

MPS-ETHICAL GROWTH STRATEGY

OCTOBER 2019

INVESTMENT OBJECTIVE

The objective of this portfolio is to grow capital over the medium to longer term. Investors should expect a high correlation to stock market behaviour and rewards, including significant fluctuations in value, with only moderate protection in times of market weakness.

KEY INFORMATION

Launch Date	January 2019
Estimated Yield (Current)	1.16%
Initial Charge	0.00%
Investment Management Charge	0.25% (+VAT)
Fund Underlying Charges	0.52%

TOP TEN HOLDINGS

iShares MSCI USA SRI ETF	13.6%	Hermes Unconstrained Credit	6.9%
Liontrust Sustainable Future UK Growth	11.6%	Pictet Global Thematic Opportunities	5.8%
UBS MSCI UK Sociable Responsible ETF	11.6%	Xtracker ESG MSCI World UCITS ETF	5.5%
Threadneedle Invs UK Social Bond	9.2%	Hermes Impact Opportunities	4.1%
iShares Euro Corp Bond SRI 0-3 ETF	6.9%	iShares MSCI Japan SRI	4.0%

RISK LEVEL



ETHICAL OVERLAY

The funds selected in our portfolio include a range of ethical strategies. The passives (or ETFs) generally track indices by negative and/or positive screening of stocks, resulting in a selection of companies with strong ESG or SRI characteristics, while avoiding businesses whose social or environmental impact is considered to be negative by investors. Active funds may use a similar process but have more freedom in the companies they select; typically creating portfolios of high concentration and conviction. Negative screening involves the removal of companies from the investment pool as their business activities are predominately involved in fossil fuels, weapons, Tobacco, Alcohol, Gambling, etc. Negative screening is only one aspect of sustainable investment, and serves a different purpose to activities such as integration and engagement. While the last two are designed to help investors reach better investment outcomes, exclusion policies reflect investors' choices to avoid activities they consider unpalatable.

KEY ETHICAL THEMES

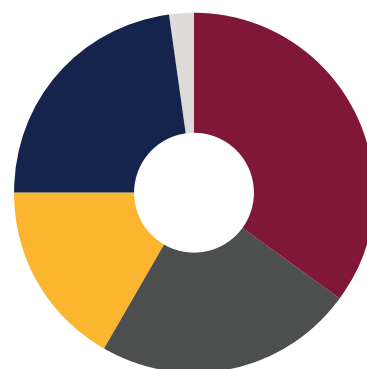


OUR PORTFOLIO

ASSET ALLOCATION

Equities - International	35.3%
Equities - Global	5.5%
Equities - Asia (excluding Japan)	5.3%
Equities - Emerging Markets	3.8%
Equities - Europe (excluding UK)	3.1%
Equities - Japan	4.0%
Equities - US	13.6%

Equities - UK	23.3%
Equities - Thematic	16.5%
Bonds	23.0%
Alternatives	0.0%
Gold	0.0%
Cash	2.0%



Global growth has slowed significantly, hit by a downturn in the manufacturing sector as a result of continuing trade tensions particularly between the US and China. However, central banks are taking action to halt the slowdown. The Fed has cut rates by 0.5% in recent months and looks set to lower rates further and the ECB has also eased policy.

While the economic backdrop remains far from rosy, we continue to expect global growth to recover a little in due course on the back of monetary, and to a much smaller extent fiscal, stimulus and some kind of limited US-China trade deal. This in turn should set the stage for an upturn in corporate earnings growth and renewed gains in equity prices.

We have increased our equity exposure in recent months as prospective returns from equities look significantly higher than for bonds where the very low level of yields leaves return prospects looking very limited. Even so, given uncertainties remain heightened—not least on the geo-political front—we have only moved our equity weighting back up towards neutral.

Within equities, we remain positive on emerging markets and also retain an exposure to the technology sector where we believe growth prospects remain favourable. By contrast, we remain cautious on the UK despite its cheap valuation because of the continuing uncertainties surrounding Brexit and a general election.

INVESTMENT STRATEGY

Our investment strategy has three key components:

ASSET ALLOCATION ➤ Focused on analysing the economic and financial environment, assessing the prospective returns and risks of each of the major asset classes, both over the short and long term.

FUND SELECTION ➤ Our rigorous fund selection process involves assessing which funds best allow us to gain exposure to the most attractive asset classes, regions and themes.

PORTFOLIO CONSTRUCTION ➤ These two building blocks are then combined to create portfolios which are designed to meet their specific objectives and are actively managed with regular rebalancing.

The process is run by our research and strategy team and overseen by our investment committee to ensure that the portfolios are managed in line with their objectives and risks are kept to appropriate levels.

FundsNetwork

nucleus

Standard Life

OLDMUTUAL
WEALTH

novia

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