

Wesleyan Quarterly Review

Q3 22

With Profits Fund Growth Series A

October 2022

An update on Q3 2022 from our in-house Investments Team

- ▶ Both equities and bonds fell during the third quarter, leading to negative investment returns, but bonds fell much further – justifying our long-term strategic preference for equities.
- ▶ Given the fall in fixed income markets, we are starting to consider lengthening the duration of our fixed income assets in the With Profits Fund.
- ▶ The US Federal Reserve raised rates sharply, which further strengthened the US dollar, meaning that currencies such as sterling and the euro have fallen against it.
- ▶ The strength of the dollar over the summer slowed down our push into overseas equity markets. We are therefore waiting for better opportunities before diversifying the With Profits Fund further.
- ▶ The Q3 environment made investing in US equities much more expensive, but it was generally good news for companies listed on the UK stock market, and our exposure to them, because a large proportion of their earnings come from overseas, in dollars.

- ▶ Equity market volatility looks set to continue for some time, as the conflict in Ukraine rages on.
- ▶ The yields available on government bonds are likely to be offset by soaring inflation rates for the short-term future. The Bank of England stepped in to buy long-dated UK government bonds, in a bid to bolster market confidence, at the end of Q3. Similar interventions could well be repeated – albeit reluctantly – during Q4.
- ▶ Recessions appear to be increasingly likely in the US, Eurozone and the UK. In Q3, the Bank of England even expressed its belief that the UK may have entered a technical recession.
- ▶ Our Investments team firmly believe that carefully selected equities will be in the best possible position to handle either stagflation or recessions. This is because the valuations of major global stock markets have already factored in associated issues, including the likelihood of lower business earnings.
- ▶ While maintaining a preference for equities and commercial property as long-term drivers of returns, we are also continuing with a gradual push into emerging markets.



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.

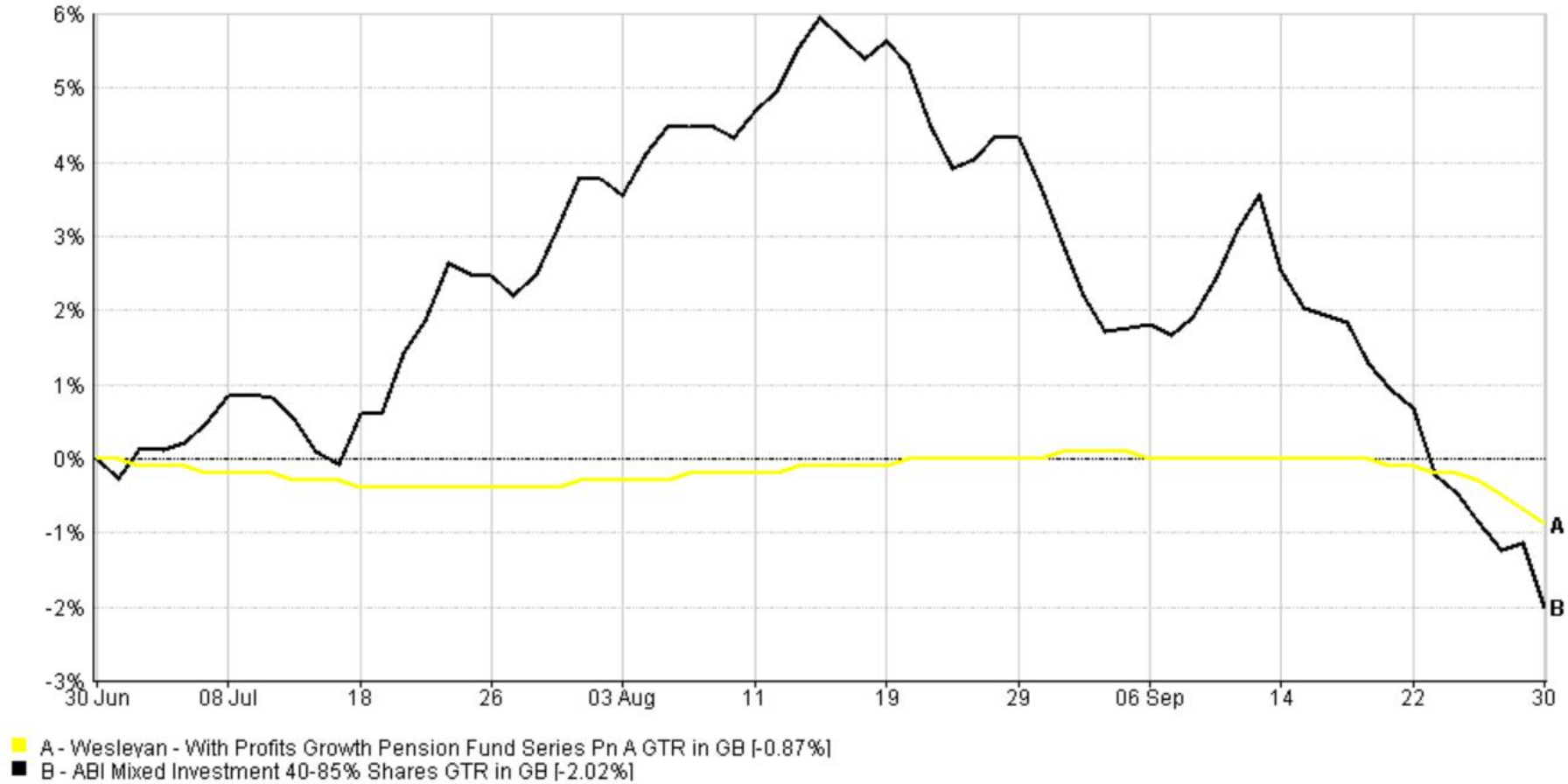


We have over **£350m²** invested in companies contributing to the advancement of medical health and the fight against diseases.

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

Performance: 3 Months Vs 40 to 85%

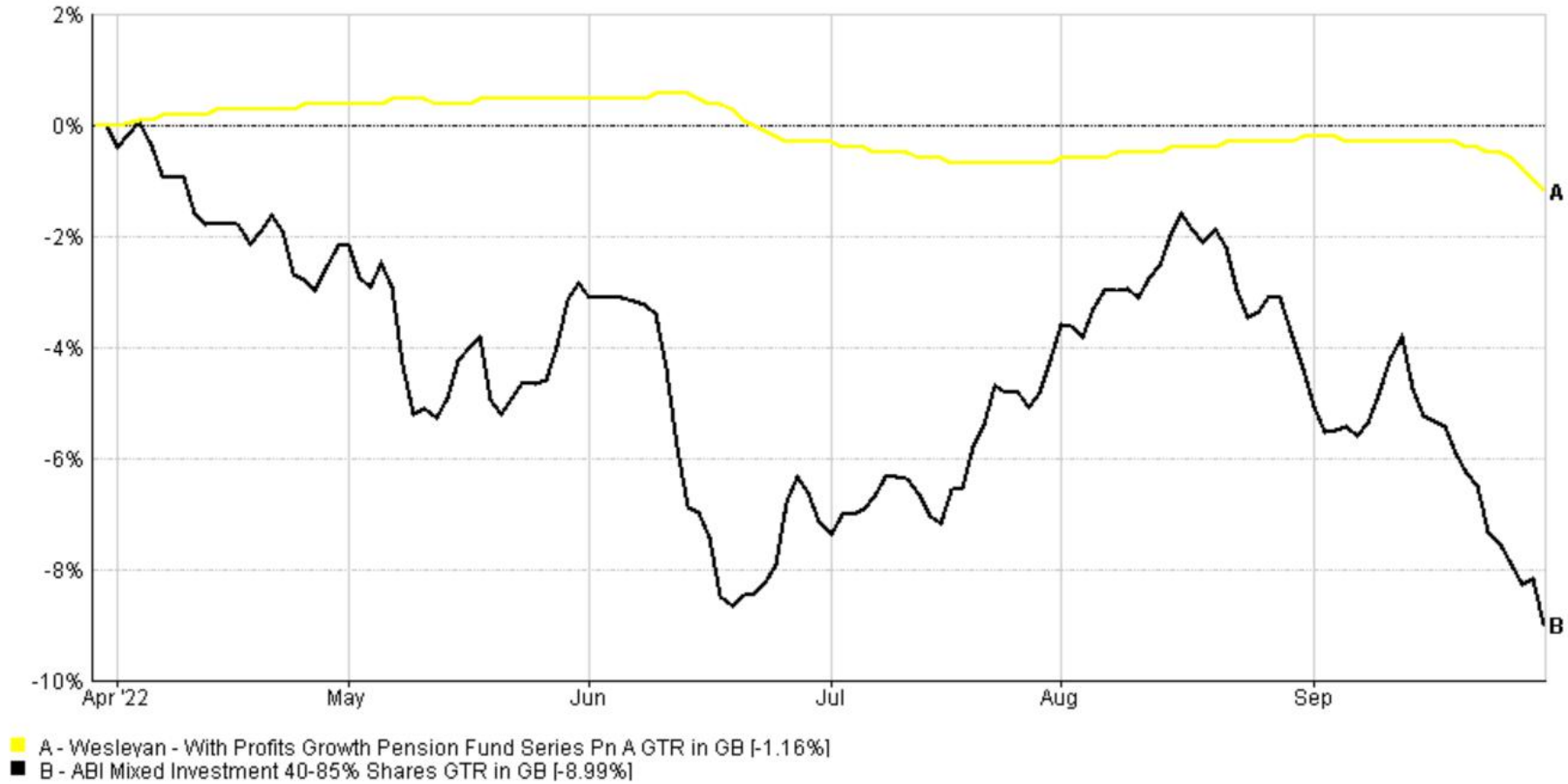
Pricing Spread: Bid-Bid • Data Frequency: Daily • Currency: Pounds Sterling



30/06/2022 - 30/09/2022 Data from FE fundinfo2022

Performance: 6 Months Vs 40 to 85%

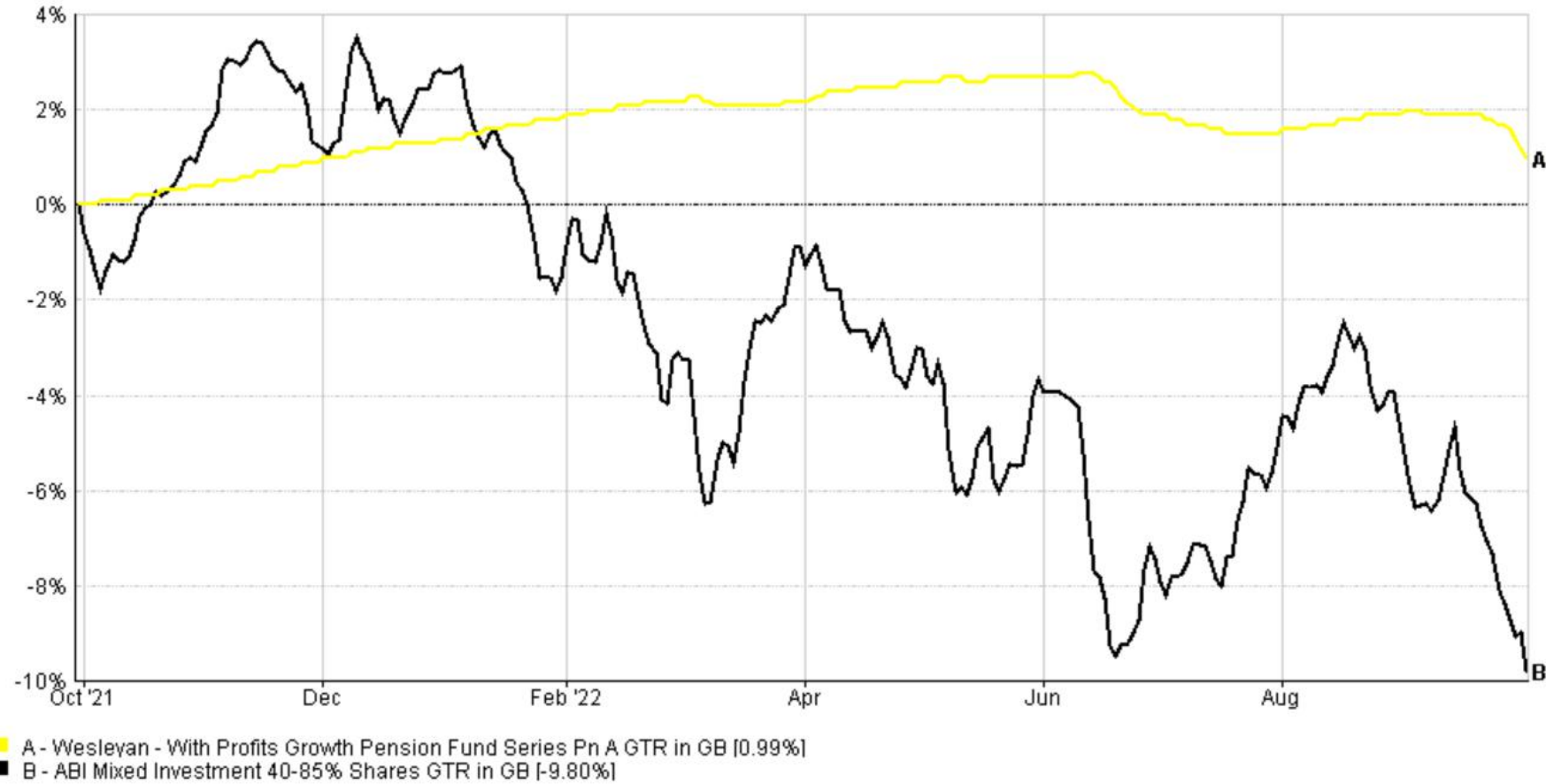
Pricing Spread: Bid-Bid • Data Frequency: Daily • Currency: Pounds Sterling



30/03/2022 - 30/09/2022 Data from FE fundinfo2022

Performance: 12 Months Vs 40 to 85%

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



30/09/2021 - 30/09/2022 Data from FE fundinfo2022

Performance: 5 Years Vs 40 to 85%

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

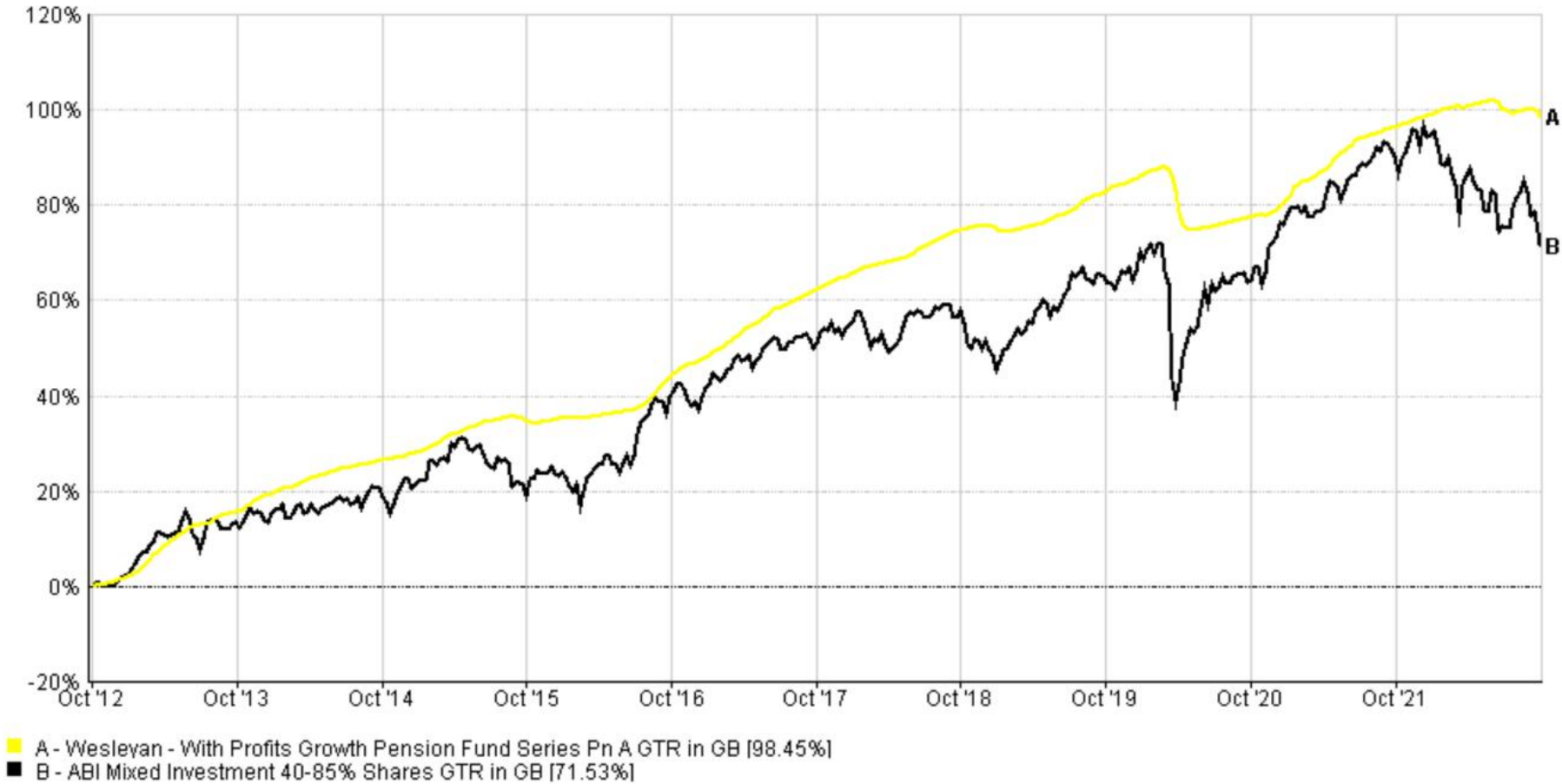


- A - Wesleyan - With Profits Growth Pension Fund Series Pn A GTR in GB [22.10%]
- B - ABI Mixed Investment 40-85% Shares GTR in GB [13.98%]

29/09/2017 - 30/09/2022 Data from FE fundinfo2022

Performance: 10 Years Vs 40 to 85%

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



28/09/2012 - 30/09/2022 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