

An "Income" portfolio seeks to provide a higher level of income, this is with a balance between capital protection and appreciation in a diversified portfolio of assets. The portfolio is suitable for those whose financial situation can tolerate a moderate level of volatility in performance.



## Fund Manager's Report

Market activity in the past few months has been driven by politics, and more specifically the re-election of Donald Trump. As we await his inauguration, the Federal Reserve (Fed) put monetary policy back in focus at their December meeting with hawkish comments that signalled the return of inflation concerns.

As was anticipated, the Fed cut interest rates by 0.25% for the third straight meeting but their outlook rocked markets. They indicated that they would probably only lower rates two times in 2025, according to the closely watched "dot plot". This saw an index of the 500 largest US companies fall nearly 3% on the day, whilst an index of US small and mid-cap companies fell by over 4%. US equity weakness was followed around the world and global equities were broadly negative on the month. At the same time, US yields soared and the dollar strengthened, particularly against Asian and Emerging Market currencies.

As we have discussed at length previously, portfolios are naturally rate sensitive given their positive investment focus. Within this renewable energy is a particularly good example, given the effect of the cost of capital on its build-out, and this was shown again in the month with a clean energy ETF falling nearly 5%. Over the last few months, we have reduced some of the more rate sensitive renewable exposure, and have looked to increase larger-cap and more defensive exposure in portfolios, to increase their resilience amidst the higher for longer narrative.

UK long-term yields continued to rise during December and we remain shorter-duration in our fixed income exposure, which has been beneficial. At their meeting, the Bank of England left rates unchanged as expected, however it was seen as a dovish hold given 3 members voted for a cut. This increased chances for a cut at the next meeting, and we expect further steepening of the yield curve to come. Infrastructure holdings were under pressure once more as a consequence of the rising long-term yields. Portfolio allocation towards them has been reduced over the last couple of months in anticipation of this continued increase.

The Eurozone continues to be under significant pressure economically and politically. As expected, the central bank cut interest rates, and acknowledged that they will need to fall further in 2025 amidst expectations of lacklustre growth. In recent weeks French markets have been roiled by the former Prime Minister's proposed deficit cutting budget that led to the Government being toppled, whilst in Germany the country awaits elections early in the new year. We continue to be negative towards Europe, but selectively positive on certain companies because of their global presence.

## Fees

DFM fee: 0.20% to 0.40% (based on AUM)

Portfolio OCF 0.55%

Transactional Cost 0.09%

Historic Yield 4.05%

5-Year Volatility 10.70%

## Excluded Activity

**X Adult Entertainment X Alcohol Production**  
**X Armaments X Fossil Fuel Exploration & Production X Major Environmental Concerns X Gambling X Tobacco Production**

Our aim is to achieve zero exposure to the above sectors. Whilst our portfolios are not focused on transition companies, where companies have credible and substantial plans to transition away from excluded activities, and where these plans are already evidently well underway, they may be included in portfolios. Eg Orsted

## Targeted Activity

- ✓ **Climate Change**  
(Alternative Energy, Energy Efficiency, Green Building)
- ✓ **Natural Capital**  
(Sustainable Water, Pollution Prevention, Sustainable Agriculture)
- ✓ **Basic Needs**  
(Nutrition, Major Diseases Treatment, Sanitation, Affordable Housing)
- ✓ **Empowerment**  
(SME Finance, Education, Connectivity)

## Investment Committee



## Stock Pick - Energy Recovery Inc

Energy Recovery Inc is a global leader in energy efficiency technology. They design and manufacture reliable, high-performance solutions that generate cost savings, increase energy efficiency, and reduce carbon emissions across several industries. Their core markets are Desalination (with a rising population & climate change, there is increasing stress on freshwater supplies), Wastewater (stricter government policies on water discharge) & CO2 (again government regulations driving transition from HFCs to CO2). Their solutions aim to address United Nations Sustainable Development Goals 6,7,9,12 & 13.

## Cumulative Performance (Net of DFM fee & OCFs)

3 months	6 months	1 year	3 years	5 years	10 Years
-3.66%	0.09%	0.57%	-11.61%	-2.33%	31.42%

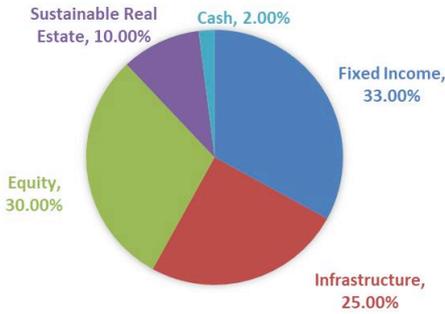
## Discrete Performance (Net of DFM fee and OCFs)

Jan 24 to Dec 24	Jan 23 to Dec 23	Jan 22 to Dec 22	Jan 21 to Dec 21	Jan 20 to Dec 20
0.57%	1.98%	-13.83%	4.88%	5.37%

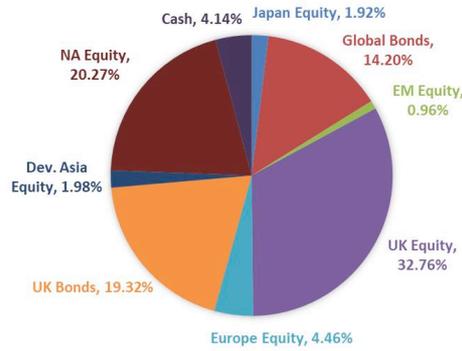
## Top 5 Funds

Rathbone Global Sustainable Bond Fund	10.00%
Aegon Ethical Corp Bond Fund	10.00%
Premier Miton Sustainable Optimum Income	10.00%
CT Sustainable Global Equity Income	10.00%
Gravis Clean Energy Income	10.00%

## Asset Allocation



## Geographical Allocation

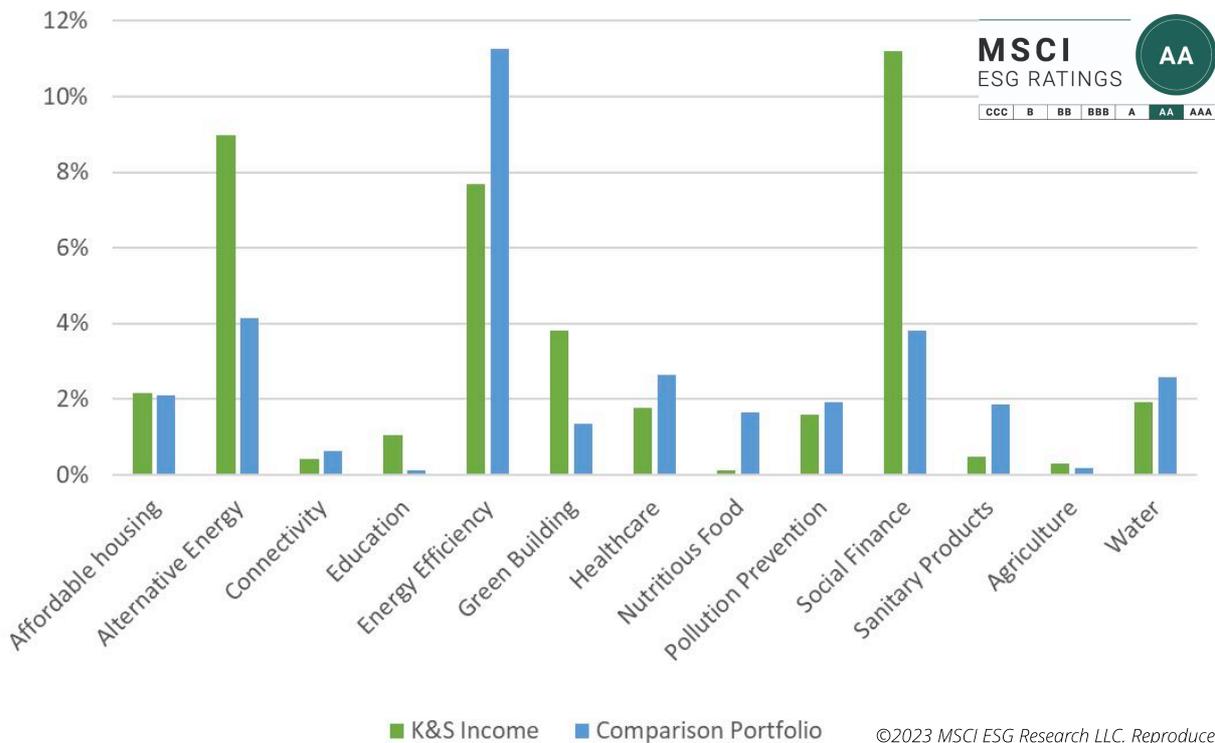


## Fund SDR Classification

Information pending: We will report to clients on the underlying fund exposure according to the SDR fund sustainability fund labels, once fully implemented. The labelling will help underlying investors identify the make up our model portfolios according to the four fund labels.

## Positive Investment Themes (Correct as at November 2024)

Whilst we have access to all the underlying holdings held within each collective, it would be unrealistic to detail each individual company and their own specific positive outcomes. Instead, the data below looks at the portfolios holistically, and maps their exposure to a number of positive investment themes, such as alternative energy, sustainable water, or green buildings, to name but a few. We have taken third party data from MSCI and used their thirteen 'Sustainable Impact Metrics', which cover environmental and social impact, and compared it to a blend of global equity and bonds depending on risk.



MSCI's coverage of the funds underlying companies within your portfolio is not yet 100% (Funds MPS overall coverage ranging from 70-88%). It is therefore possible that there could be some upside in the exposure to the positive investment themes. We do expect the coverage to expand over time, as the quality and depth of reporting widens through the universe of investable stocks. Four funds held in portfolios, the Gravis Clean Energy Income fund, the Foresight UK Infrastructure fund, the Gravis UK Infrastructure Income Fund and the RM Alternative Income Fund, have an underlying company coverage between 25-46%. Therefore, for these four funds only, we have inferred the alternative energy data from the fund house's own material, as this has a clear revenue link to this theme.

## Contact Details

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