AB Sustainable Balanced Growth

Data as at 31 May 2024

Investment Objectives

The portfolio aims to provide capital growth over the medium to long term, keeping within the prescribed volatility limits whilst investing, where appropriate, in low cost ETFs or Index funds, physically invested and with a low tracking error.

AB Sustainable Balanced Growth invests a minimum core of 80% in funds that are sustainable and contribute positively to either the environment or society, and that provide solutions to global issues. The sustainable models are aligned to the core model's risk first asset allocation, utilising both thoroughly researched active and passive instruments, whilst remaining a cost-effective solution to responsible investing.

Investment Growth

Time Period: 01/03/2021 to 31/05/2024

AB Sustainable Balanced Growth 4.3% IA Mixed Investment 40-85% Shares 12.9%

Snapshot

Base Currency	Pound Sterling
12 Month Yield	2.27%
Ongoing Charge	0.54%
Management Fee (VAT exempt)	0.25%
Portfolio Cost	0.79%

Trailing Returns

	3 Months	6 Months	1 Year	3 Years	5 Years	Since Inception (01/03/2021)
AB Sustainable Balanced Growth	1.80	8.00	8.65	1.98	37.87	4.31
IA Mixed Investment 40-85% Shares	3.11	8.91	10.63	7.83	27.97	12.87

The portfolio launched on 1 March 2021. Performance data prior to this date is for illustration purposes only and is backed tested performance using the asset allocation of the portfolio at launch.

Benchmark

Comparator Benchmark	IA Mixed Investment 40-85% Shares

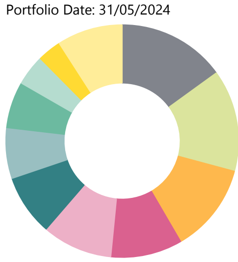
Risk

Time Period: 01/06/2023 to 31/05/2024

	Std Dev	Sharpe Ratio
AB Sustainable Balanced Growth	8.82	0.66
IA Mixed Investment 40-85% Shares	7.28	1.08

Asset Allocation

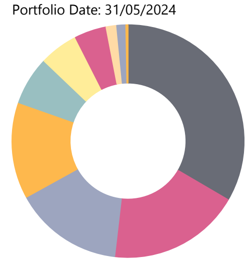
Portfolio Date: 31/05/2024



	%
Sterling Fixed Income	15.0
Global Equity Large Cap	14.2
Global Fixed Income	12.4
Europe Equity Large Cap	10.0
Japan Equity	9.8
Global Emerging Markets Equity	8.5
US Equity Large Cap Growth	7.1
UK Equity Large Cap	6.4
Asia ex-Japan Equity	4.3
Infrastructure Sector Equity	3.3
Other	9.1

Equity Regional Exposure

Portfolio Date: 31/05/2024



	%
North America	33.4
Europe developed	18.4
Japan	15.1
United Kingdom	13.4
Asia emerging	6.7
Asia developed	5.4
Australasia	4.5
Africa/Middle East	1.5
Latin America	1.3
Europe emerging	0.3

Top 10 Holdings

Portfolio Date: 31/05/2024

	Portfolio Weighting %
Vanguard SRI European Stk £ Acc	9.96%
iShares Japan Equity ESG Idx (UK) D Acc	9.78%
Vanguard ESG Em Mkts All Cp Eq Idx £ Acc	8.46%
Brown Advisory US Sust Gr GBP B Inc	7.06%
CT Responsible UK Equity 2 Acc	6.45%
BNY Mellon Sust Glb Dyn Bd Instl W Acc	6.42%
Baillie Gifford High Yield Bond B Acc	6.00%
Janus Henderson Global Sust Eq I Acc	5.77%
Liontrust Sust Fut Glbl Gr 2 Net Acc	5.57%
iShares Pac ex Jpn Eq ESG Idx (UK) DAcc£	4.28%
	69.74%

The aggregate total may not add up to the sum shown due to Morningstar roundings.

Manager's Commentary

May was a more favourable month for risk assets compared to April, with industrial commodities and mainstream equities performing well despite higher valuations and geopolitical concerns.

The U.S. economic backdrop remained robust, with the Federal Reserve holding interest rates steady and Consumer Prices Inflation lower than expected at 3.4%. Treasury yields stayed above 4%, but liquidity improved as the Treasury issued more bills. The Fed's Quantitative Tightening will reduce to $25 billion per month starting from June, supporting liquidity for 2024. Growth-oriented stocks, particularly in technology, performed well, with Nvidia's rapid growth making it larger than the entire German stock market.

While market positivity prevails, risks persist. When debt levels become uncomfortable for markets, government bond yields rise to compensate for higher capital repayment risks, effectively increasing interest rates. This impacts collateral such as real estate and other asset classes used for liability matching, posing challenges for banks, as seen with Silicon Valley Bank last year. The UK experienced similar issues under Mrs. Truss, with volatile Gilt yields until the Bank of England intervened. Europe's economic activity rebounded, particularly in Germany, with GDP growth and the Eurozone Purchasing Managers Index improving. Despite German inflation rising slightly to 2.4%, we expect ECB President Christine Lagarde to announce an interest rate cut in June, likely before the Federal Reserve.

In the UK, equities surged from a low base, while the Bank of England hinted at future rate cuts despite holding steady. UK inflation dipped to 2.3%, lower than the US and Eurozone. Gilt yields rose post the July 4th General Election announcement, anticipating a potential Labour government. In Japan, economic growth persisted, aided by a weaker Yen and revised Bank of Japan policies, with MOF interventions to stabilize currency. Japanese inflation climbed to 2.6%, accompanied by higher wage settlements.

Industrial metals, notably copper and silver, saw robust performance in May, alongside revaluations in gold, lithium, and uranium, amidst global reflation and rising demand. Geopolitical tensions persisted, with conflicts in Ukraine and Gaza, and escalated military activity between Taiwan and China, influencing market movements as the US election drew closer.

Portfolio changes included profit-taking in Japan and Europe, shorter duration in fixed income, and trimming emerging markets for a focus on US holdings. Overall, we are good shape year-to-date with performance and risk aligned and valuations moving steadily higher in a controlled manner.

At a portfolio level, the Sustainable Balanced Growth model benefited from its global equity exposure, with its best performing fund being the Janus Henderson Global Sustainable Equities fund. One of the fund's largest holdings is Progressive, an insurance company that designs products to reward customers' environmental stewardship and commitment to sustainability. One such concept is usage-based insurance products that reward safe driving habits by assessing the way customers drive, and providing lower rates for those who show fewer accident-linked behaviours, and for customers who use their vehicles less, thus emitting less greenhouse gasses.

Investment Team

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Source: Morningstar Direct