

### Investment Objectives

The AB Ethical Balanced Growth Model Portfolio will seek to deliver long-term capital growth and income by blending collective strategies and employing our proprietary rating and risk profiling systems.

We employ a strict negative screening process in order to highlight investments that do not meet our ethical criteria. Our process will screen for and seek to avoid investments in areas like Animal testing, Gambling, Intensive farming, Nuclear power, Pornography, Tobacco & Weaponry. In addition to this, we seek to exclude companies that support oppressive regimes or operate in a way that does not respect human rights issues.

### Snapshot

Base Currency	Pound Sterling
12 Mo Yield	0.96%
Ongoing Charge	0.86%
Management Fee (VAT where applicable)	0.25%
Portfolio Cost	1.11%

### Benchmark

Benchmark	UK RPI+4%
Comparator Benchmark	IA Mixed Investment 40-85%

### Risk

	Sharpe Ratio	Std Dev
AB Ethical Balanced Growth	1.59	6.42
IA Mixed Investment 40-85% Shares	1.13	4.35

### Top 10 Holdings

Portfolio Date: 31/12/2021

	Portfolio Weighting %
Brown Advisory US Sust Gr GBP B Inc	15.30%
Quilter Investors Ethical Eq R (GBP) Acc	15.16%
Jupiter Ecology I Inc	10.39%
EdenTree Responsible & Sust Gbl Eq B	10.14%
FP Foresight Global RI Infrs A GBP Acc	8.97%
Rathbone Ethical Bond I Inc	6.88%
Aegon Ethical Corporate Bond GBP B Inc	6.86%
Impax Asian Environmental Markets IRL X	6.25%
BMO Responsible UK Equity 2 Inc	3.66%
Aegon Ethical Equity GBP B Inc	3.55%
	87.15%

### Investment Team

Investment Manager Alpha Beta SRI Investment Team

### Investment Growth

Time Period: 01/01/2017 to 31/12/2021



### Trailing Returns

Data Point: Return

	3 Months	6 Months	YTD	1 Year	3 Years	5 Years
AB Ethical Balanced Growth	3.73	7.39	17.27	17.27	57.62	57.30
IA Mixed Investment 40-85% Shares	2.78	4.14	11.10	11.10	35.89	40.46

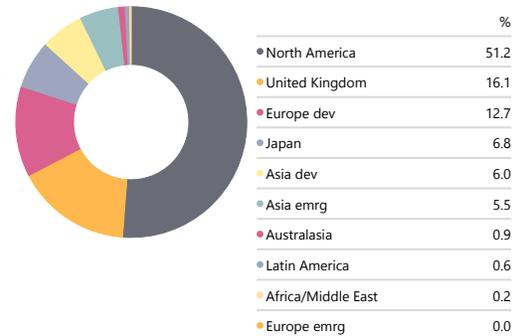
### Asset Allocation

Portfolio Date: 31/12/2021



### Equity Regional Exposure

Portfolio Date: 31/12/2021



### Manager's Commentary

Our favoured markets ended the year at an all-time high, delivering further seasonal cheer to investors, and particularly those in Alpha Beta portfolios.

The final quarter of 2021 was an interesting one, littered with event and political risks, as forecast in our Q3 Quarterly Update. In the United States the "debt ceiling" issue and monetary policy clarity were resolved whilst the Biden Administration's spending package was not passed. Our anticipation of returning inflation stood out against more tranquil investment industry mood music last year and our forecast of inflation trending "higher for longer" was proven accurate and will remain so into 2022. Globally we see deflationary pressures coming through later in 2022 but it is unlikely central bank 2% inflation targets will be met in absolute terms in the short term. For now, in the US and particularly the UK, wages pressures are still feeding into inflation expectations and pose the biggest threat to an orderly decline in headline inflation rates, which should peak over the next four months or so.

Whilst the latest US CPI inflation figure is a whopping 6.8%, the bond market reaction remains muted. The US treasury yield curve remains in flattening mode and there was no material shift during the quarter. It seems for now at least that the market either believes 1) the Federal Reserve's projections will be delivered and inflation will ebb away, or 2) the central bank's tightening interest rates into slower economic growth ahead represent policy error and may trigger the next recession. It will, however, be interesting to see the impact on longer yields as QE is fully unwound and central banks become net sellers. Given the sharply negative real yields on offer, the scope must remain for longer yields to rise, perhaps 50-100 basis points, over the next 12 months, from current levels.

The Federal Reserve meeting during December set a clear course for higher rates in 2022 but an ongoing commitment to support markets if conditions turn weaker. This central bank strategy is likely to be adopted more widely. Forward visibility is helpful to equity investors, at least for now and the central banks are providing ample time before embarking upon a policy tightening journey. This is to ensure an orderly transition into a post Covid era, as we have been cautioning through the year. Our in-house proprietary technical indicators pointed to a positive change in momentum since the Omicron emergence at the end of November and suggest some further upside in US equities is achievable in the near term. We marginally increased our US equity exposure in late December.

We expect equities to perform strongly in the first quarter with earnings momentum from 2021 still likely to provide a supportive tail wind. We remain cautiously risk-on as the markets navigate this transition.

At portfolio level, the Ethical Balanced Growth model has continued to outperform its benchmark over the last month, and has benefited from its global equity exposure, with one of its biggest contributors being once again the Quilter Investors Ethical Equity Fund. One of the fund's biggest holdings is Aptiv, which holds a leading position as a technology company innovating at the intersection of disruptive trends in the mobility industries. They use their portfolio of technologies to make vehicles safer, greener and more connected and enable the future of mobility.

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