Alpha Beta PARTNERS

AB Ethical Balanced Income Portfolio

as at 31 May 2022

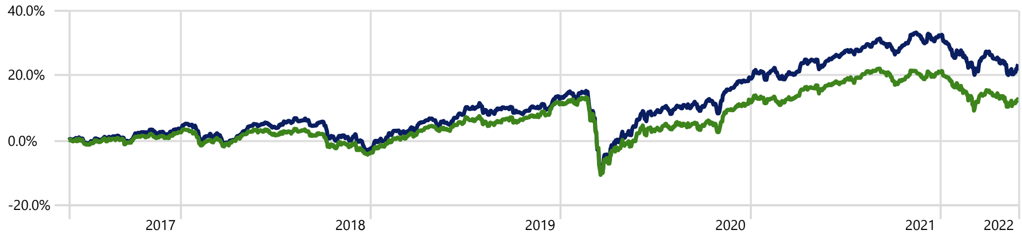
Investment Objectives

The AB Ethical Balanced Income 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.

Investment Growth

Time Period: 01/06/2017 to 31/05/2022



Snapshot

Base Currency	Pound Sterling
12 Mo Yield	2.23%
Ongoing Charge	0.75%
Management Fee (VAT where applicable)	0.25%
Portfolio Cost	1.00%

Trailing Returns

Data Point: Return

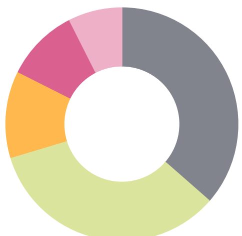
	3 Months	6 Months	YTD	1 Year	3 Years	5 Years
AB Ethical Balanced Income	-0.86	-5.34	-6.99	-3.75	9.01	12.50
IA Mixed Investment 40-85% Shares	-0.37	-5.18	-6.65	-0.90	17.62	23.39

Benchmark

Benchmark	UK RPI + 2%
Comparator Benchmark	IA Mixed Investment 40-85% Shares

Asset Allocation

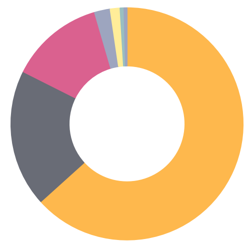
Portfolio Date: 31/05/2022



	%
UK Equity Large Cap	36.4
Sterling Fixed Income	33.9
Global Equity Large Cap	12.0
Aggressive Allocation	10.1
Cash	7.4
Total	**100.0**

Equity Regional Exposure

Portfolio Date: 31/05/2022



	%
United Kingdom	63.3
North America	19.1
Europe dev	13.1
Japan	2.2
Asia dev	1.4
Asia emrg	0.5
Latin America	0.4
Europe emrg	0.0
Africa/Middle East	0.0
Australasia	0.0

Risk

	Sharpe Ratio	Std Dev
AB Ethical Balanced Income	-1.48	6.47
IA Mixed Investment 40-85% Shares	-1.15	7.61

Top 10 Holdings

Portfolio Date: 31/05/2022

	Portfolio Weighting %
Rathbone Ethical Bond I Inc	14.18%
BMO Responsible UK Income 2 Inc	12.63%
Janus Henderson UK Responsible Inc I Inc	12.56%
EdenTree Responsible & Sust Glbl Eq B	12.05%
Unicorn UK Ethical Income B Inc	11.25%
Aegon Ethical Corporate Bond GBP B Inc	10.51%
Climate Assets Fund B GBP Inc	10.14%
EdenTree Responsible & Sust Shrt Dtd B	9.24%
CASH	7.44%
	100.00%

Manager's Commentary

The geopolitical risk emanating from the Russia-Ukraine conflict continued to affect the markets in May, with the wider impact of the conflict continuing to be felt across energy and agricultural commodity prices and in to inflation numbers. With inflation rates elevated and at 40 plus year highs throughout G7 and beyond, markets are now primarily responding to the central banks response and monetary policy risks and with an increasing probability of a recession in the next 12-18 months being factored in.

The broader based US S&P 500 index saw 7-straight weeks of consecutive falls culminating in an intra-day bear market, where losses reached 20% from their peak. This was followed by a strong rally as equity markets had become over sold, with the S&P 500 index up 6.6% during a single week. Quite a roller coaster ride of a year so far. We raised cash in portfolios across the board most recently and had previously reduced duration in fixed income allocations which has certainly helped buffer portfolios against market gyrations so far along with the unhedged US dollar exposure which has performed heroically.

With CPI inflation in the United States standing at 8.6%, raising rates multiple times and removing excess liquidity by quantitative tightening will slow economic growth whilst the inflation emanating from services sector may remain sticky. This can lead to a stagflationary environment. So, the distinct possibility of central bank policy error is factored into our asset allocation decisions. The theme of economic slowdown is global in nature. In Europe the ECB is expected to raise rates as German, French and Spanish inflation hit a high point. Japan has seen the yen hit a 20-year low as the Bank of Japan seeks to control borrowing costs at ultra-low levels. In China the slowdown is somewhat more pronounced, although the stringent zero Covid-19 policy appears to be abating with restrictions being lifted in the economically important Shanghai area.

US 10-year treasury yields hit 3% which is almost at the market implied Fed Fund Terminal Rate. We know markets are a hugely efficient discounting mechanism, looking forwards and discounting back future probabilities to today's stock and bond prices. This means markets are already pricing in much of the slowdown and potential recession we could see in due course. Therefore, it begs the question – "why would a sensible investor cash in his/her portfolio today?" As higher rates get closer it can be reasonably expected that future, longer term rates are likely to begin falling based upon the expectation of the slowdown passing and a recovery getting underway. We have shifted focus within some of the fixed income allocation towards the longer duration end of the yield curve. Then there is a case of curve inversion – we have seen both the Treasury 10/2 and OIS 30/5 curve inverted – signaling tighter borrowing conditions for economic agents in the near term. We are now favouring changes to duration and cash and intend to take some further equity exposure off into any sign of strength.

At a portfolio level, the Ethical Balanced Income model has benefited from its Short Duration Bond exposure, with the best performing fund being the EdenTree Responsible and Sustainable Short Dated Bond fund. One of the fund's biggest holdings is a bond of the Lloyds Bank. Lloyds Bank has been providing expert support and guidance to households, businesses, and communities of Britain.

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Investment Team

Investment Manager	Alpha Beta SRI Investment Team

Source: Morningstar Direct