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# With Profits Growth Fund Quarterly Review

Q2 2023

**WESLEYAN**  
*we are all about you*



# Market Review and Outlook

Spring is normally a time for new beginnings and as investment markets ended the first quarter of 2023 on a slightly steadier trajectory, there was hopeful optimism that the second quarter would be off to a brighter start.

In this update, we'll reflect on some of the highlights, and the lowlights, of the quarter, and bring our usual funds' view and outlook from our Investments team – you can also check out our website and social media channels for the latest information.

## Global markets overview

Global markets started the month on a high, as shares rose in April bolstered by strong economic data, in particular, UK equities were on the up. But May's figures showed they underperformed global equities (declining by 4.6%). Although June saw global equity markets appreciate in value, UK equities continued to lag their overseas peers as concerns around stagflation in the UK economy held back domestically focused shares in particular. Disappointingly, the UK stock market declined by just under 0.5% in the second quarter.

Global bonds on the other hand, saw a rise in yields in April, as the banking sector stresses seen in March appeared to have melted away with the first signs of spring. Following a difficult 2022 for bond markets – UK bonds continued to underperform equities in the second quarter of 2023, although shorter-dated bonds declined by less than longer-dated bonds in the period as yields continued to drift higher.

Renewed US-China tensions resurfaced in April, and emerging markets underperformed developed market equities with China in particular, performing poorly in the month.

Faring slightly better economy-wise in May, China's reopening of its economy following Covid has so far been weaker than anticipated. This has resulted in China being one of the weakest global stock market performers in the second quarter of 2023, falling by more than 12%.

Overall, global shares saw a modest increase in the second quarter, but it was within sectors where there was a noticeable performance difference as technology stocks were boosted by 'AI' (Artificial Intelligence). The US stock market performed strongly in the quarter, led by a narrow number of highly-valued technology companies, rising by just under 6%. Remaining in the States, democrats and republicans agreed a compromise on the 'debt ceiling' to raise the country's borrowing limit in order to avoid Treasury money running out. By early June, the two parties had agreed a deal to suspend the ceiling until 2025 (allowing the country to pay its bills). This was an outcome that kicks the can far enough down the road for it not to interfere with the 2024 presidential elections.

## Inflation, interest rates and cost of living

Inflation remained 'high' on the agenda right across the US, Europe, and the UK during the quarter. In the US, the view in April was that the Fed would raise interest rates by another quarter percentage point in May. This was duly implemented and marked the 10<sup>th</sup> hike since March 2022 – despite the recent banking woes in the US. Some respite came in June, when the US central bank announced it was holding interest rates steady – the first time in more than a year.

In Europe, recent data revealed that Germany went into a technical recession over the last winter as GDP for Q4 2022 fell, followed by another decline in Q1 2023. The country has seen signs of recovery, and, as like several others, it saw its inflation fall in May to 6.3% (down from 7.6% in April). However, preliminary data for June suggested that German inflation moved higher to 6.8%. In mid-June the European Central Bank, unlike the US, increased interest rates by 25 basis points to 3.5%. Despite the recent cooling of inflation, it still expects headline inflation at 5.4% this year.

Back in the UK, inflation came down in April to 8.7% (from 10.1% in March) – less than the Bank of England had hoped. May's figure did not delight either and remained stubbornly high at 8.7% - disappointing forecasters' lower expectations. The effects of the cost-of-living crisis continued to 'eat away' at British pay packets during the quarter, as food prices remained stubbornly high. And, there was no let-up in interest rate rises either: following the Bank of England's Monetary Policy Committee meeting in June, the bank rate rose to 5.0% (from 4.5% in May).

More rate hikes are expected before the end of the year as the bank continues its fight against inflation to bring it closer to its 2% target. In June, Prime Minister Rishi Sunak came out and said that the bank had his "total support" and urged the public to "hold their nerve" as the Government sticks to its plan to bring inflation down and get the country through the cost-of-living crisis.

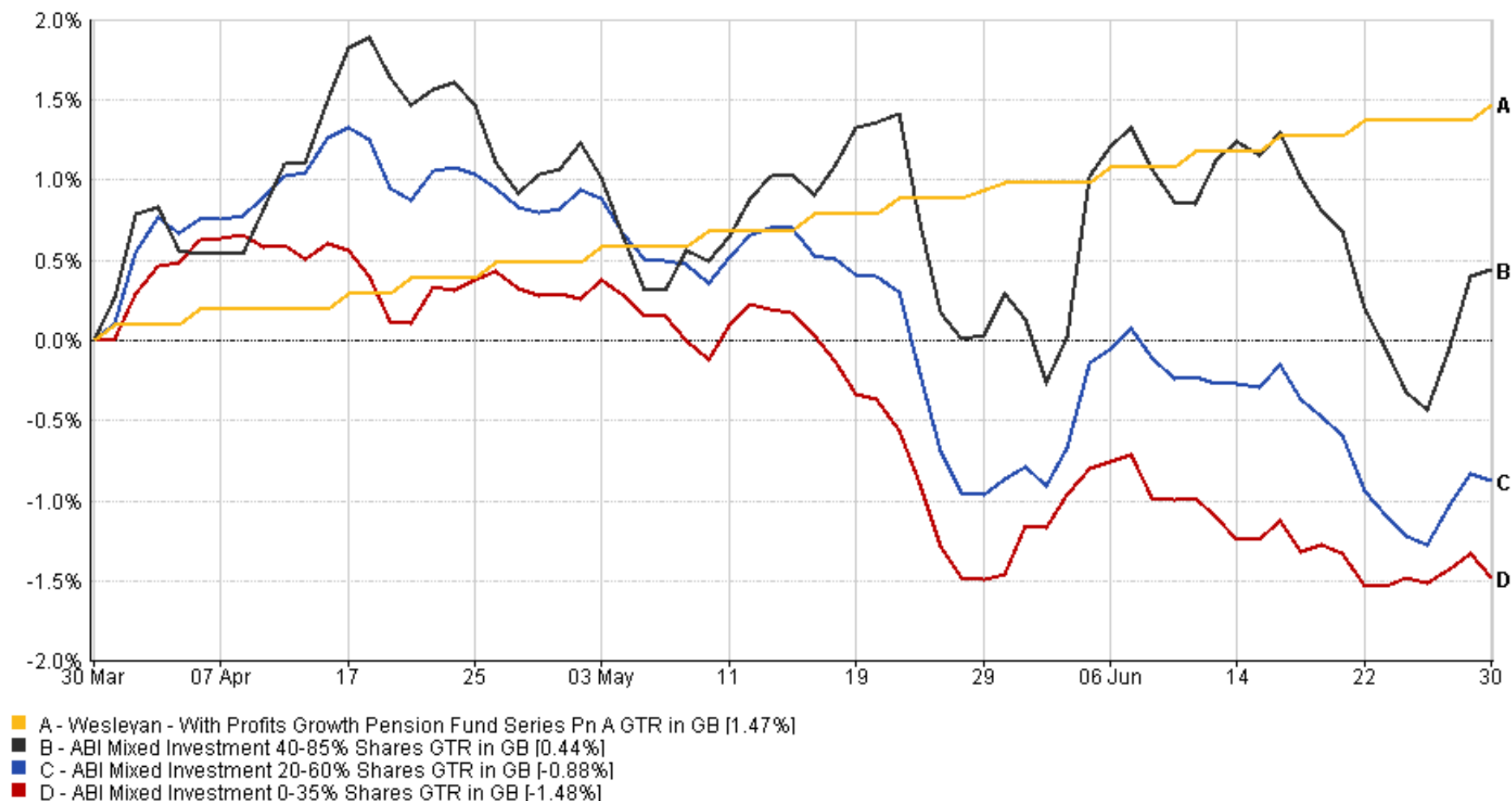
## Our fund view and outlook

Higher longer-term interest rates in May (notably gilt yields) have allowed our Fund to continue to purchase longer-dated UK government bonds, and corporate bonds at more attractive prices. As long-term investors, we anticipate that this will potentially generate healthy returns for our investors. We are also starting to see opportunities appear to increase our UK commercial property exposure. With higher prevailing interest rates, we are expecting to see some attractive property acquisition opportunities in the UK market. We expect to acquire more high-quality assets in the months ahead.

We also continue to gradually reduce our UK equity exposure, in favour of buying overseas equities (where valuations make it attractive to do so). This further diversifies our Fund's asset allocation. Recent weakness in infrastructure and renewable energy investment trusts is another area where we think valuations are creating valuable opportunities for long-term investors (like us) to capitalise on short-term weakness.

## Past 3 months

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



## Past 6 months

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



- A - Wesleyan - With Profits Growth Pension Fund Series Pn A GTR in GB [3.09%]
- B - ABI Mixed Investment 40-85% Shares GTR in GB [2.46%]
- C - ABI Mixed Investment 20-60% Shares GTR in GB [0.85%]
- D - ABI Mixed Investment 0-35% Shares GTR in GB [0.48%]

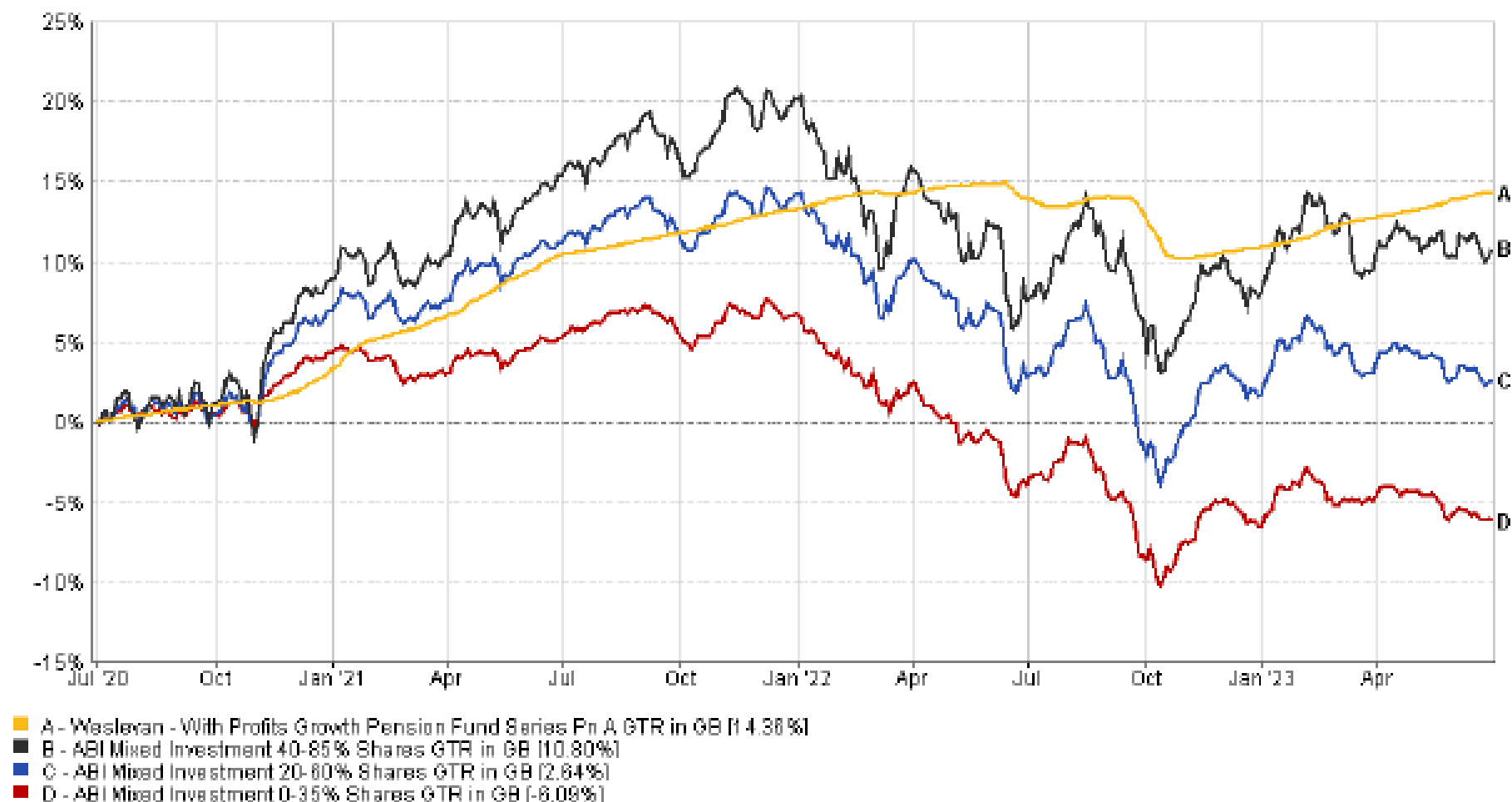
## Past 12 months

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



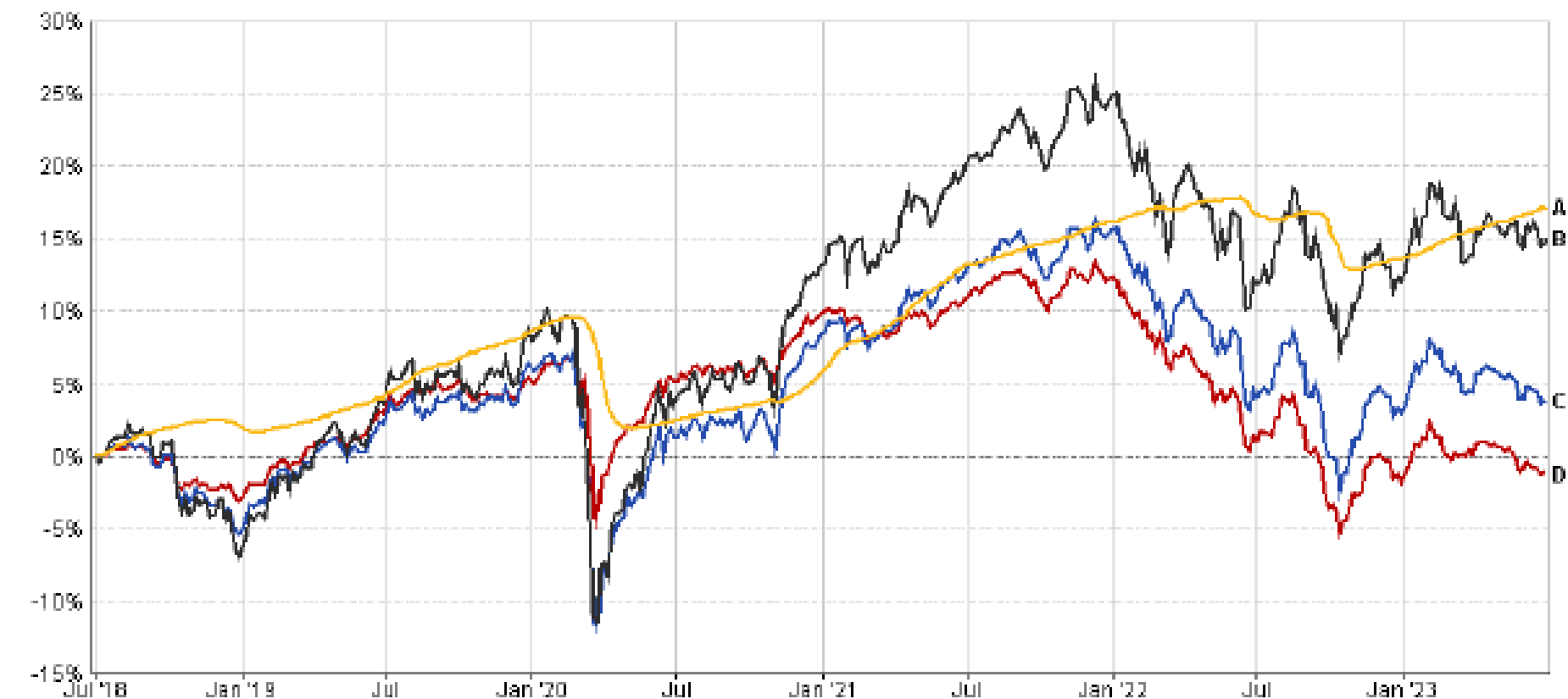
## Past 3 years

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



## Past 5 years

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



- A - Wesleyan - With Profits Growth Pension Fund Series Pr A GTR in GB (17.21%)
- B - ABI Mixed Investment 40-85% Shares GTR in GB (15.17%)
- C - ABI Mixed Investment 20-80% Shares GTR in GB (3.99%)
- D - ABI Mixed Investment 0-35% Shares GTR in GB (-1.16%)



## Past 10 years

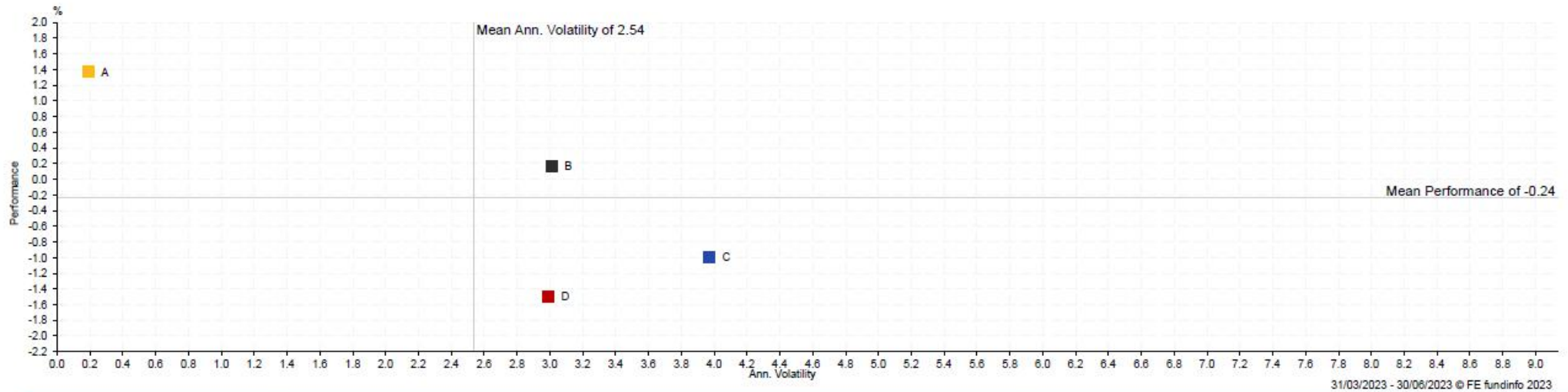
Pricing Spread: Bid-Bid • Data Frequency: Daily • Currency: Pounds Sterling



# Volatility and Performance Charts

## Past 3 months

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



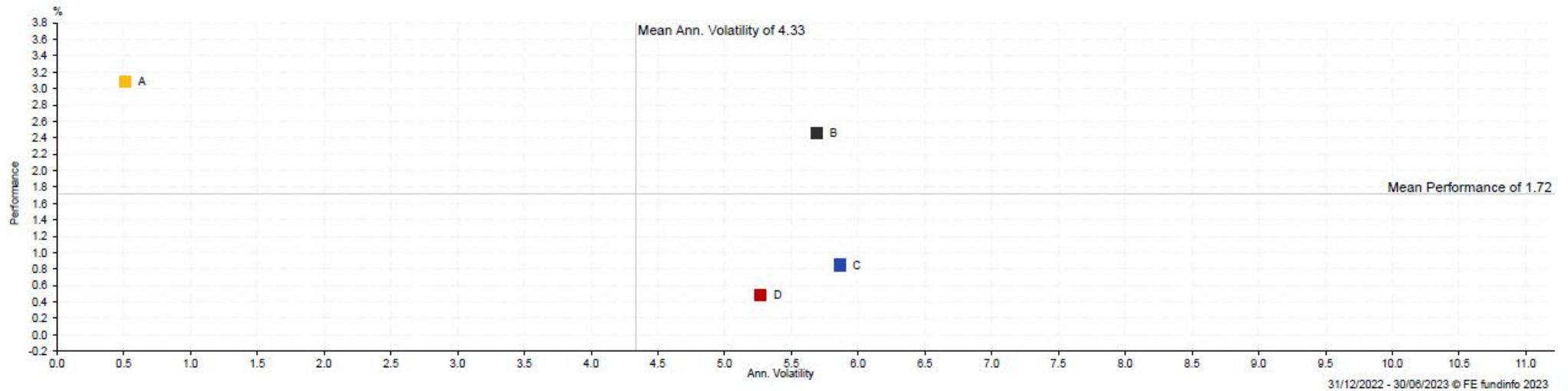
31/03/2023 - 30/06/2023 © FE fundinfo 2023

Key	Name	Performance	Volatility
A	Wesleyan - With Profits Growth Pension Fund Series Pn A GTR in GB	1.37	0.19
B	ABI Mixed Investment 40-85% Shares GTR in GB	0.17	3.01
C	ABI Mixed Investment 20-60% Shares GTR in GB	-0.99	3.97
D	ABI Mixed Investment 0-35% Shares GTR in GB	-1.50	2.99

# Volatility and Performance Charts

## Past 6 months

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

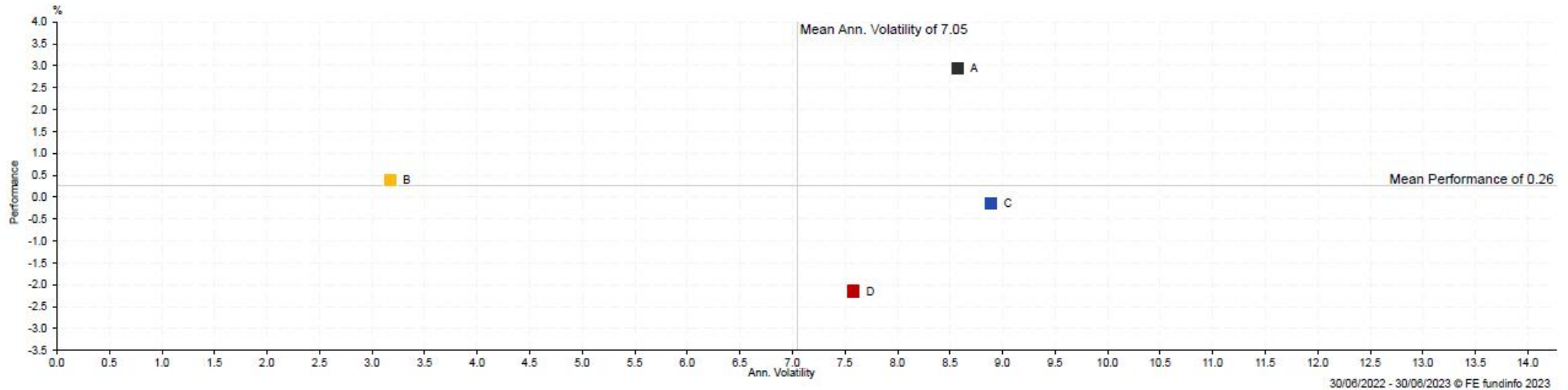


Key	Name	Performance	Volatility
A	Wesleyan - With Profits Growth Pension Fund Series Pn A GTR in GB	3.09	0.51
B	ABI Mixed Investment 40-85% Shares GTR in GB	2.46	5.69
C	ABI Mixed Investment 20-60% Shares GTR in GB	0.85	5.86
D	ABI Mixed Investment 0-35% Shares GTR in GB	0.48	5.27

# Volatility and Performance Charts

## Past 12 months

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



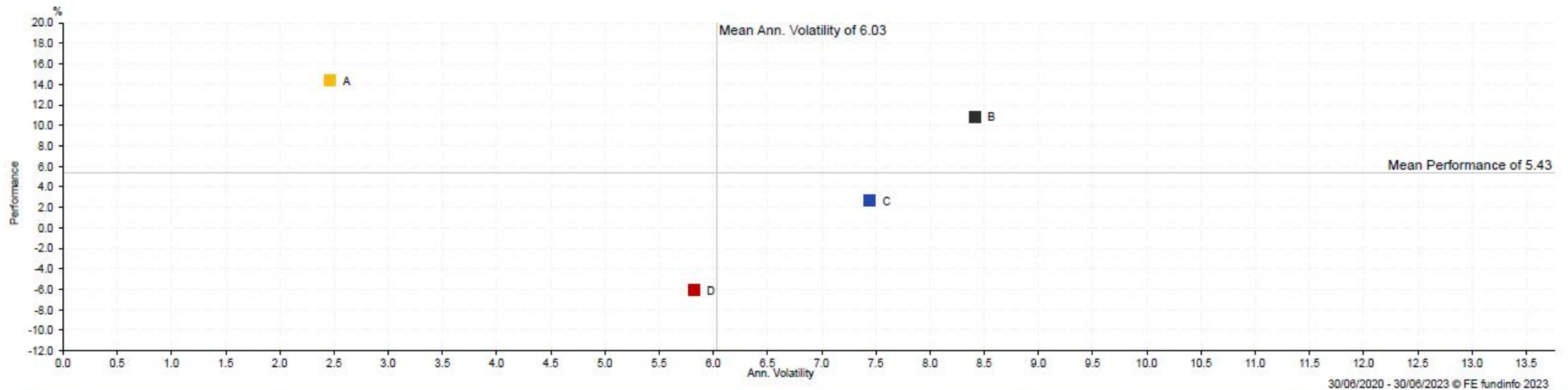
30/06/2022 - 30/06/2023 © FE fundinfo 2023

Key	Name	Performance	Volatility
■ A	ABI Mixed Investment 40-85% Shares GTR in GB	2.95	8.57
■ B	Wesleyan - With Profits Growth Pension Fund Series Pn A GTR in GB	0.39	3.17
■ C	ABI Mixed Investment 20-80% Shares GTR in GB	-0.14	8.89
■ D	ABI Mixed Investment 0-35% Shares GTR in GB	-2.15	7.58

# Volatility and Performance Charts

## Past 3 Years

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

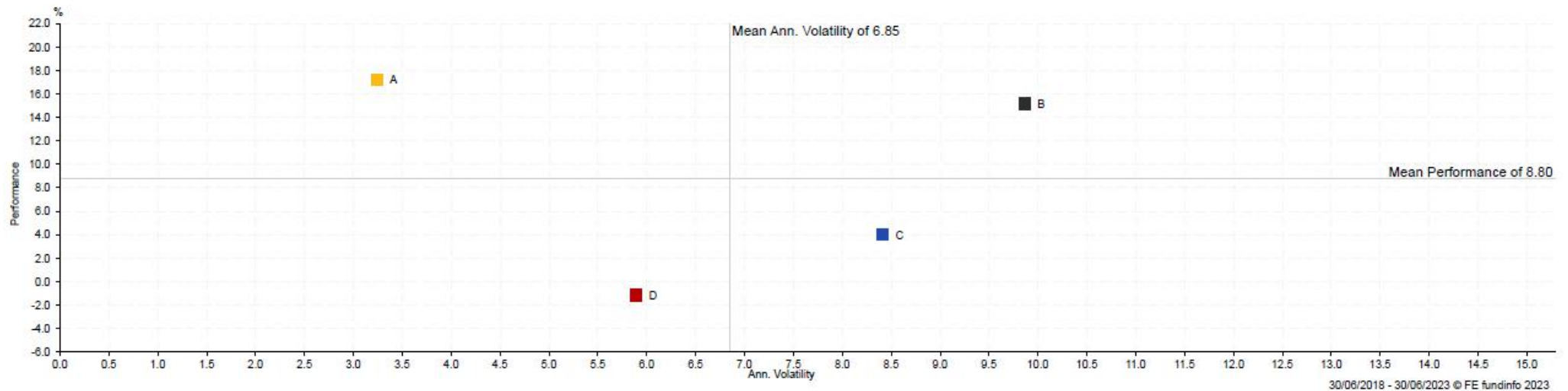


Key	Name	Performance	Volatility
A	Wesleyan - With Profits Growth Pension Fund Series Pn A GTR in GB	14.36	2.46
B	ABI Mixed Investment 40-85% Shares GTR in GB	10.80	8.41
C	ABI Mixed Investment 20-60% Shares GTR in GB	2.64	7.44
D	ABI Mixed Investment 0-35% Shares GTR in GB	-6.09	5.82

# Volatility and Performance Charts

## Past 5 years

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

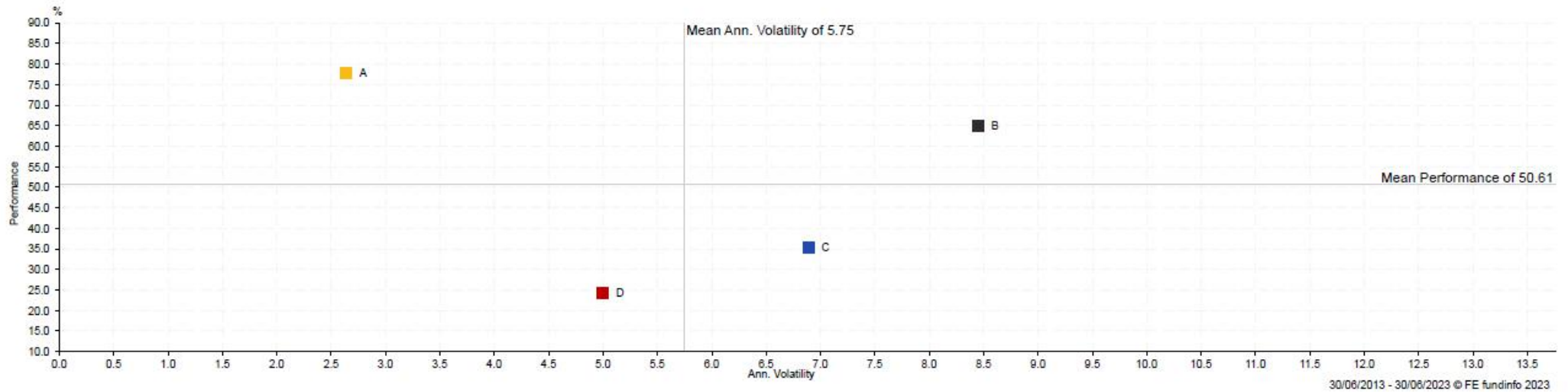


Key	Name	Performance	Volatility
A	Wesleyan - With Profits Growth Pension Fund Series Pn A GTR in GB	17.21	3.24
B	ABI Mixed Investment 40-85% Shares GTR in GB	15.17	9.86
C	ABI Mixed Investment 20-60% Shares GTR in GB	3.99	8.41
D	ABI Mixed Investment 0-35% Shares GTR in GB	-1.16	5.89

# Volatility and Performance Charts

## Past 10 years

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



Key	Name	Performance	Volatility
A	Wesleyan - With Profits Growth Pension Fund Series Pn A GTR in GB	77.84	2.84
B	ABI Mixed Investment 40-85% Shares GTR in GB	64.91	8.45
C	ABI Mixed Investment 20-60% Shares GTR in GB	35.34	6.89
D	ABI Mixed Investment 0-35% Shares GTR in GB	24.36	5.00

**For more information or to discuss Wesleyan's With Profits Fund with one of our Regional Sales Managers please get in touch:**



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