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With Profits Growth Fund

Quarterly Review Q3 2023

WESLEYAN

we are all about you



Market Review and Outlook

As we ended the second quarter with interest rates still on the rise and inflation remaining stubbornly high (albeit falling steadily), it was touch and go how bond and equity markets would fare in the third quarter of the year.

In this update, we'll reflect on this and take a look at some of the highlights, and the lowlights of the quarter – as well as bring our usual funds' view and outlook from our Investments team.

Global stock markets' overview

It looked like the 'warm glow' of summer was being reflected in global stock markets in July, with global equities delivering 2.5% in the month. The surprisingly 'stand-out' performances came from 'riskier' sectors such as small cap stocks – well known for their volatility and periods of underperforming. We also saw the UK, Europe and US all experience a decline in market inflation during the month which supported global market gains. Chinese equity markets also performed well following a weak start (post their Covid reopening) in the previous quarter – this meant that emerging markets outperformed developed markets in the month.

In August, it was 'all change' as global shares fell amid concerns over the Chinese real estate sector – affecting market performance – a sharp contrast to the previous month with emerging markets underperforming developed markets this time around.

European equity markets ended August on a downward path citing inflation and weakened consumer confidence. The US markets declined in the month too due to mixed economic data and weaker growth. And, it seems UK equities were hit by the same contagion of 'mixed economic data' not helped in part, by the Bank of England's continual crusade of increasing

interest rates. By the end of September, global equity markets had posted modest positive growth of just under 1% across the three-month period, outperforming government bond markets which declined in value.

Global bonds still in a quandary

It was a tough time for global bond markets in July, with global government bonds trailing the returns in equity markets. In the UK, as better news emerged on declining inflation – gilts (UK government bonds) outperformed other major government bond markets in the month. In August, bond markets in general declined slightly, as short-term rate hike expectations were dampened – but longer-dated bonds declined in value. This trend accelerated in September as interest rate curves steepened, resulting in those bonds with a longer time to maturity falling more markedly than bonds that will mature in the next year or two.

'Inflation' versus 'interest rates'

It looks like the constant 'tug of war' between inflation and interest rates is set to continue into the Autumn and remains a thorn in the side of many countries worldwide.

In the US, the Fed decided not to raise interest rates in September leaving them in a range of 5.25 to 5.50% - marking the second time this year that the bank has left them unchanged. This coincided with the rise in the country's inflation rate at 3.7% (as at August) due to higher energy prices – leaving inflation still above the Fed's target of 2%.

A different situation emerged in Europe, where interest rates were raised to a record high in September by the European Central Bank (ECB) - up to 4% (from 3.75% in August). In doing so, the ECB warned that inflation (at 5.3% in August) was "expected to remain too high for too long".

On home soil, the UK's inflation rate surprised experts by falling to 6.7% in August (down marginally from 6.8% in July). Predictions were that it would increase due to the rise in the cost of petrol and diesel (driven by higher oil prices in August). Slowing food prices were cited as the main reason for the fall – the third in a row so far in 2023. In another surprising move, the Bank of England left interest rates unchanged in September at 5.25% – halting what has been 14 previous rate hikes in-a-row since the end of 2021. As home owners on variable and tracker mortgages breathed a sigh of relief, the Bank of England's Governor, Andrew Bailey said: "...inflation is still not where it needs to be, and there is absolutely no room for complacency".

Our fund view and outlook

We continue to purchase longer-dated UK government bonds (gilts), and corporate bonds at attractive prices. As long-term investors we are always looking much further ahead than most other investors and see the benefits of longer-term returns that will come through in the future.

As equities started to outpace bonds in September, our preference has been to lighten our exposure to UK equities, particularly when we feel market conditions present us with opportunities to do so. Aligned with this, periods of market weakness in overseas equities should allow us to make selected purchases that we think will benefit us further down the line when prices are on the up again.

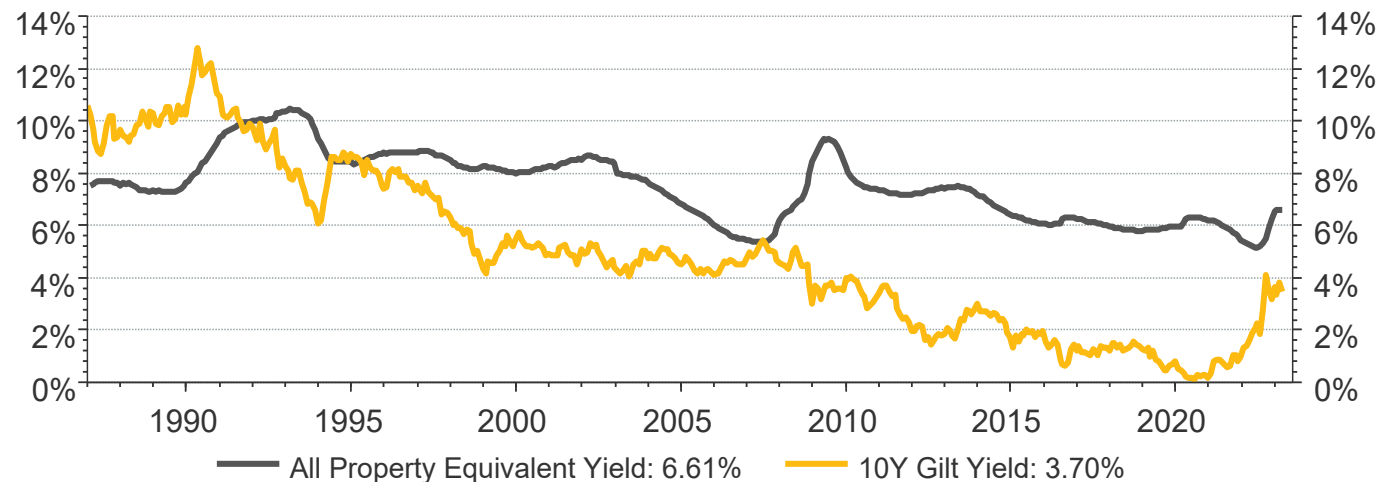
Our commercial property portfolio goes from strength to strength as we continue to take advantage of a high interest rate environment. In the quarter, our team of in-house chartered surveyors purchased a retail warehouse in Wednesbury, a car showroom in Bristol, and a modern industrial warehouse at Motherwell in Glasgow.

These property investments will help to bolster the overall value of the portfolio and continue to generate an attractive income stream for investors in our diversified With Profits Fund.

Spotlight on... Commercial Property

The Wesleyan With Profits Growth Fund is an actively managed diversified fund, invested in a wide range of asset classes. Investing in commercial property is an important part of the asset allocation, as long-term predictions suggest it provides an income return of around 6.5% per year after costs.

UK All Property - Equivalent Yield Comparison

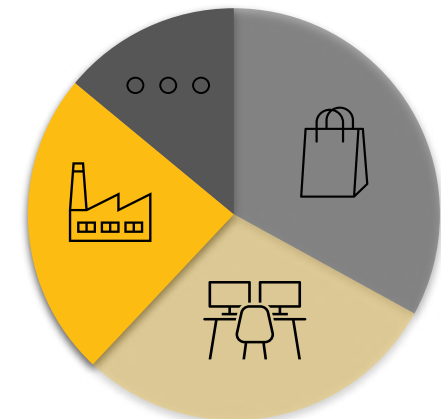


Property Portfolio

- ▶ Wesleyan own and manage over 110 assets including offices, industrial units, retail shops, farms, restaurants, bars, hotels, car showrooms and motorway service stations – sector split, by value shown here.
- ▶ The capital value of the land and property portfolio is around £380m which generates around £30m per year in rental income.

Property Sector Split, By Value

- Retail - 33%
- Office - 29%
- Industrial - 24%
- Alternative - 14%



Portfolio Examples

With over 110 properties, Wesleyan's commercial property portfolio holds everything from shops, offices and industrial units to solar farms and waste management businesses.

As at September 2023, we have more more than 200 tenants paying rent, including high-street names such as Pret A Manger, The Ivy restaurant, Costa Coffee, and Furniture Village.



Pret A Manger, Winchester



The Ivy, Cheltenham



Costa Coffee, Salisbury

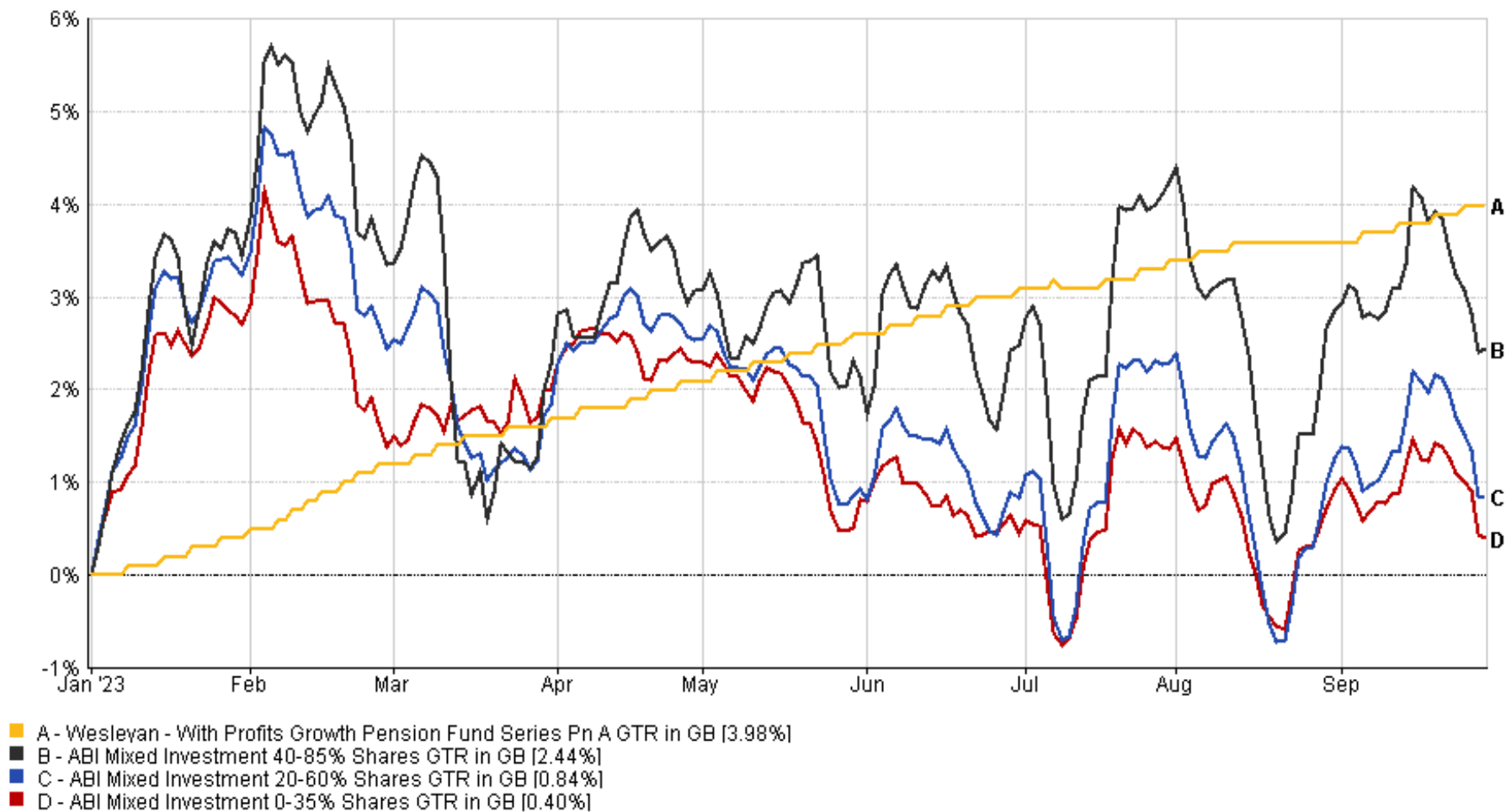


Furniture Village, Tunbridge Wells

Past Performance

Year to Date 2023

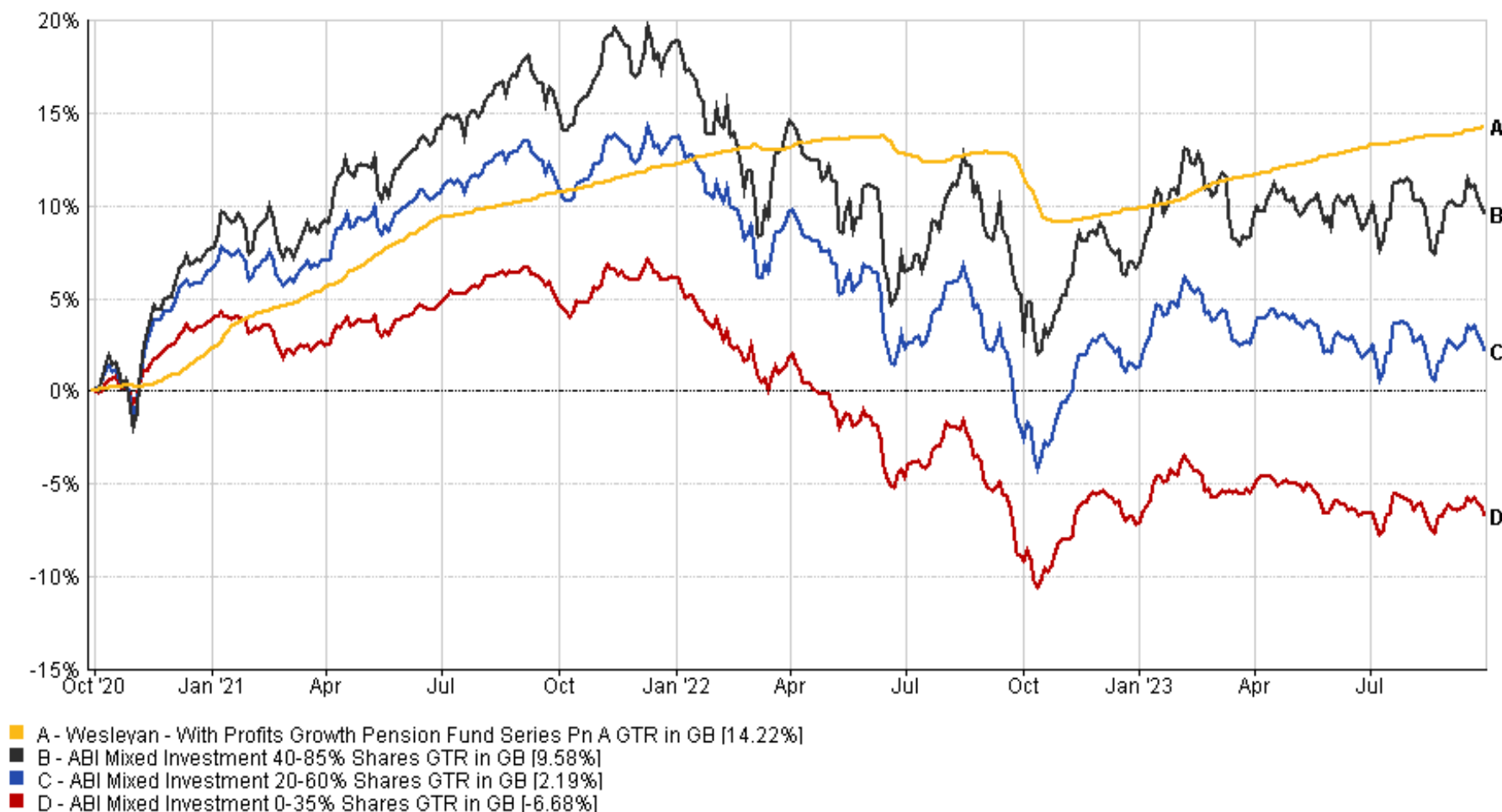
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Past Performance

Past 3 years

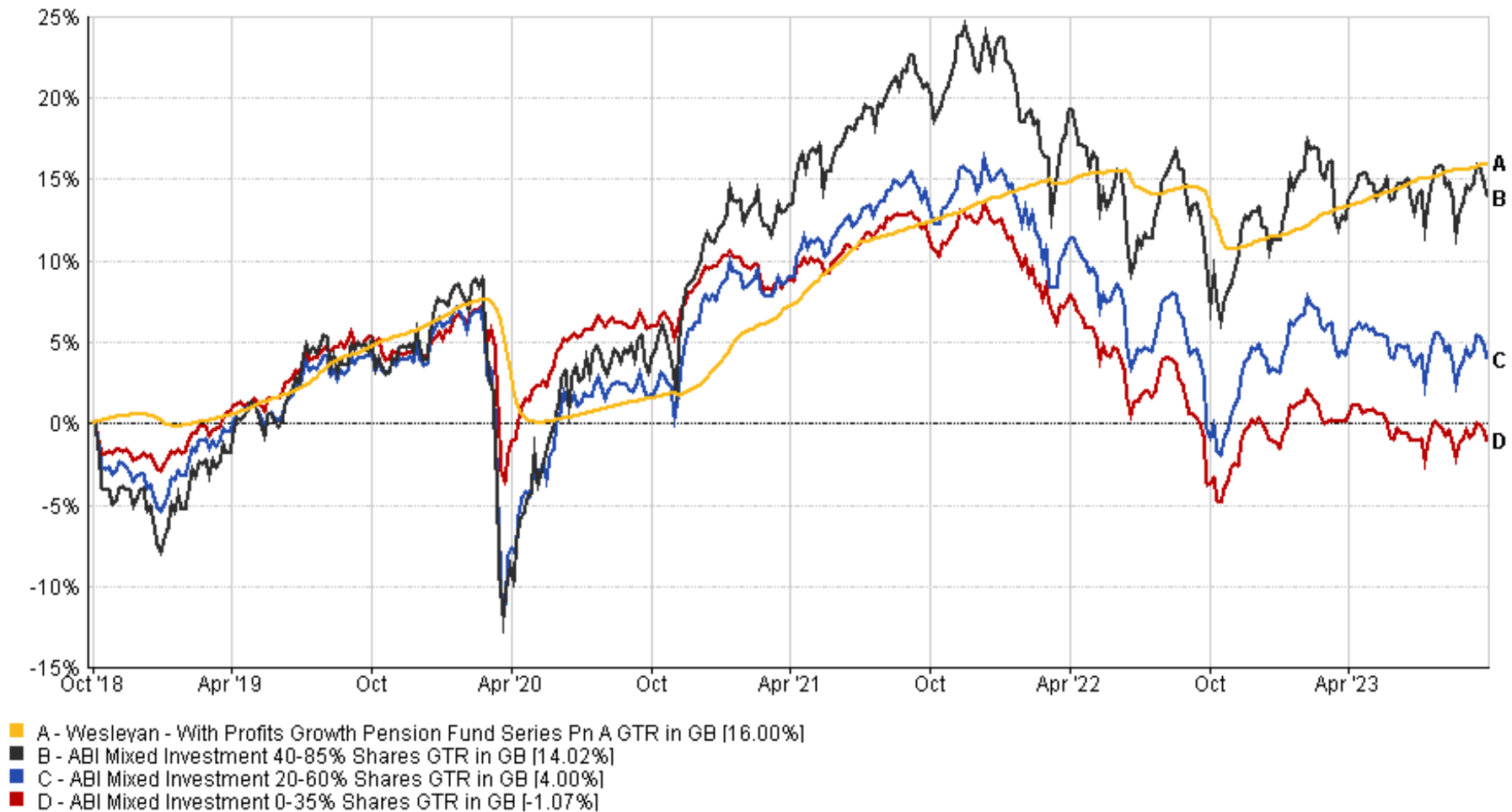
Pricing Spread: Bid-Bid • Data Frequency: Daily • Currency: Pounds Sterling



Past Performance

Past 5 years

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



Past Performance

Past 10 years

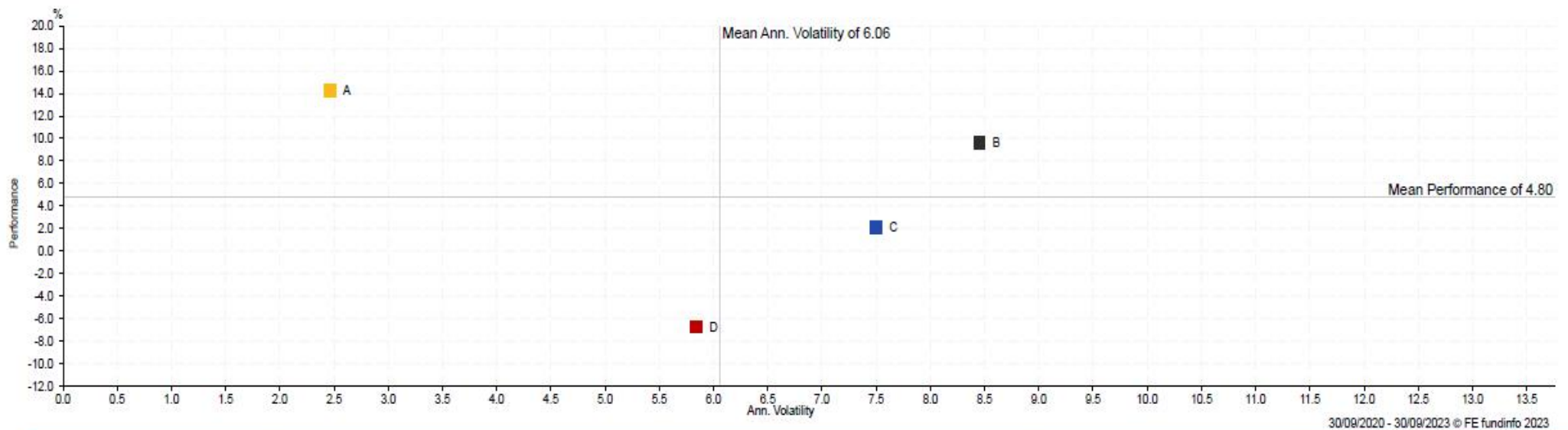
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Volatility and Performance

Past 3 Years

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

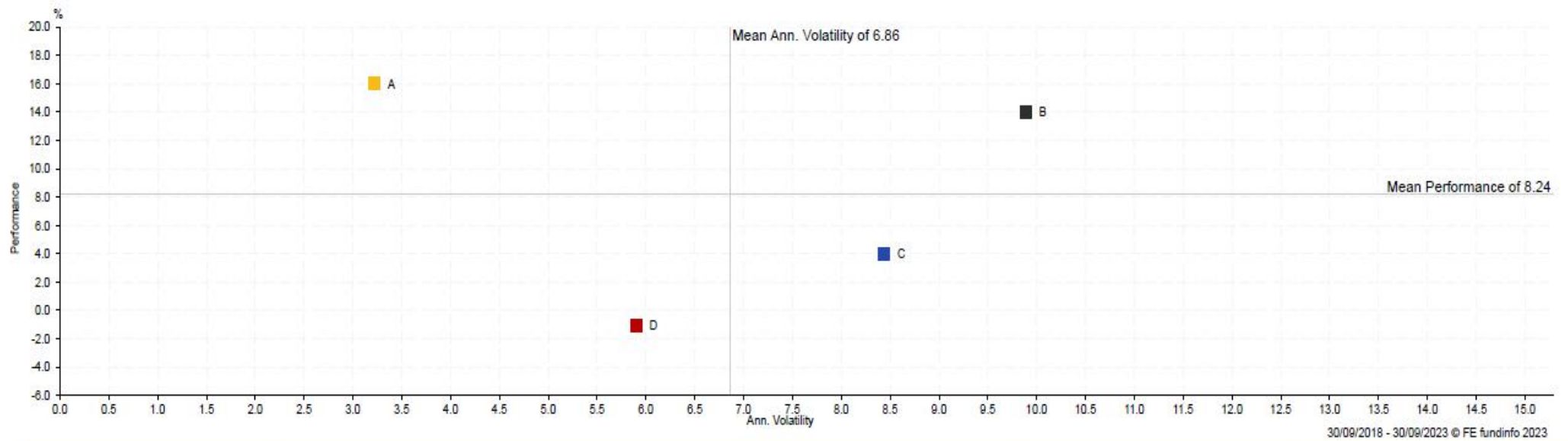


Key	Name	Performance	Volatility
A	Wesleyan - With Profits Growth Pension Fund Series Pn A GTR in GB	14.22	2.46
B	ABI Mixed Investment 40-85% Shares GTR in GB	9.58	8.45
C	ABI Mixed Investment 20-60% Shares GTR in GB	2.13	7.50
D	ABI Mixed Investment 0-35% Shares GTR in GB	-8.74	5.84

Volatility and Performance

Past 5 years

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

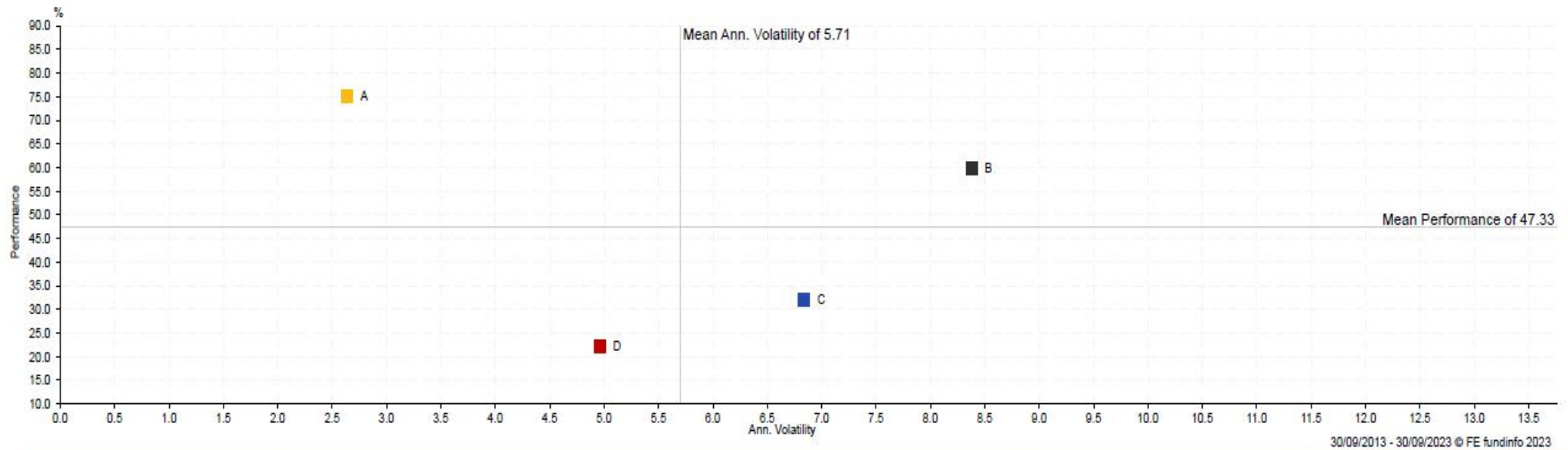


Key	Name	Performance	Volatility
A	Wesleyan - With Profits Growth Pension Fund Series Pn A GTR in GB	16.00	3.22
B	ABI Mixed Investment 40-85% Shares GTR in GB	14.02	9.89
C	ABI Mixed Investment 20-80% Shares GTR in GB	4.00	8.44
D	ABI Mixed Investment 0-35% Shares GTR in GB	-1.07	5.90

Volatility and Performance

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	75.17	2.64
B	ABI Mixed Investment 40-85% Shares GTR in GB	59.84	8.38
C	ABI Mixed Investment 20-80% Shares GTR in GB	32.09	6.84
D	ABI Mixed Investment 0-35% Shares GTR in GB	22.23	4.96

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



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