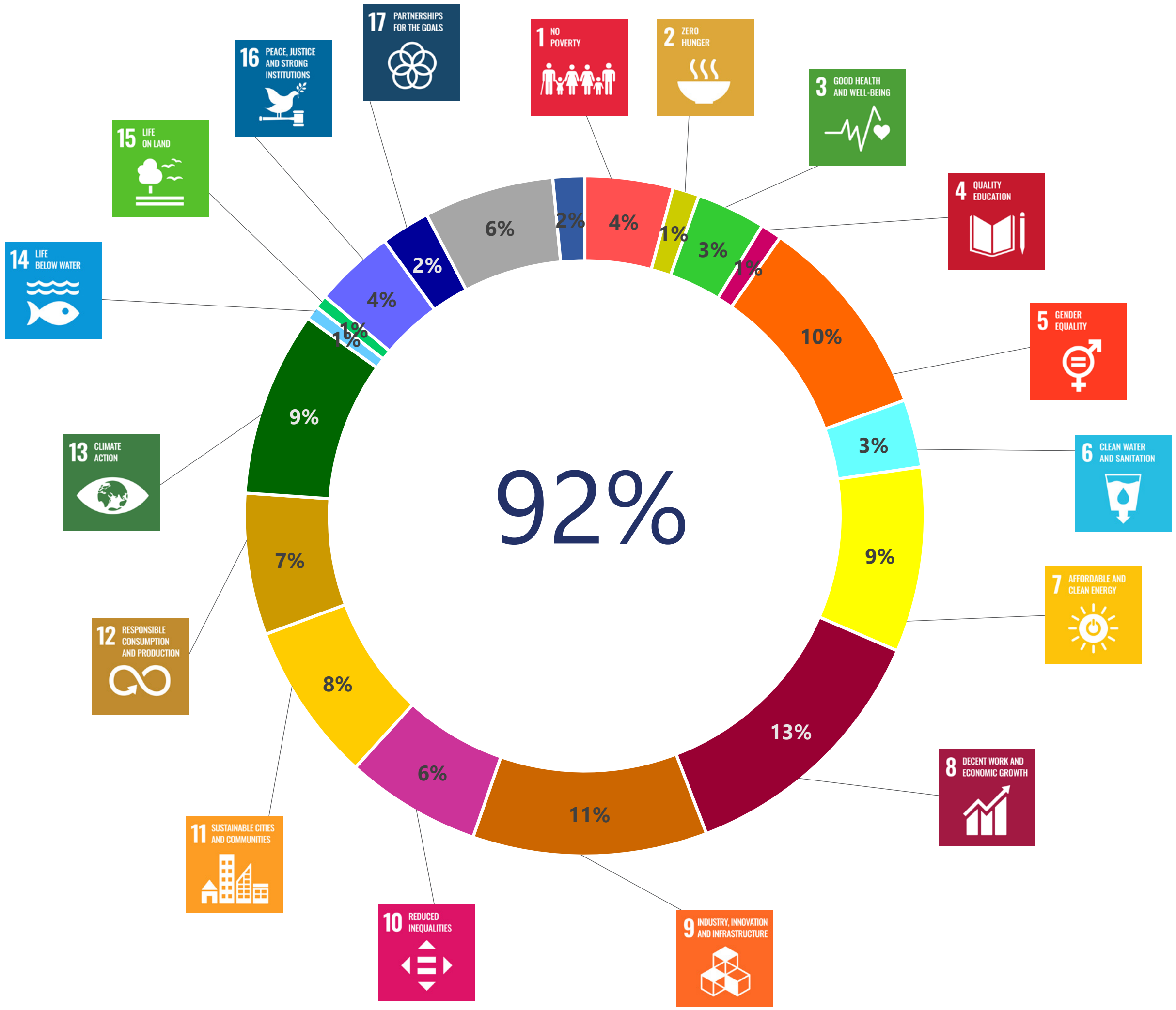
Mapping across to the UN's Sustainable Development Goals – Ethical Cautious

Our cautious model portfolio within the Ethical range can be mapped across to the UN Sustainable Development Goals, through the underlying investments with the individual funds that make up the portfolio.

92% of the portfolio can be directly mapped to the 17 goals, as of 31st December 2024. This clearly shows how your money is being used for good and aligns with the future wellbeing of the planet and its inhabitants.

The portion of your portfolio that does not directly align to the UN Sustainable Development Goals is still being invested ethically, it just contains companies that do not directly align with one of the individual goals.

The mapping across to the UN Sustainable Development Goals will be updated at least every six months, or when significant changes are made to the underlying funds.



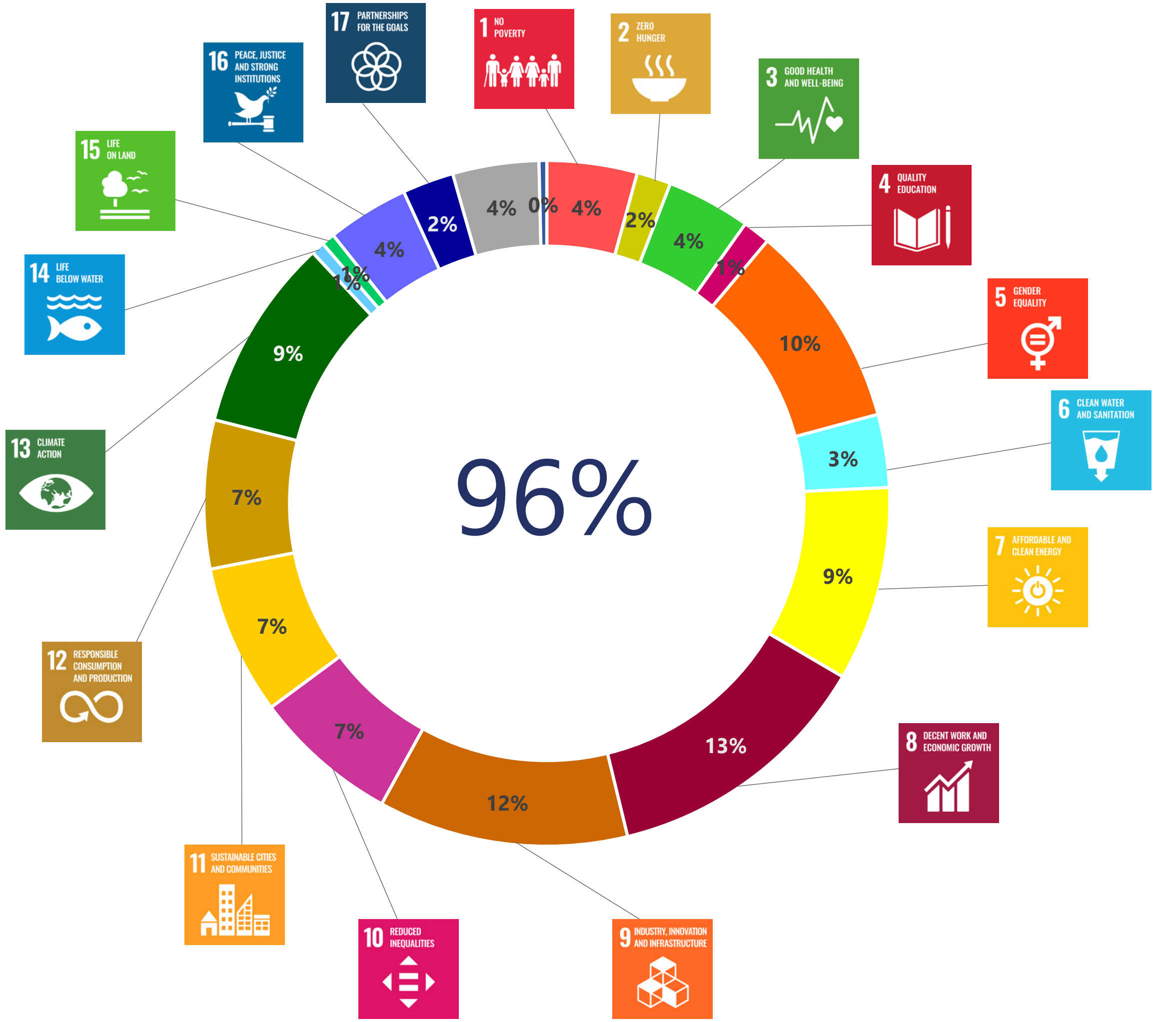
Mapping across to the UN's Sustainable Development Goals – Ethical Balanced

Our balanced model portfolio within the Ethical range can be mapped across to the UN Sustainable Development Goals, through the underlying investments with the individual funds that make up the portfolio.

96% of the portfolio can be directly mapped to the 17 goals, as of 31st December 2024. This clearly shows how your money is being used for good and aligns with the future wellbeing of the planet and its inhabitants.

The portion of your portfolio that does not directly align to the UN Sustainable Development Goals is still being invested ethically, it just contains companies that do not directly align with one of the individual goals.

The mapping across to the UN Sustainable Development Goals will be updated at least every six months, or when significant changes are made to the underlying funds.



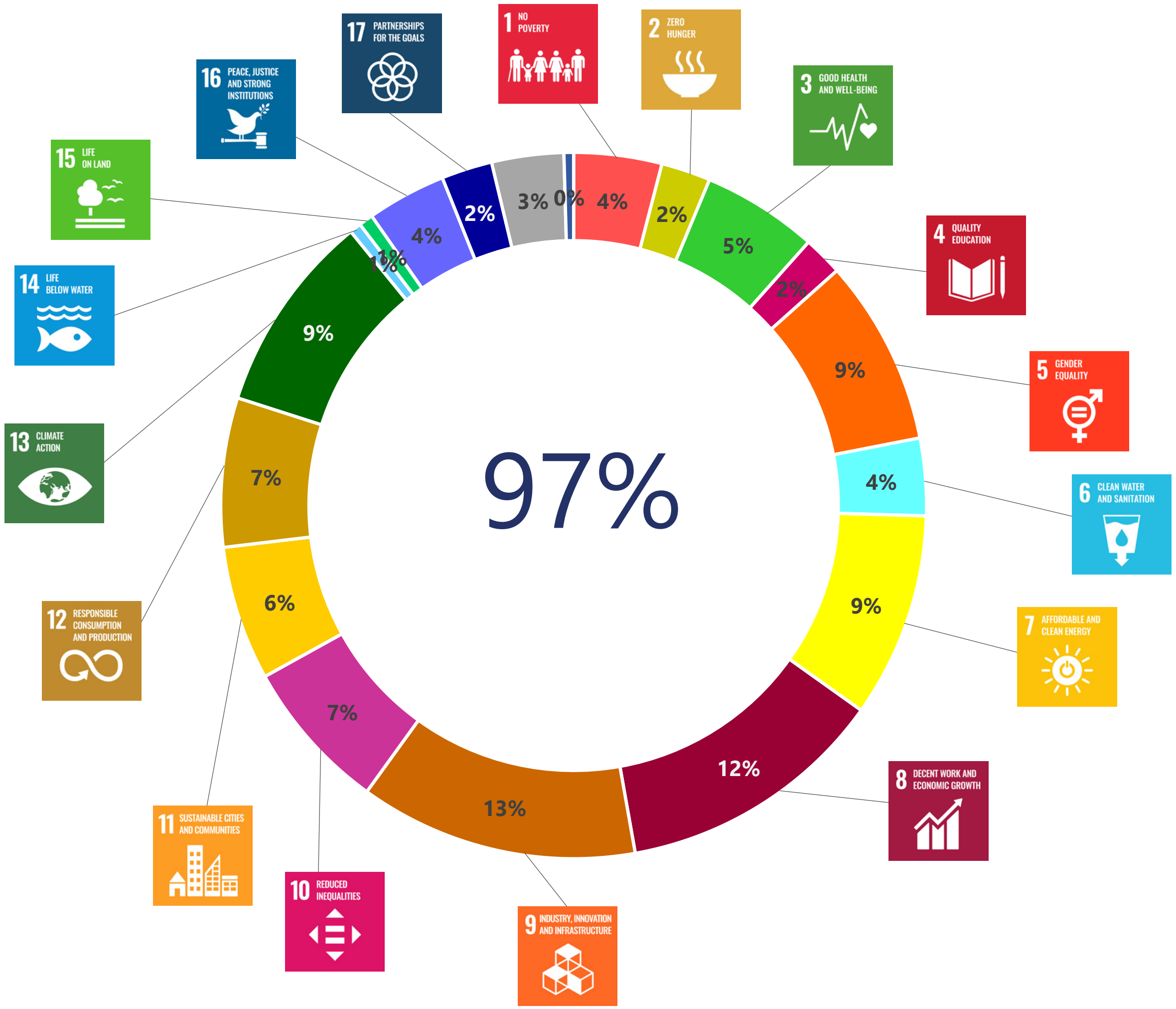
Mapping across to the UN's Sustainable Development Goals – Ethical Growth

Our growth model portfolio within the Ethical range can be mapped across to the UN Sustainable Development Goals, through the underlying investments with the individual funds that make up the portfolio.

97% of the portfolio can be directly mapped to the 17 goals, as of 31st December 2024. This clearly shows how your money is being used for good and aligns with the future wellbeing of the planet and its inhabitants.

The portion of your portfolio that does not directly align to the UN Sustainable Development Goals is still being invested ethically, it just contains companies that do not directly align with one of the individual goals.

The mapping across to the UN Sustainable Development Goals will be updated at least every six months, or when significant changes are made to the underlying funds.

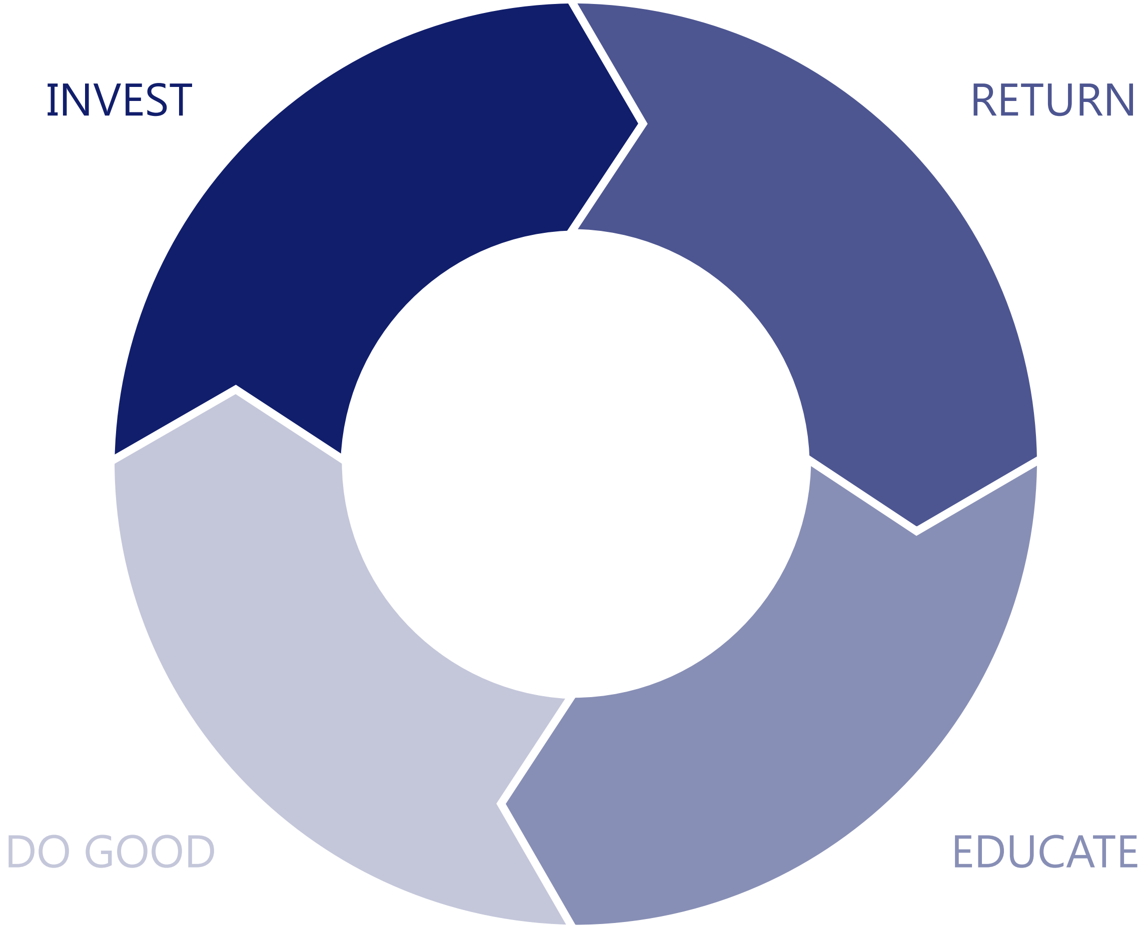


Invest, return, educate and do good

Now that you understand the robust framework, we implement for our Ethical model portfolios and how the Cautious, Balanced and Growth will map across to the UN's Sustainable Development Goals, we will look at our regular educational part of the quarterly review. This is where we give you a closer look at the numbers behind the goals, the stories in the news and some of the companies that you may be invested with.

- Ethical issues in the news.
- Case studies of the some of the companies that you are invested in.
- The UN's Sustainable Development Goals in focus.

Our commitment to you, is to provide a suitable product for you to invest ethically, to provide an appropriate return for the level of risk being taken, to further educate you on the issues and news stories that could affect your investment and show how your money is doing good for the world.



Ethical issues in the news

Over the past quarter, two major international conferences addressed interconnected global challenges: biodiversity and climate change. The 16th Conference of the Parties (COP16), held in Cali, Colombia, focused on biodiversity, while COP29, hosted in Baku, Azerbaijan, centred on advancing climate action and reviewing progress under the Paris Agreement. Together, these conferences tackled issues that are deeply linked: the health of ecosystems and the climate.

The 16th Conference of the Parties (COP16) to the Convention on Biological Diversity (CBD) took place over two weeks in late October 2024. The CBD, an international treaty with 196 signatories, aims to conserve biodiversity, promote its sustainable use, and ensure fair sharing of benefits from genetic resources. Biodiversity COPs occur every two years to review progress and agree on actions to guide global biodiversity efforts. This year's COP16 was particularly significant as it marked the first meeting since the adoption of the Kunming-Montreal Global Biodiversity Framework (GBF) at COP15 in 2022. The GBF is a global agreement designed to halt biodiversity loss, with 23 ambitious targets for 2030 and longer-term goals for 2050. These include conserving habitats, reducing pollution, and ensuring equitable sharing of benefits.

Often referred as the "implementation COP", COP16 focused on turning the GBF into action. Delegates discussed aligning national biodiversity strategies and action plans (NBSAPs) with the framework. While there was progress, with 119 countries submitting national targets and 44 updating their NBSAPs, the pace was deemed insufficient to meet the 2030 goals. However, a key breakthrough was the adoption of frameworks for identifying, protecting, and managing Ecologically or Biologically Significant Areas (EBSAs), resolving over eight years of stalled negotiations. This progress equips countries with new tools to protect critical ecosystems.

In mid-November 2024, the UN Climate Change Conference (COP29) brought nearly 200 nations together to advance urgent climate action. Hosted in Baku, the conference focused heavily on climate finance and resulted in a landmark agreement on a new climate finance goal. Developed countries pledged to triple annual financial support for developing nations, increasing it from \$100 billion to \$300 billion by 2035. The broader aspiration of mobilising \$1.3 trillion annually, including private investments, was also set. This funding aims to help developing nations adapt to climate impacts, build resilience, and transition to renewable energy.

Another major achievement of COP29 was the finalisation of international carbon market frameworks under Article 6 of the Paris Agreement. The first key mechanism includes systems for trading carbon credits between countries to meet emissions targets more efficiently while another creates a UN-supervised crediting system, allowing organisations and countries to generate credits by implementing emissions reduction projects. Both mechanisms include safeguards to ensure environmental integrity and protect the rights of Indigenous Peoples. These frameworks are expected to unlock new funding for low-carbon projects in developing nations, such as renewable energy and reforestation projects.

The outcomes of both COPs highlight the intertwined nature of biodiversity and climate change. The decisions made in Cali to protect ecosystems and those in Baku to finance climate resilience and reduce emissions are crucial steps in addressing these interconnected crises. While both conferences achieved significant progress, they also revealed the enormous challenges that remain in meeting global targets for biodiversity conservation and climate action. Integrated approaches, recognising the mutual dependence of climate and biodiversity, will be essential for securing a sustainable future.

Companies that you are invested in: Reduced Inequalities – January 2025

This quarter, our primary focus is on Goal 10 – Reduced Inequalities, one of the United Nations' Sustainable Development Goals (SDGs). We will examine several investments within the Ethical MPS that align with this goal and contribute to achieving the targets of SDG 10.

The Adecco Group is the world's leading talent advisory and solutions company, helping people find jobs and supporting companies with HR services. Held within the Schroder Global Sustainable Value fund as part of your global equity exposure, Adecco aims to empower individuals by building employability and connecting people with opportunities. Their solutions optimise clients' talent needs and organisational models while committing to operating responsibly to build a better world of work.

The Adecco Group's efforts align with SDG 10 by addressing inequalities and fostering inclusion globally. Their comprehensive training, upskilling, and reskilling programmes equip individuals and organisations with skills for an evolving job market. Offered both as standalone services and as part of workforce transformation solutions, these initiatives support sustainable employment and economic participation. This supports SDG 10 by removing barriers to employment and improving livelihoods.

Adecco also prioritises inclusion by breaking down systemic barriers and creating pathways for under-represented groups such as women, young people, and those with disabilities. These efforts ensure equal opportunities for employment and career progression while promoting lifelong learning. The company's commitment to pay equity is another pillar of reducing inequalities. By closing gender and ethnic pay gaps, Adecco's policies set an industry benchmark for equitable remuneration, fostering a culture of fairness and inclusivity.

Their alignment with SDG 10 highlights how organisations can drive meaningful change by reducing inequalities while achieving business success.

SONY

The Sony Corporation is a well-known Japanese multinational conglomerate that manufactures and distributes electronics, produces and distributes media, and offers financial services. The group is headquartered in Tokyo and is held within Nomura's Japanese Sustainable Equity Core Fund. Sony has established a comprehensive Sustainability Vision, which is to "Inspire a World Filled with Emotion for This Generation and Beyond" through a focus on People, Society, and Earth.

Sony's commitment to reducing inequalities aligns closely with SDG 10. The company prioritises diversity, equity, and inclusion (DE&I) as key drivers of innovation and progress. Sony's redefined DE&I statement, updated for the first time in ten years, emphasises the company's commitment to fostering an inclusive and innovative environment.
This redefinition acknowledges the growing global awareness of human rights and expresses Sony's dedication to promoting diversity across its operations and building a fair and inclusive organisational structure.

Sony actively works to increase the participation of under-represented groups across its workforce. This includes initiatives aimed at elevating women into leadership roles and creating equal opportunities for people of all backgrounds. Through internal training programmes and inclusive hiring practices, Sony ensures that barriers to career advancement are systematically dismantled.

Beyond its workforce, Sony's efforts to reduce inequalities extend across its supply chain. The company's Supply Chain Code of Conduct enforces strict standards on labour conditions, human rights, and fair treatment. By addressing systemic inequities, Sony not only supports the livelihoods of its workers but also contributes to creating equitable economic opportunities on a global scale.

Through these actions, Sony exemplifies how businesses can take meaningful steps to promote inclusion and equity. By embedding SDG 10 into its operations and long-term strategies, Sony demonstrates its role as a leader in fostering a more equitable and inclusive world.

UN's Sustainable Development Goals in Focus – No.10 – Reduced Inequalities

Each quarter, we will explore a different Sustainable Development Goal (SDG), examining its significant facts and figures and highlighting why it is a critical issue that affects us all. SDG 10 focuses on "Reduced Inequalities". Its primary objective is to reduce inequality within and among countries by addressing disparities in income, opportunities, and access to services, regardless of age, gender, race, ethnicity, or background.

Inequalities within and among countries is a persistent cause for concern, as it hinders sustainable development and perpetuates cycles of poverty and marginalisation. SDG 10 seeks to empower and promote the inclusion of all people, reduce income inequality, ensure equal opportunities and reduce inequalities of outcome. Tackling inequality is integral in the ability to achieve the Sustainable Development Goals.

There have been positive signs toward reducing inequality in some areas. In North America and Europe, the income of the poorest 40% of the population has grown faster than the national average, and only a third of countries in Central and Southern Asia experienced this trend. Financial transfers during the COVID-19 pandemic boosted shared prosperity, aiding disadvantaged populations. However, the gap between the richest and poorest countries has widened over the past five years, highlighting persistent relative inequality.

Migration continues to be a pressing issue. Migrant fatalities reached a record high in 2023, with over 8,000 deaths. This underscores the urgent need for safe migration pathways, as people continue to risk their lives migrating in search of better opportunities, a crucial target under SDG 10. Additionally, the global refugee population requiring international protection peaked in mid-2023, doubling from 213 to 441 per 100,000 people since 2015. This rise reflects the impacts from ongoing conflicts, persecution, and human rights violations.

Achieving SDG 10 is complex and requires coordinated efforts at all levels, it is an issue that is not just confined to one country or region, the most wealthy countries still have communities living in poverty. Economic instability, protectionist policies, and insufficient social safety nets exacerbate inequalities, especially in developing nations. Additionally, structural barriers such as discriminatory laws, lack of political representation, and entrenched social norms hinder progress toward equitable societies. Climate change and conflicts further deepen inequality, disproportionately affecting those already vulnerable.

Nevertheless, progress is being made in reducing inequalities. As noted above, incomes are growing for the poorest 40% of populations, and many countries have reported that the proportion of their population living on below half the median income has fallen since 2000. Furthermore, remittance costs have fallen, facilitating financial transfers that mitigate inequalities when migrant workers support their families in their home countries.

Reducing inequalities is essential for achieving the broader SDG agenda. Tackling deep-rooted imbalances is crucial to ensuring that progress in key areas such as poverty reduction, education, and healthcare is both equitable and sustainable. As inequality remains a global challenge, collective and coordinated action is necessary to build a fairer, more inclusive world where everyone has the opportunity to thrive.

Important information

The Ethical Portfolios one to ten were launched in April 2015, and merged to form Ethical Cautious, Ethical Balance & Ethical Growth in January 2020, have their performance metrics updated to 31st December 2024, based on their composition as of 1st January 2025. It's crucial to understand that past performance does not predict future returns, and the value of investments can change, potentially resulting in not recovering the initial investment.

Investment performance is subject to fluctuations due to changes in currency rates and market conditions, especially for funds invested in international markets or different currencies. The Investment Asset Allocation Committee may adjust asset allocations in response to market evaluations, which could affect portfolio performance. Also, performance figures may not align with individual experiences if there were changes in portfolio investment during the quarter.

Be aware that inflation can impact the future value of capital, and investments focused on specific sectors or regions are generally riskier. Additionally, investments in emerging markets or smaller companies are subject to higher volatility and risks. Lastly, the performance of funds can vary significantly based on the timing of investment switches.

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