Canaccord Genuity Wealth Management

1st Quarter 2020

ESG Balanced Portfolio

Patrick Thomas
Investment Director

Patrick sits on the firm's Portfolio Construction Committee, Fund Selection Committee and Alternatives Committee. He manages investment portfolios for intermediaries, trusts, charities and pension funds, specialising in discretionary mandates. Patrick is a chartered Wealth Manager and a Chartered Fellow of the CISI.

Paul Parker
Head of Intermediary Portfolio Management Team

Paul and his team manage CGWM's MPS models and inheritance tax portfolios. He has been with Canaccord Genuity since 2001 and is a Chartered Fellow of the Chartered Institute for Securities and Investment.

Benchmark

PIMFA Balanced Portfolio Total Return

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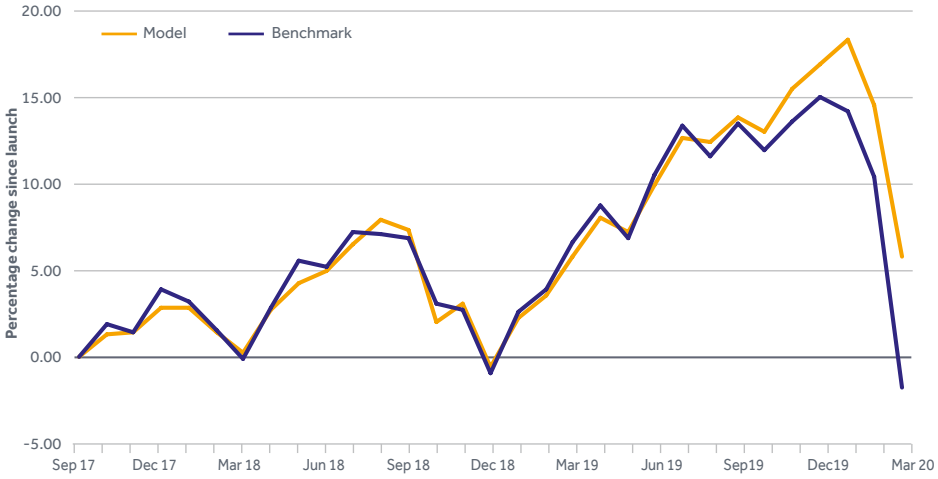
Investment objective

This portfolio aims to produce a balance between capital appreciation and income over a typical investment cycle (i.e. 7-10 years) using investments that consider environmental, social and governance criteria alongside traditional financial metrics. An active screening approach is used to select potential portfolio allocations. This portfolio will have exposure to funds that focus on ESG factors (including resource efficiency, employee engagement and business culture), as well as focused thematic investments, such as environmental technology, and those that have measurable impact, such as social housing. The volatility profile could therefore differ from a traditional discretionary portfolio with the same asset allocation.

Performance since inception (30/09/2017)



Discrete performance (%)

Total return to end of last calendar quarter 31/03/2020.

	2019	2018
Model	**+16.8**	**-3.3**
Benchmark	**+16.2**	**-4.8**

Cumulative performance (%)

Total return from inception to 31/03/2020.

	3 Months	1 Year	Inception (30/09/2017)
Model	**-9.5**	**-0.7**	**+5.8**
Benchmark	**-14.7**	**-5.75**	**-1.8**

Source: Canaccord Genuity Wealth Management (CGWM).
All performance data to 31/03/2020. Total return before fees and charges are deducted.

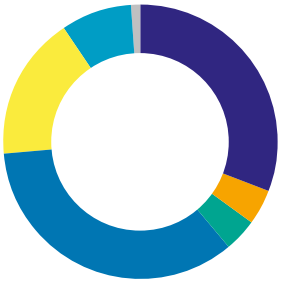
Risk & return since inception

	Model	Benchmark (PIMFA Balanced Portfolio Total Return)
Annualised volatility (%)	**+6.4**	**+7.1**
Maximum loss (%)	**-10.6**	**-14.7**
Sharpe ratio	**+0.9**	**-0.3**

Annualised volatility: risk is measured by the variability of performance. The higher the standard deviation, the greater the variability (and therefore the risk) of the Fund or the index.

Sharpe ratio: measures the risk/return trade-off. It is the annualised return less the average risk-free rate, divided by the annualised volatility of the model.

ESG Balanced Portfolio asset allocation (%)



	Model
Fixed Interest	30.9
Emerging Market Equity	4.3
Europe Equity	3.9
Thematic Equity	34.5
International Equity	16.9
Alternative Investments	8.4
Cash	1.1

Top 10 holdings (%)

ROYAL LONDON ASSET MANAGEMENT ETHICAL BOND M GBP ACC	7.1
UBS ETF SICAV SUS.DE .BA.BDS UCIT	6.6
RATHBONE UNIT TRUST MANAGEMENT ETHICAL BOND S GBP DIS	6.1
LYXOR INTERNATIONAL ASSET MGMT LYXOR CORE FTSE ACTUARIES UK GILTS (DR)	5.9
MONTANARO ASSET MANAGEMENT LIMITED BETTER WORLD GBP DIS	5.9
BAILLIE GIFFORD & CO POSITIVE CHANGE B ACC	5.5
WELLINGTON MGMNT FUNDS (IRELAND) GLOBAL IMPACT S GBP ACC UNHEDGED	5.4
ROBECO LUXEMBOURG GLOBAL SDG CREDITS IEH GBP	5.2
FIRST STATE INVESTMENTS(UK) STEWART INV GBL EMG MKTS SUST B GBP ACC	4.3
HERMES INVESTMENT MANAGEMENT SDG ENGAGEMENT S GBP ACC	4.2

Source: CGWM

Portfolio Manager commentary

While we never want to lose money, we are comforted by the resilience of the ESG portfolios during what was probably their first true test in more volatile conditions. The strategies substantially outperformed their benchmarks and pleasingly, it was an environment where doing good for the world also correlated with better returns. It is important during times of extreme market volatility to remember that ESG investing is a long-term strategy. History indicates that acting hastily in the midst of a crisis is typically unhelpful, and our challenge was to step back and maintain perspective. When we invest, we look at long-term themes. We do not try to time the markets.

Some of our more cyclical themes will certainly have been impacted in the near term by the abrupt economic slowdown which has occurred. However, our view is that such selling has been relatively indiscriminate and driven by fear rather than long-term fundamentals. We choose our themes because they target companies with long-term growth opportunities, competitive advantages and sustainable business models. Ultimately, we believe they are well placed to resume their positive trends when the current crisis is over.

We have therefore not abandoned any of our positions and have actually used the opportunity to add to new sustainable themes we admire at more depressed prices. We added a position in a fund focused on oncology treatment, one targeting cloud computing technology and another investing in education. In recent weeks there has been a growing spotlight amongst investors and the public on the benefits of companies acting responsibly towards all stakeholders, including employees and customers, as well as shareholders. We think this will be important both during and after this crisis.