

Wesleyan Quarterly Review

Q2 22

With Profits Fund

July 2022

An update on Q2 2022 from our in-house Investments Team

- ▶ Elevated inflation, soaring interest rates and a widespread economic slowdown created an environment of negative investment returns in Q2.
- ▶ Unusually, it was a volatile quarter for *both* equity and bond markets.
- ▶ While the UK stock market outperformed in the first three months of the year, it started to stumble slightly in Q2. Despite that, it still performed better than the US, Asia and Europe. This helped our With Profits Fund's underlying performance, because it currently has a UK equity bias.
- ▶ It was a mixed view for the performance of commercial property during the period. The industrial sector continued to flourish, thanks to a growth in online shopping and a need for more distribution sites to fulfil those orders.
- ▶ The fund management team is gradually increasing overseas equity exposure where they see appropriate opportunities, helped by lower valuations resulting from recent market dips.

- ▶ With the conflict in Ukraine on its doorstep, and energy supply issues caused by a dependence on Russian oil and gas, European markets were hit hard throughout Q2 and this trend could remain for some months.
- ▶ Double-digit inflation is never a positive sign, and UK interest rates are very likely to go up in the coming months, to help rein in inflation. This is also true for the Eurozone, US and many other developed economies.
- ▶ The yields available on government bonds are likely to be offset by soaring inflation rates for the short-term future.
- ▶ We believe that commercial property and equities, selected on a case-by-case basis after rigorous research, still offer the best potential for long-term returns. Industrial property values appear to be 'softening', and the team is already buying assets that have lower valuations than they would have done in H1.
- ▶ In the current economic environment, there is a growing risk of recession for countries such as the UK and US, but markets are forward-looking and have already taken such risks into account.

You can [read the full Q2 2022 – Market Commentary](#) on the Wesleyan website.



We're not just a trusted guardian of our investors' financial futures, our award-winning Investments team also help fulfil our desire to be part of a force for positive change in the world. Winners of the 'Responsible Investor of the Year' award at the 2022 Insurance Asset Risk Awards, when it comes to how and where we invest money sustainably, we focus on 3 key areas.



Reducing harm

Over the past six months we sold over **£40m¹** of investments that failed to meet our 'Reducing Harm' requirements.

SOLD
£40m

Of that, **£15m** was sold from companies we believe aren't taking the threat of global warming seriously.

£15m

We do not have any exposure to companies that produce tobacco products.



Driving change

We are signatories of the **Principles for Responsible Investment** and **Climate Action 100+**, both of which encourage companies to reduce their environmental impact.



Over the 12 months to June 2021, we met with the management of well over **100** companies to encourage better business practices.

100

We also voted at over **500** company meetings, ensuring our voice as an investor was heard and encouraging sustainable behaviour.



Positive impact

We are a top 10 shareholder in **Home REIT**, the UK's first real estate investment trust tackling homelessness in the UK.



We have invested over **£25m²** into funds focused on sustainable energy production or infrastructure since the start of 2020.

£25m



We have over **£100m²** invested in companies contributing to social equality.

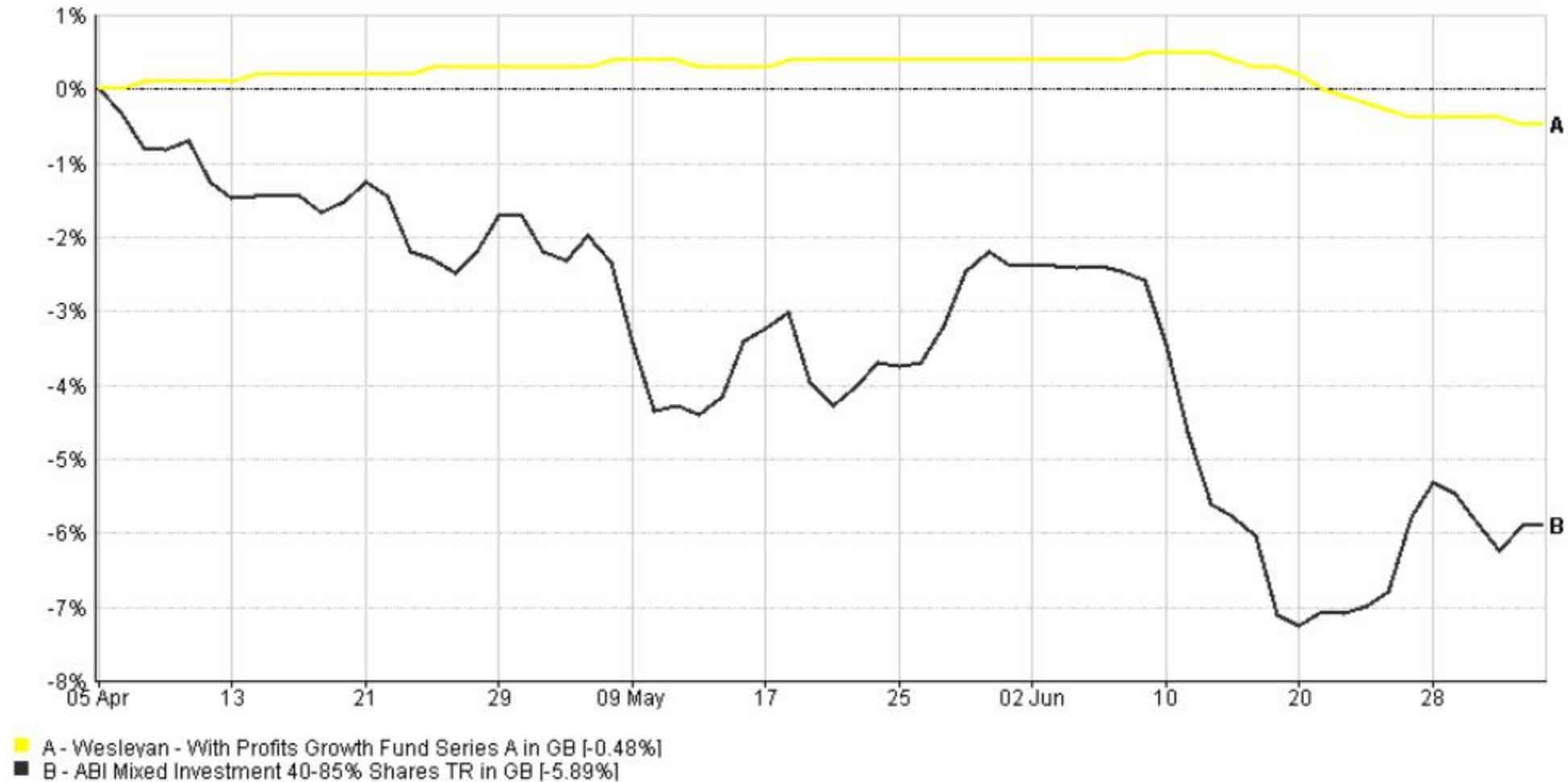


We have over **£350m²** invested in companies contributing to the advancement of medical health and the fight against diseases.

¹From April to September 2021. ²All figures and data as of 30 September 2021.

Performance: 3 Months Vs 40 to 85%

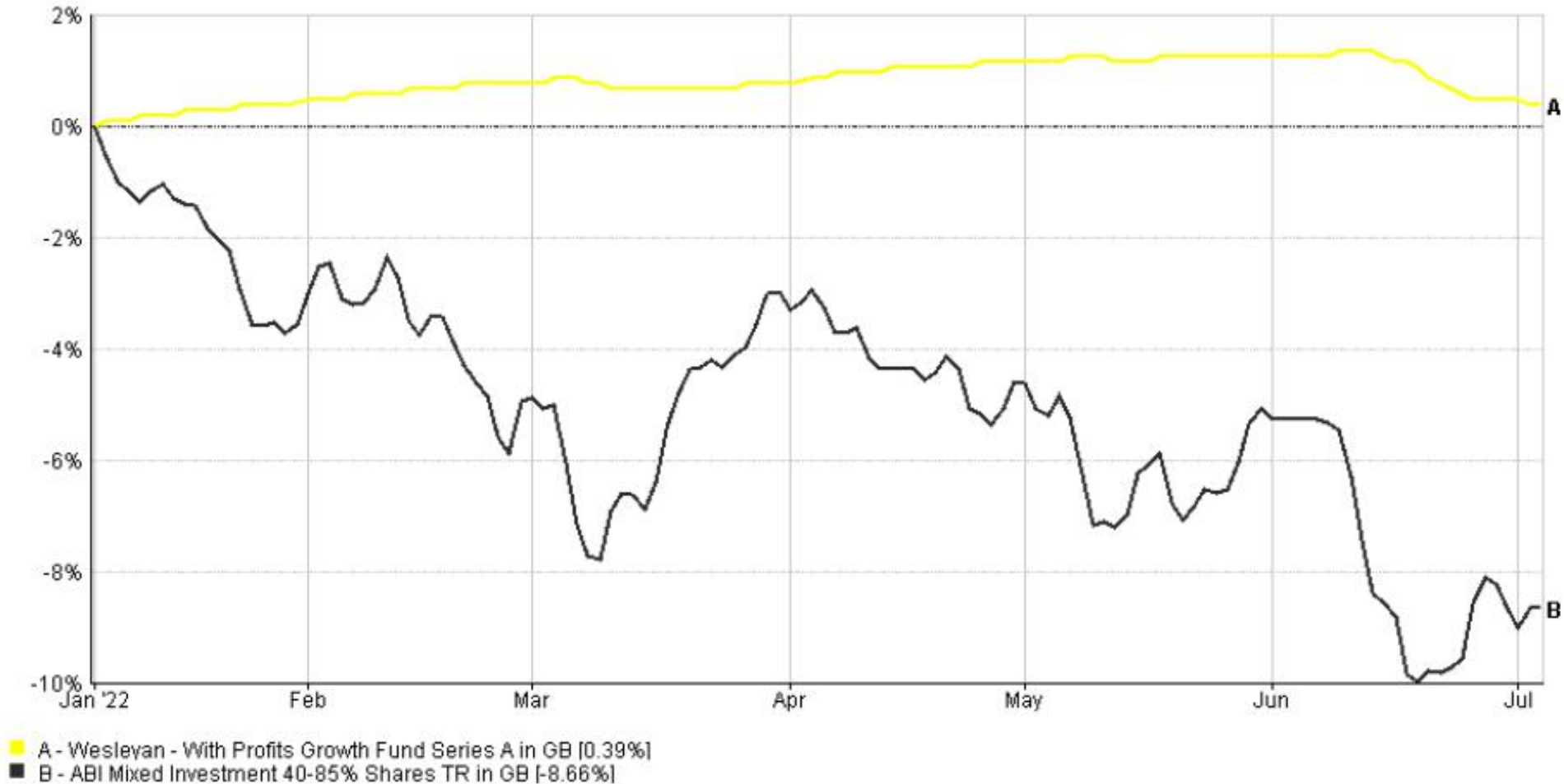
Pricing Spread: Bid-Bid • Data Frequency: Daily • Currency: Pounds Sterling



05/04/2022 - 05/07/2022 Data from FE fundinfo2022

Performance: 6 Months Vs 40 to 85%

Pricing Spread: Bid-Bid • Data Frequency: Daily • Currency: Pounds Sterling



05/01/2022 - 05/07/2022 Data from FE fundinfo2022

Performance: 12 Months Vs 40 to 85%

Pricing Spread: Bid-Bid • Data Frequency: Daily • Currency: Pounds Sterling



05/07/2021 - 05/07/2022 Data from FE fundinfo2022

Performance: 3 Years Vs 40 to 85%

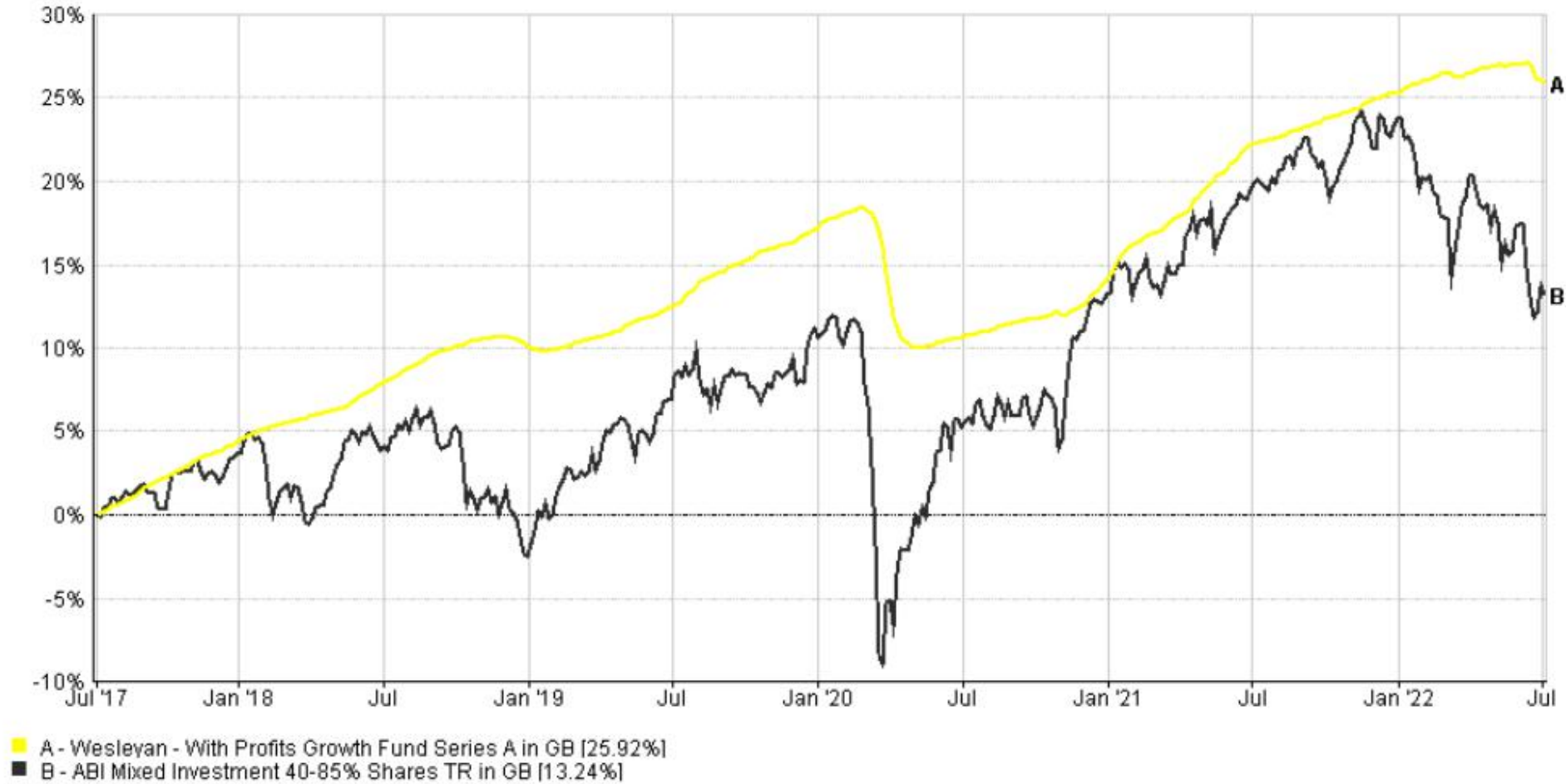
Pricing Spread: Bid-Bid • Data Frequency: Daily • Currency: Pounds Sterling



05/07/2019 - 05/07/2022 Data from FE fundinfo2022

Performance: 5 Years Vs 40 to 85%

Pricing Spread: Bid-Bid • Data Frequency: Daily • Currency: Pounds Sterling



05/07/2017 - 05/07/2022 Data from FE fundinfo2022

Performance: 10 Years Vs 40 to 85%

Pricing Spread: Bid-Bid • Data Frequency: Daily • Currency: Pounds Sterling



05/07/2012 - 05/07/2022 Data from FE fundinfo2022

'WESLEYAN' is a trading name of the Wesleyan Group of companies.

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WESLEYAN

we are all about you