

Wesleyan Quarterly Review

Q4 22

With Profits Growth Fund Series A

January 2023

Market View

Q4 2022 update from our in-house Investments Team

- ▶ The Bank of England's (BoE) Monetary Policy Committee voted for a 0.75% interest rate increase in November – the first time since 1989 for such a steep hike. This was followed by a 0.5% interest rate rise in December, a move that was also matched by the US Federal Reserve and European Central Bank.
- ▶ Key asset classes were negatively impacted by the UK's 'mini-budget'. Gilts suffered the most, leading to the BoE intervening with a £19.3bn gilt purchase. Markets reacted well when those behind the 'mini-budget' – Chancellor Kwasi Kwarteng and Prime Minister Liz Truss – were ultimately replaced by Jeremy Hunt and Rishi Sunak respectively. The UK's Autumn Statement also provided some reassurance to markets.
- ▶ There were 'relief rallies' in bonds and equities in the middle of Q4, helped by the perception of greater political stability in the UK, the Federal Reserve's hints at 'lower-than-expected' future interest rate rises, a midterm election resulting in a Republican/Democrat power split, and China's revised 'zero-COVID' policy.
- ▶ A high interest rate environment led to broadly negative returns for bonds. UK equities recorded some of the strongest performance among all assets in 2022 and Q4, but across the board equities still performed poorly.
- ▶ The With Profits Fund's bias towards UK equities helped to bolster its Q4 performance in a difficult market.

- ▶ US inflation fell to just over 7% in Q4 and markets are assuming that it will peak lower than previously forecast. The Fund Manager is looking to add to the fund's US equity holdings, ideally if sterling appreciates.
- ▶ Interest rate hikes seen in 2022 should reduce inflation in the months ahead, in many countries. The Investments team will be closely watching all 2023 developments, including recessions, wage-price spirals, dollar moves and rising unemployment, but the outlook for returns is much brighter than it was this time last year.
- ▶ The Office for Budget Responsibility expects the UK's recession to last for more than 12 months, while the Bank of England believes that UK inflation will begin to fall halfway through 2023. Lower inflation and falling interest rates should lead to better returns for the With Profits Fund's government bond holdings. Stock picking will be essential to identify equities with long-term growth potential.
- ▶ Our Investments team maintains a preference for equities and commercial property as the drivers of greater investment returns in the future. With that in mind, they are making selective equity purchases alongside bond investments, putting money into overseas stock markets when appropriate. Last year's property market falls mean that more high-quality commercial opportunities should arise for our Property Managers this year.

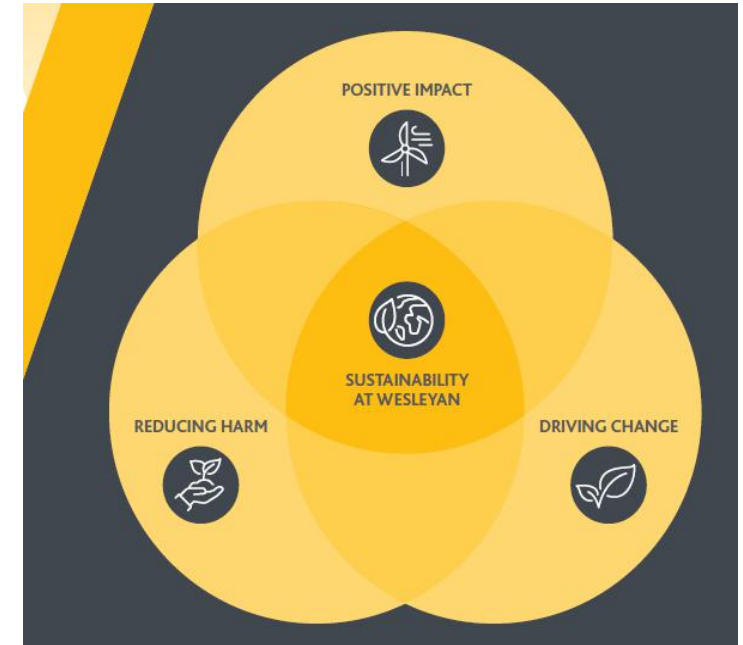
Our Sustainable Investing Approach

Because we all care about *what* our money's doing, not just *how* it's doing.

Just as Wesleyan is dedicated to delivering better outcomes for clients, we're committed to investing in companies that seek to **reduce harm**, have a **positive impact** and **drive positive change**; companies that are actively working to protect the environment and tackling the issues that impact the planet and its people.

By investing in companies that we believe are sustainable, our aim is to do the right thing for the planet while maximising the potential long-term investment returns we can achieve for our funds and investment clients.

The following slides provide some examples of how we bring our 'reducing harm' pillar into practice.



'Responsible Investor of the Year' winners

Our approach to sustainable investing helped our Investments Team win Responsible Investor of the Year at the Insurance Asset Risk Awards 2022. When investing with Wesleyan, you can be confident our team will act in your client's best interests, and those of the world around us.

When you invest with Wesleyan, you can rest assured that we will invest your money in businesses committed to reducing the negative impact they may have on people, communities and the environment.

To help achieve this, we will exclude the following areas:

Tobacco	Companies that derive any turnover from the manufacture of tobacco products.
Weapons	Companies that are involved in the production of: cluster munitions, biological weapons, chemical weapons, non-detectable fragments, incendiary and blinding weapons, depleted uranium munitions, or landmines.
	Companies that derive more than 5% of revenue from the production of nuclear weapons.
	Companies that manufacture civilian firearms or derive more than 5% of revenue from the retail of civilian firearms.
Oil and gas	Companies that have neither comprehensive public plans to reduce the climate impact of their operations, nor a commitment to be carbon net zero by 2050.
	Companies that derive more than 5% of revenue from unconventional oil and gas extraction (including oil sands, oil shale, shale gas, coal seam gas and coal bed methane).



To help achieve this, we will exclude the following areas:

Social and harmful materials	Companies that derive more than 5% of revenue from the production or sale of adult entertainment.
	Companies that derive more than 5% of revenue from the provision of predatory lending activities.
	Companies with more than 5% of revenue from gambling-related activities.
Coal and environmental	Companies producing electricity from coal-fired power stations, without a credible plan to reduce this to nil by 2030. We also exclude companies planning to construct any coal-fired power stations.
	Companies that invest speculatively in commodities that add to price inflation. This doesn't include companies using derivatives to help reduce risk exposures.
	Companies that derive more than 5% of their revenue from palm oil production not certified by the Roundtable for Sustainable Palm Oil.
	Companies that produce paper products from unsustainable sourcing of timber linked to habitat destruction.

Animal testing	Companies from the pharmaceutical industry that don't adopt the three Rs in their animal testing: replace, refine, reduce.
	Companies that are involved in the production of animals, but do not have robust policies and systems in place to uphold good standards for breeding, rearing, transport, housing and slaughter.
Government	Debt from governments that are subject to broad sanctions and fail to respect human rights (as published by the UN or UK Government).

Our Sustainable Investment (SI) Team



Our Sustainable Investment (SI) Team works alongside Wesleyan's Fund Managers and Investment Analysts. They assess our funds, holdings, and investment management decisions, considering the sustainability factors of each.

Fund Performance

Performance: 12 Months Vs 40 to 85%

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



30/12/2021 - 30/12/2022 Data from FE fundinfo2023

Performance: 5 Years Vs 40 to 85%

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



29/12/2017 - 30/12/2022 Data from FE fundinfo2023

Performance: 10 Years Vs 40 to 85%

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

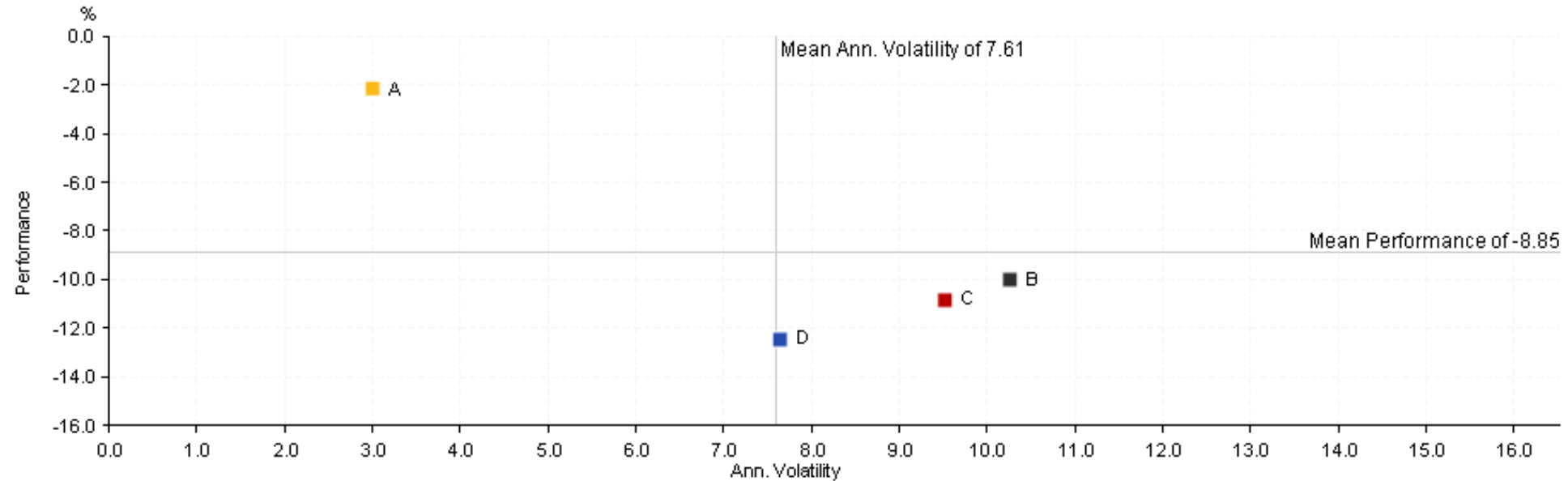


■ A - Wesleyan - With Profits Growth Pension Fund Series Pn A GTR in GB [90.87%]
■ B - ABI Mixed Investment 40-85% Shares GTR in GB [71.29%]

28/12/2012 - 30/12/2022 Data from FE fundinfo2023

Volatility & Performance: 12 Months Vs 3 x Sect Ave

Pricing Spread: Bid-Bid • Currency: Pounds Sterling

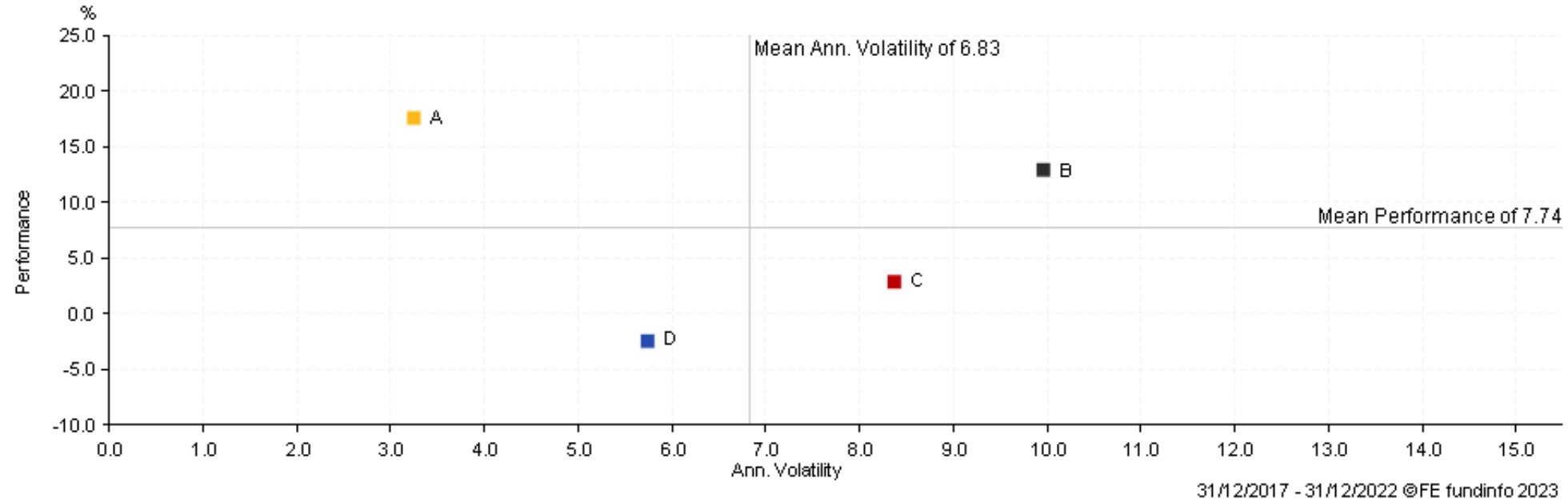


31/12/2021 - 31/12/2022 ©FE fundinfo 2023

Key	Name	Performance	Annualised Volatility
A	Wesleyan - With Profits Growth Pension Fund Series Pn A GTR in GB	-2.14	3.00
B	ABI Mixed Investment 40-85% Shares GTR in GB	-9.99	10.26
C	ABI Mixed Investment 20-60% Shares GTR in GB	-10.84	9.52
D	ABI Mixed Investment 0-35% Shares GTR in GB	-12.44	7.64

Volatility & Performance: 5 Years Vs 3 x Sect Ave

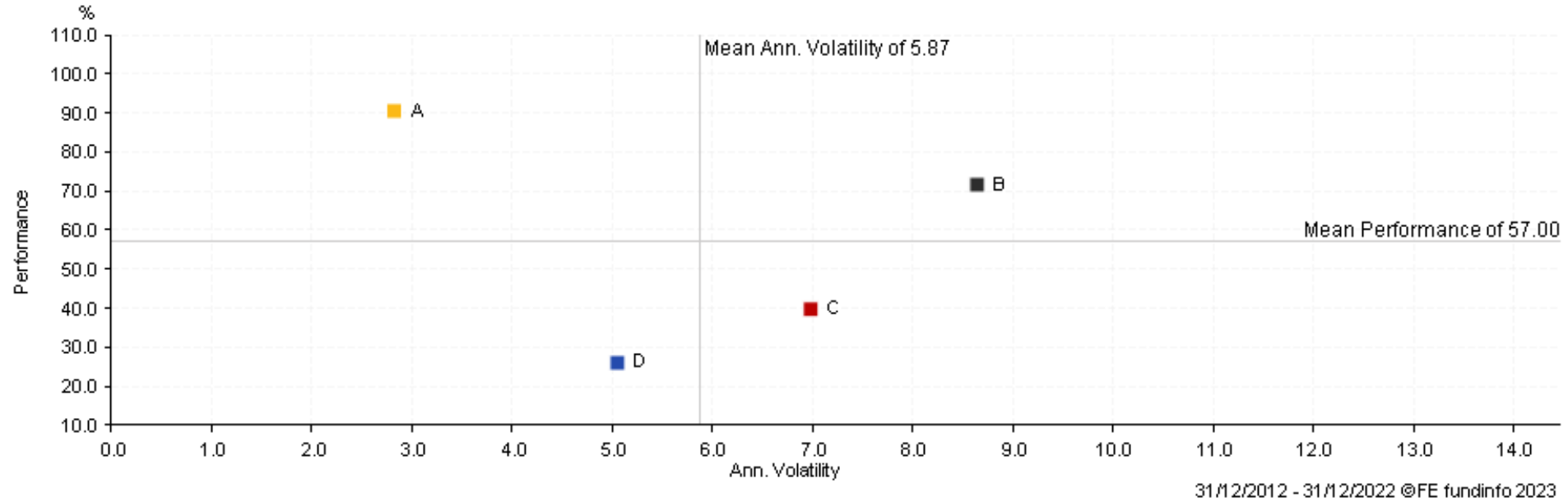
Pricing Spread: Bid-Bid • Currency: Pounds Sterling



Key	Name	Performance	Annualised Volatility
A	Wesleyan - With Profits Growth Pension Fund Series Pn A GTR in GB	17.56	3.25
B	ABI Mixed Investment 40-85% Shares GTR in GB	12.95	9.96
C	ABI Mixed Investment 20-60% Shares GTR in GB	2.89	8.37
D	ABI Mixed Investment 0-35% Shares GTR in GB	-2.44	5.74

Volatility & Performance: 10 Years Vs 3 x Sect Ave

Pricing Spread: Bid-Bid • Currency: Pounds Sterling



Key	Name	Performance	Annualised Volatility
A	Wesleyan - With Profits Growth Pension Fund Series Pn A GTR in GB	90.51	2.82
B	ABI Mixed Investment 40-85% Shares GTR in GB	71.70	8.64
C	ABI Mixed Investment 20-80% Shares GTR in GB	39.78	6.98
D	ABI Mixed Investment 0-35% Shares GTR in GB	28.02	5.05

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

Wesleyan Assurance Society is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Incorporated in England and Wales by Private Act of Parliament (No. ZC145). Registered Office: Colmore Circus, Birmingham B4 6AR. Telephone: 0345 351 2352. Fax: 0121 200 2971. Calls may be recorded to help us provide, monitor and improve our services to you.

WESLEYAN

we are all about you