Psigma
Investment Management

Managed Portfolio Service

Socially Responsible Investing (SRI)

Psigma Fusion SRI Growth Portfolio

Q2 2020

Overview

The Psigma Fusion SRI Growth Portfolio invests in a diverse range of asset classes and investments that adhere to the Psigma SRI framework. The strategy uses a number of qualitative and quantitative inputs to decide on the asset allocation and holds underlying investments that aim to provide a societal benefit. The Growth Strategy aims to deliver equity like capital returns with significantly reduced volatility and a decreased risk of capital loss.

Framework

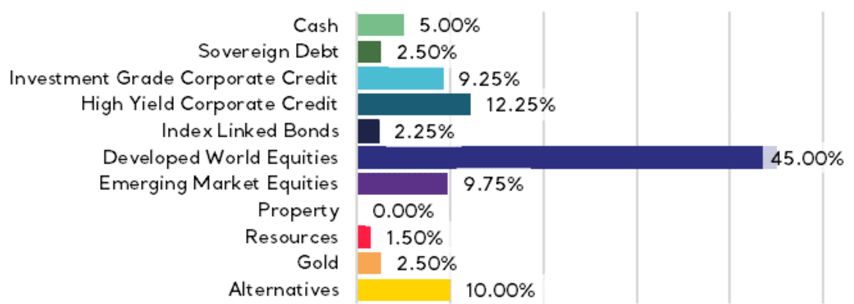
The SRI framework consists of the following components when assessing underlying holdings: Environmental, Social and Governance integration, Sustainability, Impact and Engagement. Using this framework supports the construction of a strategy that is exposed to our desired investment themes: Education, Clean Energy, Healthcare, Wellbeing, Innovation and Resource Efficiency.

The SRI framework places an emphasis on positive inclusion, which naturally leads to negative exclusions.

Investment Objective

This strategy aims to preserve your wealth above the rate of inflation. Given this target, it also attempts to generate growth returns through diversified investments, in line with our SRI framework, with a maximum equity weighting of 75%.

ASSET ALLOCATION



TOP FIVE HOLDINGS

FUND	ALLOCATION
Royal London Sustainable Leaders	7.50%
Aberdeen Standard UK Ethical Fund	7.50%
TwentyFour Asset Backed Income	7.25%
BMO Responsible Income 2	5.75%
Fulcrum Income	5.00%

STRATEGY CHARACTERISTICS

Launched	September 2019
Target Return	Inflation +4%
Max Equity	75%
Max Higher Risk Fixed Interest	15%
Estimated Yield	2.46%
Recommended Investment Period	10+ Years
ISA Eligible	Yes

PORTFOLIO CHARGES

Psigma AMC (Ex VAT)	0.30%
Product Costs#	0.87%
Total Charges (Inc VAT)	1.23%

MINIMUM INVESTMENT

For minimum investment levels please contact Fusion directly

Inflation Source: CPI from the Office for National Statistics. Crown Copyright material is reproduced with the permission of the Office of Public Sector Information (OPSI). Reproduced under the terms of the Click-Use License.

#Product costs are external costs levied by third party fund managers for providing collective investment schemes for your investment portfolio and include: fund expenses incurred by third party fund managers, transaction costs (MiFID II) as a result of acquisition or sale of assets and incidental costs, which include third party performance fees.

This is a discretionary managed portfolio service.
No client specific constraints are taken into account. The underlying investments will conform with the SRI framework. If you have any questions as to the SRI framework or service, please contact your Investment Manager or Professional Adviser.

Unless otherwise stated, all data is from Interactive Data as at 30/06/20.

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For more information, please get in touch with our client support team on +44 (0)20 3327 5450 or by email platforms@psigma.com.

Market View

The first quarter was defined by panic surrounding the COVID-19 pandemic, with risk assets being completely hammered across the board. From a market perspective, this rapidly reversed in the second quarter, with risk assets around the globe posting very strong numbers. The world is engulfed in a COVID-19 induced recession, but market participants have been soothed by the continued large-scale support being provided by global governments and central banks. Markets do appear a little out of touch with reality as the virus has continued to spread, with regions such as Latin America struggling badly, and the US itself also finding it hard to control the virus. Economies around the world are now tentatively re-opening, which has led to an improvement in economic activity, but this is off of a very low base.

Despite the apparent gloom, US markets have had an incredible second quarter in terms of speed of recovery. The S&P 500 is now firmly back in positive territory in GBP terms, but the real fireworks have come from the technology biased Nasdaq Index, which amazingly is up over 20% in GBP terms for the year. UK equities have participated in the global rally but remain laggard and are still lower by over 17% for 2020. In terms of the Pound Sterling, it has clambered off of the deck following the crisis in March vs the US dollar and, although still weaker than before the crisis, remained broadly stable in the second quarter. Japanese and European markets also benefitted from the 'risk on' attitude in markets, posting strong returns over the period. Interestingly, European equities took home the yellow jersey for developed markets in June, as US equities stuttered just a little. Given the uptick in sentiment, emerging markets have also enjoyed a power packed rally, with the asset class putting in its best quarterly performance in some time. In terms of equity style, the divergence between 'growth' and 'value' remains at elevated levels and, if anything, has become more pronounced since the COVID-19 crisis began.

Core government bond market returns were more subdued over this period, given a resumption in 'risk-on' mode. However, returns for the year remain far superior to credit. Credit markets have been supported by resumptions in quantitative easing programmes from central banks such as the US Federal Reserve and European Central Bank.

In the US, having committed to buying investment grade bonds in March, the central bank went one step further in April and noted that it wold also buy certain parts of the US high yield market. This action is unprecedented. US and also UK investment grade bonds are now back in positive territory for the year. Commodities markets remained bumpy, with US oil prices turning negative for the first time in history in April. However, the broad commodities index has gained momentum since then, with oil prices recovering, global economies beginning to re-open, and major oil producers agreeing to limit supply. Gold continued to be well bid, with investors continuing to value the properties of the 'yellow metal' in an environment where governments and central banks are throwing more and more capital at trying to offset the effects of COVID-19, thereby increasing already large debt piles.

Portfolio Activity

In the UK equity space, we added a new position in BMO Responsible UK Income. This was funded by selling our position in the passive UBS UK Socially Responsible UCITS ETF and reducing our exposures to Royal London Sustainable Leaders and ASI UK Ethical. In the global space, we added a new strategy called 91 Global Environment. In the emerging markets space, we added a new position in Robeco Sustainable EM Equities and sold the passive iShares Emerging Markets SRI UCITS ETF. We also took the decision to reduce our headline equity exposure. This was actioned by reducing our positions in Sparx Japan GBP Hedged, LionTrust Sustainable Future Growth and Stewart GEM Sustainability. In the alternatives space, we sold Odey Odyssey and rotated the proceeds into our existing position of Neuberger Berman US Equity Put Write. Elsewhere, we added to our exposure in LionTrust Monthly Income Bond.