

# Sustainable Balanced (£)

Quarter 3 2024 (as at 30 September 2024)



**Investment Philosophy:** we are active, unconstrained managers, investing globally and believing risk should be a choice, not a fate. Our portfolios are designed to be outcome oriented and therefore better aligned to client needs. We focus on behaviour not labels; meaning what matters is how assets respond to the changing environment, not what they are called. We are a diverse group of contrarian thinkers, committed to learning and constant improvement.

## Mandate

**Investment Objective:** investing in companies and projects with the intention to generate a positive social and/or environmental impact, alongside risk-adjusted returns

**Target Outcome:** UK CPI +1% to 3% p.a. over a rolling 5 year period

**Currency:** sterling

**Risk Parameters:** 17% maximum peak to trough drawdown, volatility in the range 8% to 13% annualised

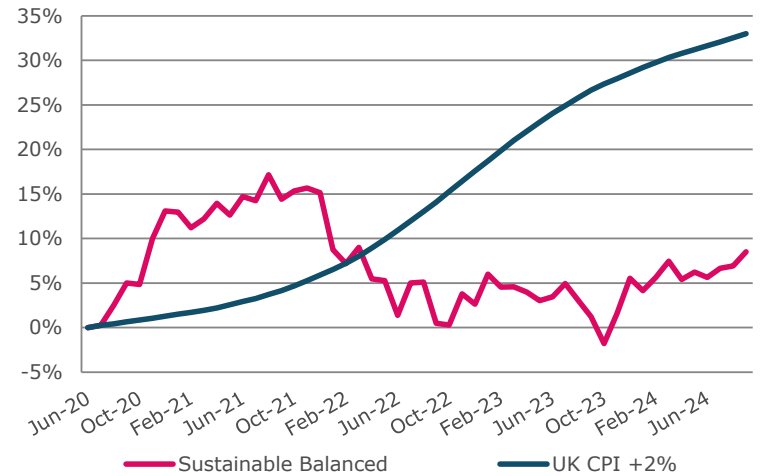
**Time Horizon:** ≥ 5 years

**Style:** diversified, global, multi asset (bonds, equities, alternatives, currencies and cash)

## Performance<sup>1</sup>

### Statistics Since Inception (July 2020)

Total Return	8.51%
Annualised Return	1.94%
Annualised Volatility	7.81%
Maximum Drawdown	-16.18%



3 Month	YTD	1 Year	3 Year	5 Year
2.74%	2.82%	7.23%	4.95%	N/A

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2024	-1.32%	1.43%	1.71%	-1.90%	0.79%	-0.57%	0.97%	0.27%	1.48%				2.82%
2023	3.28%	-1.38%	0.03%	-0.58%	-0.92%	0.43%	1.45%	-1.80%	-1.80%	-2.97%	3.44%	3.89%	2.82%
2022	-5.56%	-1.43%	1.69%	-3.24%	-0.21%	-3.70%	3.59%	0.11%	-4.41%	-0.18%	3.47%	-1.10%	-10.87%
2021	-0.10%	-1.55%	0.88%	1.57%	-1.18%	1.86%	-0.40%	2.53%	-2.34%	0.81%	0.29%	-0.45%	1.83%
2020							0.24%	2.26%	2.44%	-0.17%	4.91%	2.82%	13.08%

<sup>1</sup> Performance data is net of all fees

## Quarterly Commentary

Our sustainable strategies, which have weathered an extended period of challenging performance, rebounded impressively to post the strongest results across our range. With earnings stabilising across key thematic, valuations having been reset to more attractive levels, and key tailwinds in the form of falling interest rates and rising power demands, we are optimistic this upturn marks the beginning of a stronger period of performance.

Reflecting this stronger quarter for sustainable themes, the strategy returned 2.7%, accounting for most of the 2024 gain of 2.8%. Key contributors included Schroders Global Sustainable Food & Water, which delivered a superb 9.6% gain, Aikya Global Emerging Markets, which was up 9.1% - significantly boosted by the China stimulus late in September - and BlueBay Impact-Aligned Bond, which rose 6.2%. The portfolio's substantial exposure to sustainable fixed income benefitted the strategy in Q3, as yields declined and duration rallied.

These robust positives were offset to a small degree by a weak quarter for more 'quality-growth' style holdings, in the form of HSBC Global Sustainable Long Term Equity (see Featured Fund), which fell 3.3%, and Federated Hermes Sustainable Global Equity, which lost 1.3%. The latter long held position is the strategy's strongest performer year-to-date, having returned 12.9%. There was no trading through the quarter.



As part of Affinity Private Wealth's association with Durrell Wildlife Conservation Trust (DWCT), we have committed to donating a portion of the investment management fees earned in this strategy, managed by APW Investors Limited (APWIL), to DWCT.

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## Asset Allocation



Fund Name	Weighting	Description	SFDR <sup>5</sup>
Aikya Global Emerging Markets	8.0%	High quality, sustainable franchises at attractive valuations	9
BlueBay Impact-Aligned Bond	9.0%	Financing highly sustainable businesses	9
BlueOrchard Emerging Markets Impact Bond	8.0%	Financing sustainable corporations in emerging markets	9
Ninety One Global Environment	6.0%	Investing in the trend towards decarbonisation	9
Federated Hermes Sustainable Global Equity	9.0%	Targeting reduced CO <sub>2</sub> , waste and water footprint	9
Lord Abbett Climate Focused Bond	6.0%	Clean & efficient energy, water, low carbon transport	9
PIMCO Climate Bond	9.0%	Investing in the journey to net zero	9
HSBC Global Sustainable Long Term Equity	8.0%	Investing in top quality businesses with a credit mindset	9
Schroder Global Energy Transition	5.0%	Switching from fossil fuels to renewables	9
Schroder Global Sustainable Food & Water	5.0%	Unsexy sectors but crucial for a greener, healthier world	9
T Rowe Price Global Impact Credit	8.0%	Sustainable fixed income with pulleys & levers	9
Vontobel Global Environmental Change	5.0%	Mitigating climate change & air & water pollution	9
Wellington Global Impact Bond	5.0%	Expanding sustainability through public debt markets	9
Blackrock Sterling Liquidity	7.0%	Money market fund, as an alternative to cash	8
Cash	2.0%	Money waiting to be invested	
<b>OCF: 0.66%<sup>2</sup>    Equity Beta: 0.55<sup>3</sup>    Yield: 1.20%    Bond Duration: 4.12yrs<sup>4</sup></b>			

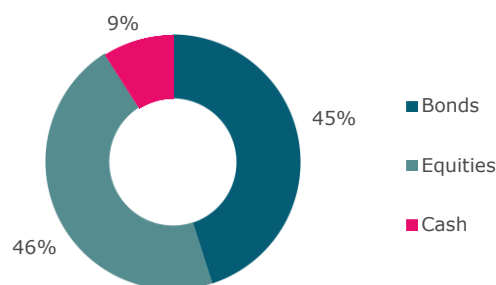
<sup>2</sup> Weighted ongoing charge figure - not including Affinity fees

<sup>4</sup> Sensitivity to interest rate changes – applied only to bonds

<sup>3</sup> A measure of an investment's sensitivity to global listed equities

<sup>5</sup> Sustainable Finance Disclosure Regulation – article classification

## Asset Class



## Themes



## Featured Fund

**HSBC Sustainable Long Term Equity:** applies a low turnover global sustainable equity strategy, with a well-differentiated, fundamentally driven approach. The very clear and intuitive focus is on companies which are 'expressions of resilient growth and long-term sustainability', and investments in such businesses are made with an intended 10 year holding period. The fund aims to make a positive environmental, social and governance impact, by investing in equities issued by companies that actively contribute to UN Sustainable Development Goals, while also delivering compelling financial returns. The team believe sustainability is a necessary condition for the long-term investor, and don't separate 'ESG' and fundamental analysis.

A key source of differentiation in the fund's approach and the mindset of the team, is that fund manager Darryl Lucas comes from a credit background, and a major emphasis on avoiding downside risk is instilled throughout the approach. The investment process leverages a credit analysis framework to uncover 'the true economic reality' of a business. Rigorous stress testing informs position sizing, aiming to deliver a robust and diversified portfolio, despite a relatively concentrated book of circa 25 positions.

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