July 2021

Arundel and Brighton Diocese

Portfolio Review Discussion Materials

Agenda

BERENBERG
PARTNERSHIP SINCE 1590

01 Market Review & Outlook

Market Review & Outlook
Overview

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2021 Q2 Review

Economic recovery puts inflation in the spotlight:

- The second quarter saw vaccination programmes across the developed world gather serious momentum, with several of the largest regions now with vaccination rates over 50%.
- COVID-19 restrictions have gradually been unwound, allowing economic activity to pick up fuelling growth.
- Inflation came to the forefront, reaching as high as 5% in the US as ultra loose fiscal and monetary policy combined with a reopening economy led to pricing growth.
- Markets monitored central bank meetings to gauge any signs of a tapering of the stimulus that has supported markets, although central banks generally signalled that they were comfortable with the current rise in inflation.

Markets reaction:

- Bond yields fell over the quarter, as despite rises in reported inflation, market expectations of longer term inflation cooled off.
- The falling yield environment proved to be very supportive for equities that saw gains across the board, particularly for the growth focused areas of the market that had lagged their value focused counterparts year to date.
- Gold benefitted from falling yields but has still underperformed on a year to date basis.

Outlook

- Central banks are unlikely to react too swiftly to rising inflation as economic growth disappointments become more probable and as the pace of growth slows.
- Economically sensitive equities have benefitted from economic reopening but the outlook going forward is less clear as the effect of the initial bounce fades.
- The economic outlook overall remains strong and there is still plenty of economic slack to be taken up, although in the shorter term the risk of a growth disappointment has increased.

Summary:

- Nations begin the process of a full reopening of their economies
- Vaccination programmes pick up
- Inflation picks up as economic activity resumes
- Growth gains ground against value
- Bond yields fall as inflation expectations in the long run cool off
- Central banks remain supportive although the prospect of tapering looms

Market Review & Outlook
Q2 2021 Key Themes

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Post-COVID normality comes into view

- Successful vaccination rollouts across the globe have allowed policymakers to ease restrictions, enabling faster economic growth.
- Nations with advanced inoculation programmes have benefitted most. The UK has provided at least one vaccine dose to well over 60% of the population.
- The European Union, having struggled in the first quarter to get its vaccine programme off the ground, has now given the vaccine to over half of its population.

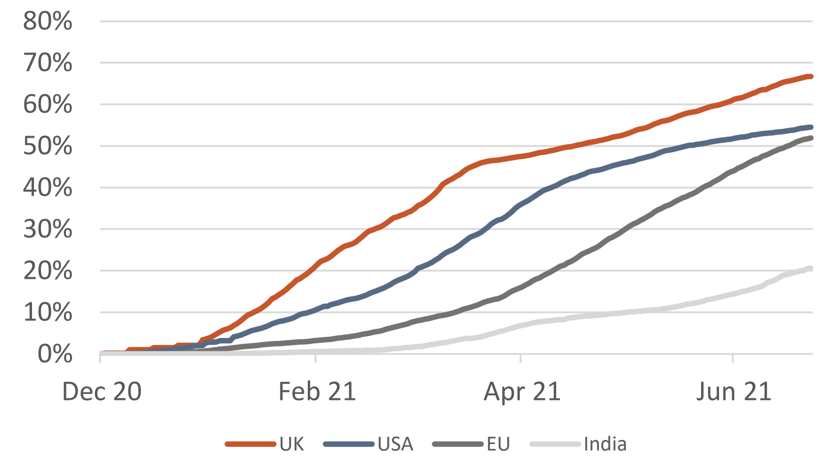
Inflation takes centre stage

- Easing restrictions coupled with months of ultra loose monetary policy and fiscal stimulus has opened the floodgates for economic activity.
- This environment has inevitably led to concerns of inflation, or more specifically the magnitude and duration of the inflation that will follow in the wake of a reheating economy.
- Central banks seem reluctant to tighten policy in response to inflation creeping up and have maintained asset purchasing programmes across the board.
- Central bank consensus remains that this period of inflation is transitionary and should ease as economic activity normalises.

Growth bucks the trend

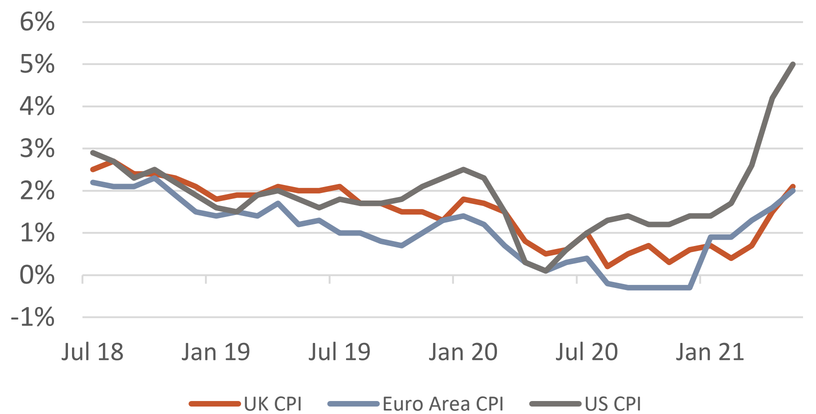
- The rally in value stocks continued in the first quarter as improving economic growth prospects and rising bond yields fuelled rotation into lower valuation stocks.
- This trend reversed in the second quarter as a robust earnings season coupled with falling yields renewed investor appetite for growth orientated stocks, particularly within the technology space.
- Quality stocks - those that are highly cash generative, exhibit stable earnings and manageable leverage - have fared better still and have now closed their year to date performance gap with value stocks.

Population that have received at least one dose of the vaccine



Source: Our World in Data

Growth and Value performance divergence driven by bond yields



Source: ONS, BLS, Eurostat

Market Review & Outlook

Market Outlook

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Pace of economic growth to gradually slow but remain above trend

- Fiscal stimulus should enable the global economy to continue down its road to recovery albeit at a gradually slowing pace.
- Our economists believe GDP levels will return to their pre-COVID-19 levels after two to three years.
- Although inflation has begun to rise in 2021 it is unlikely that major central banks will drastically react to this.
- Going forward into 2022, inflation will likely stabilise whereupon emergency monetary policy measures will begin to be withdrawn.

Equity allocation continue to be modestly overweight

- We have a positive outlook on equities on a long term view given that economic growth is likely to remain strong and yields low.
- Shorter term, there is some potential for out-turns in economic growth to disappoint heady expectations.

Regional variation

- Equity valuations are optically high, although valuations should normalise as lockdown impacted periods fall out of the valuation window.
- Short term, the reopening of the global economy has the potential to disproportionately benefit more economically sensitive sectors.

Interest rate exposure remains unattractive

- We retain a cautious approach to interest rate sensitivity as, despite the recent volatility, yields remain near all time lows.
- We are retaining gold for now as a diversifier. Alternative strategies have been disappointing in a difficult environment for liquidity.

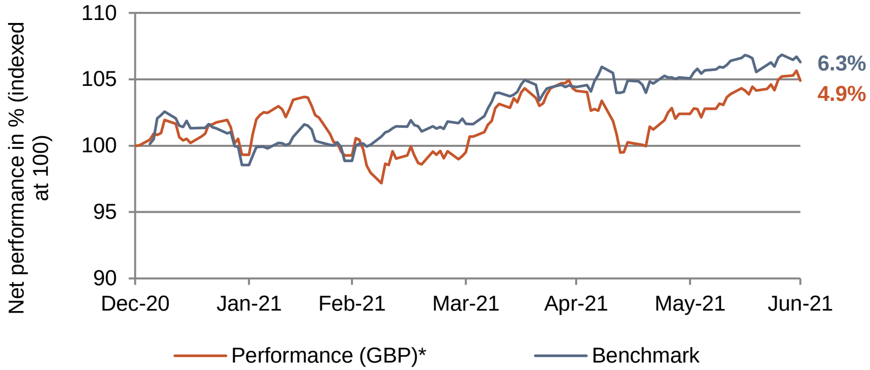
Risks to our outlook

- Logistical issues with deployment of the vaccine or new variants of COVID-19 could lead to further lockdown periods.
- Inflation and inflation expectations could persist causing bond yields to rise further.

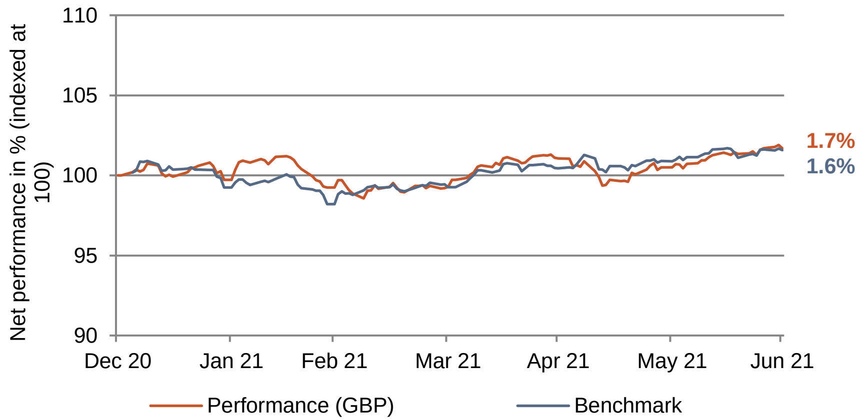
02 Performance

MAIF 1 & 2 Overview
Performance YTD

MAIF 1 Distributing*



MAIF 2 Distributing*



*Note: figures are taken from 31/12/20 – 30/06/21 ** Inception date is 06/03/17

Portfolio Manager Commentary

- ***MAIF 1:*** +43.5% vs. benchmark +22.1% since inception**
  +4.9% vs. benchmark +6.3% during H1 21
- ***MAIF 2 :*** +18.4% vs. benchmark +13.9% since inception**
  +1.7% vs. benchmark +1.6% during H1 21

Equities

- Equities contributed positively to performance however the asset class experienced the following:
  - **Cyclical rotation**: defensives have underperformed since March 2020 while cyclicals have experienced a more pronounced rally since November 2020. Semiconductors, industrials, chemicals companies in the portfolio benefitted in the first phase of cyclical rotation however in the second phase, sectors which the portfolio does not have, such as banks, energy, leisure and travel, have performed much stronger.
  - **Momentum reversal**: companies that were already performing poorly before COVID-19, and were hit sharply, are now recovering back to pre-COVID levels.
  - **Inflation and interest rates**: rising oil and commodity prices and rising interest rates hurt bond proxies (e.g. utilities, telecoms and consumer).
- We took the market volatility as an opportunity to sell/reduced **DCC, Hello Fresh and Infineon.** We bought a position in **Teladoc Health** (leading telehealth company) and **StoneCo** (Brazilian Payment Provider).

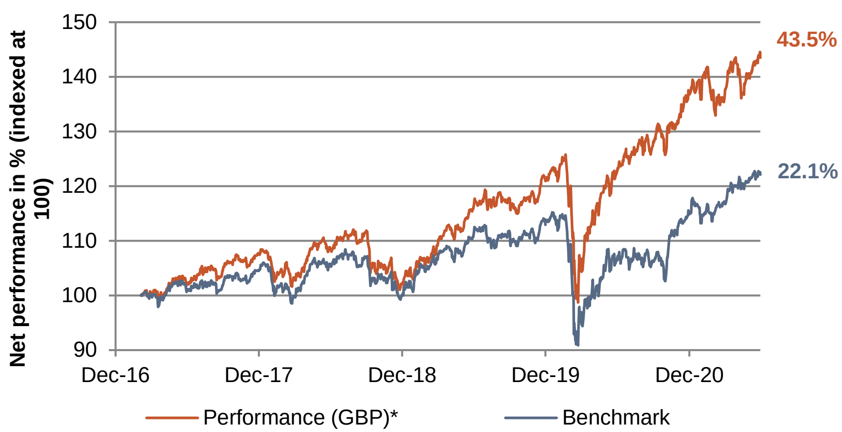
Bonds

- The Bank Nederlandse Gemeenten had matured and we invested some of the liquidity in the Threadneedle Social Bond Fund.

Source: Berenberg Portfolio Management Programme (PMP). Please note past performance is neither an indicator of future performance nor a guarantee of future returns. The benchmark composition can be found in the appendix.

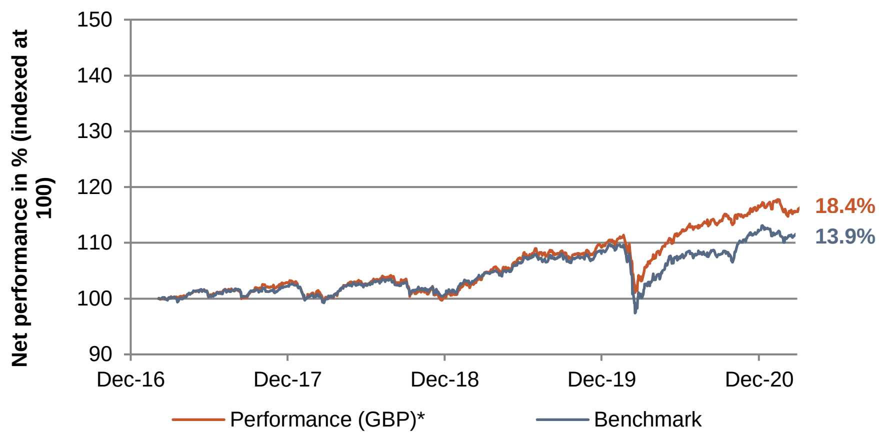
MAIF 1 & 2 Overview
Performance since Inception

MAIF 1 Performance (since inception)



Period: 06/03/2017 – 30/06/2021

MAIF 2 Performance (since inception)



Period: 06/03/2017 – 30/06/2021

Portfolio*	2017**	2018	2019	2020	2021 (H1)	TOTAL
MAIF 1 Mandate	7.70%	-5.20%	18.40%	13.10%	4.90%	36.70%
MAIF 1 Benchmark	*4.50%*	*-4.10%*	*12.80%*	*1.70%*	*6.31%*	*15.00%*
MAIF 2 Mandate	2.90%	-2.60%	9.00%	6.60%	1.71%	16.50%
MAIF 2 Benchmark	*2.20%*	*-1.50%*	*7.30%*	*3.70%*	*1.58%*	*12.00%*

MAIF 1 benchmark:
MSCI USA Net Total Return (13%)
MSCI Europe ex UK Daily Net Total Return (12%)
MSCI UK Net Total Return (40%)
iBoxx GBP Gilt 5-7 Yr Total Return (15%)
iBoxx Sterling Corp. 5-7 Yr Total Return (15%)
LIBOR GBP 1 Month (5%)

MAIF 2 benchmark:
MSCI USA Net Total Return (5%)
MSCI Europe ex UK Daily Net Total Return (5%)
MSCI UK Net Total Return (15%)
iBoxx GBP Gilt 5-7 Yr Total Return (35%)
iBoxx Sterling Corp. 5-7 Yr Total Return (35%)
LIBOR GBP 1 Month (5%)

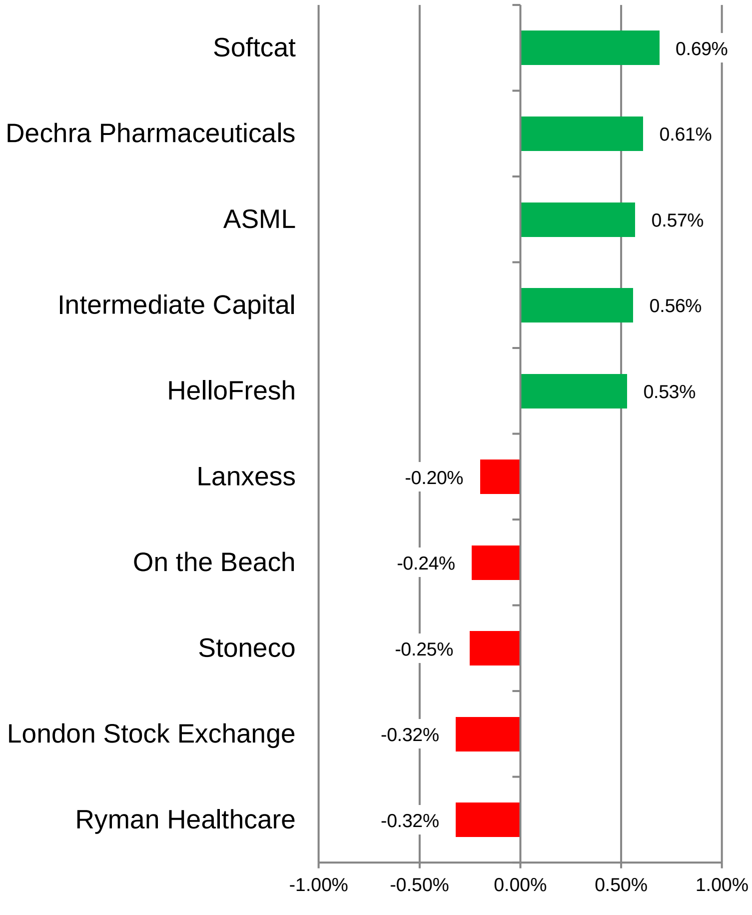
*Note: performance figures are taken after fees and have been rounded to one decimal place.

**Figures have been taken from the time period of 06/03/17 – 31/12/17

Source: Berenberg PMP. Please note past performance is neither an indicator of future performance nor a guarantee of future returns.

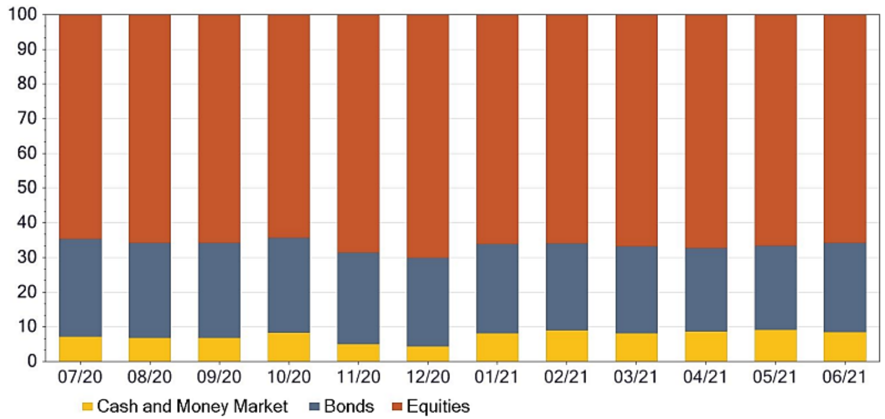
MAIF 1 & 2 Overview
Top Positions and Asset Allocation

Top 5 Contribution Equity Gainers and Laggards: MAIF 1

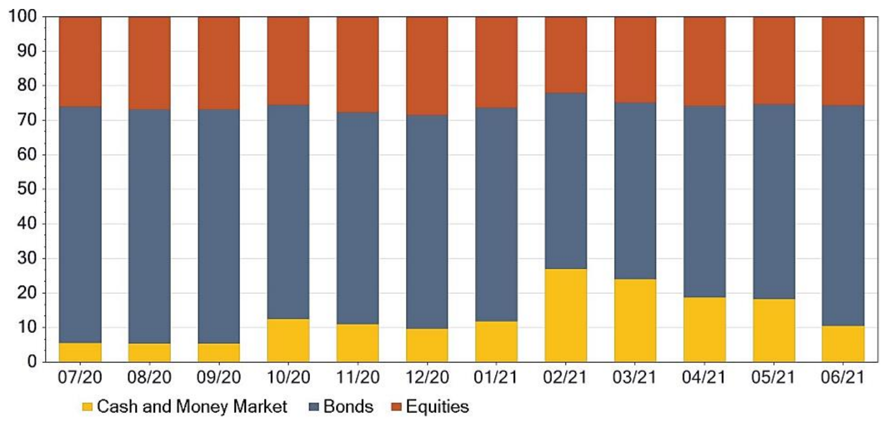


Source: Berenberg PMP, as at 31/12/20 – 30/06/21

MAIF 1 Distributing (LTM)

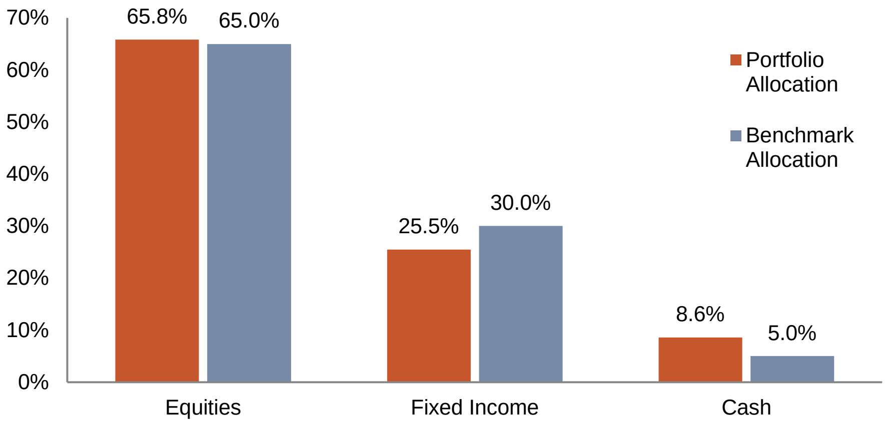


MAIF 2 Distributing (LTM)

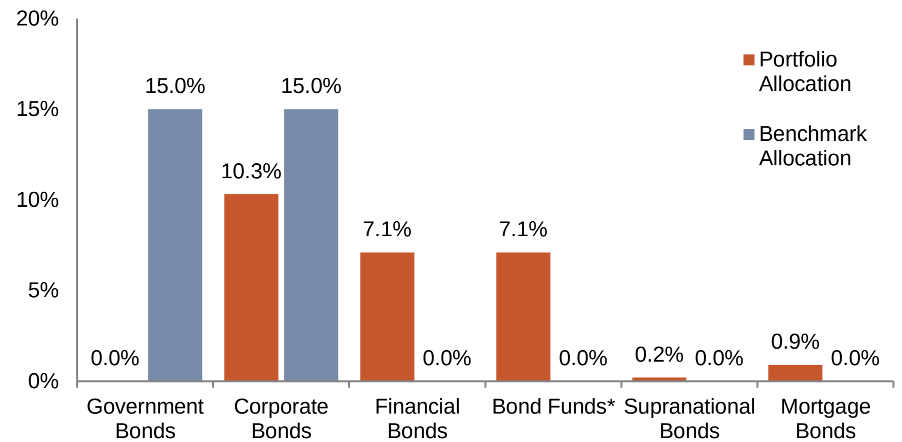


MAIF 1 Overview
Current Portfolio versus Benchmark Allocation

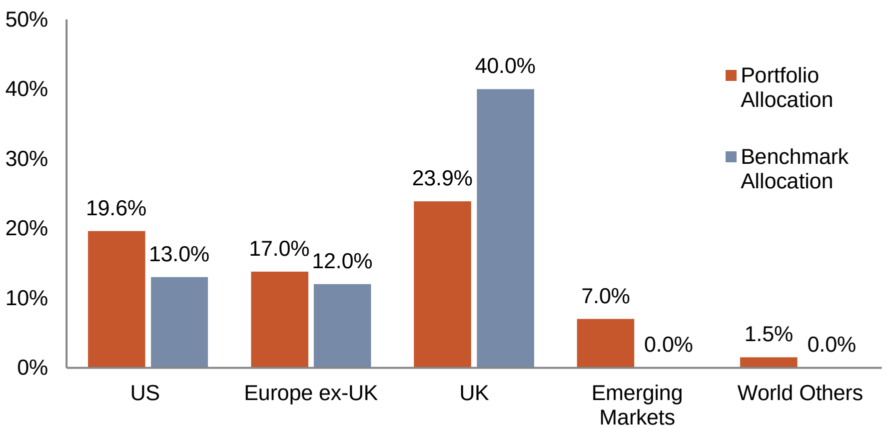
MAIF 1 Distributing: Asset Allocation



MAIF 1 Distributing: Bond Allocation



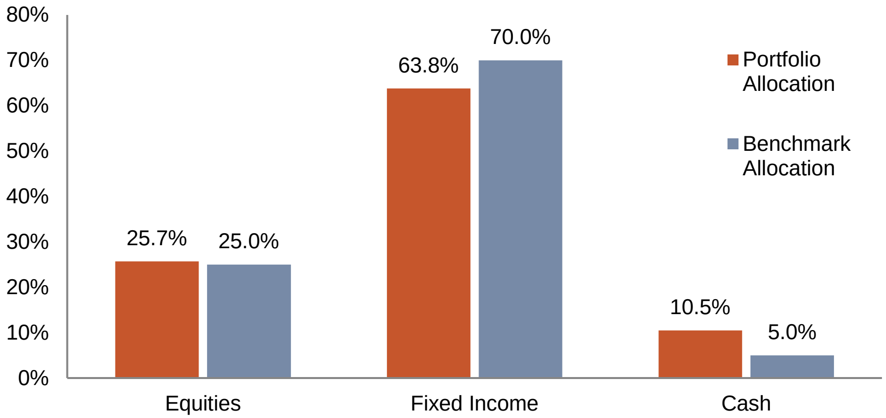
MAIF 1 Distributing: Geographical Equity Allocation



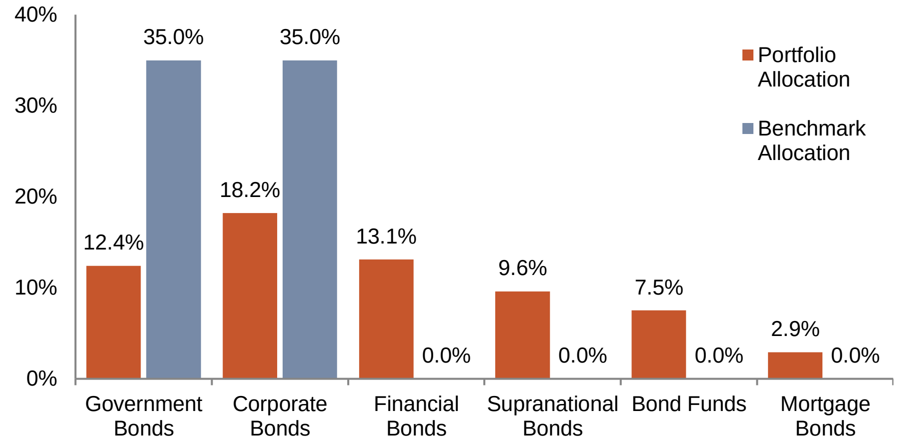
* Bond Funds: includes the Threadneedle UK Social Bond Fund, as of 31/12/2020
Source: Berenberg PMP, as at 31/12/20 – 30/06/21

MAIF 2 Overview
Current Portfolio versus Benchmark Allocation

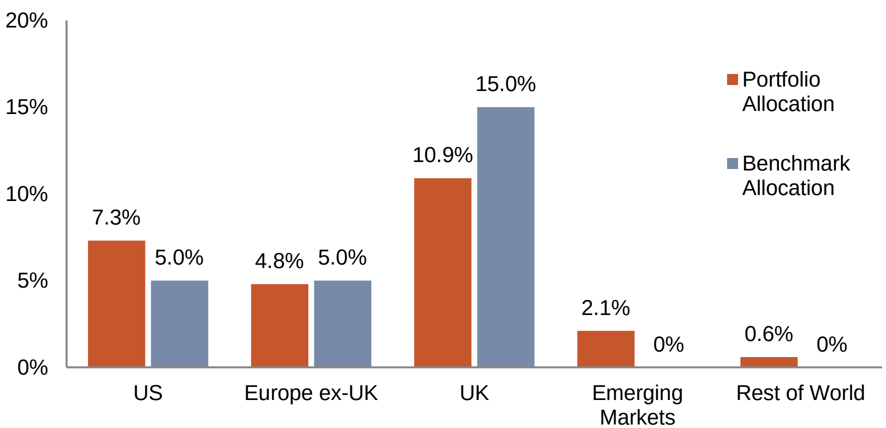
MAIF 2 Distributing: Asset Allocation



MAIF 2 Distributing: Bond Allocation



MAIF 2 Distributing: Geographical Equity Allocation

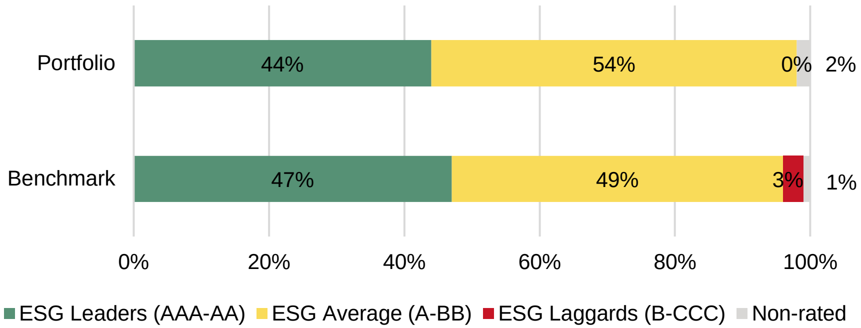


* Bond Funds: includes the Threadneedle UK Social Bond Fund, as of 31/12/2020
Source: Berenberg PMP, as at 31/12/20 – 30/06/21

03 ESG Impact Reporting

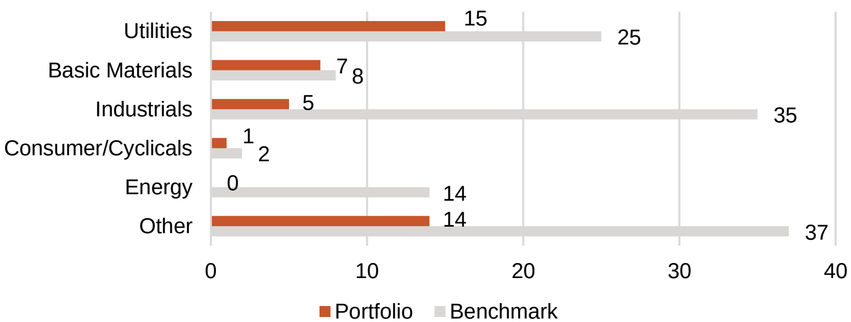
MAIF 1 ESG Footprint
Overview

MSCI ESG Ratings Distribution



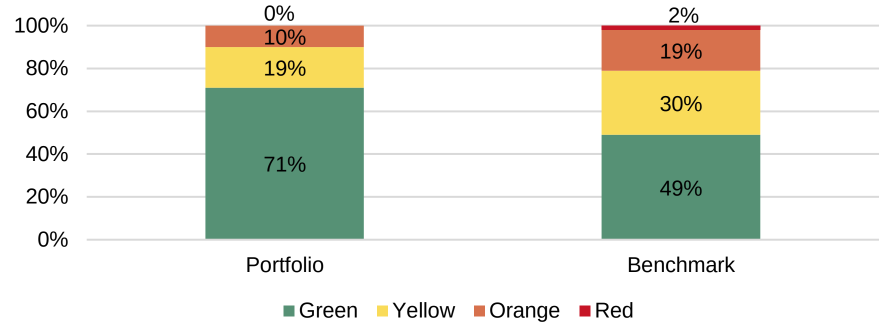
Companies with an MSCI ESG Rating from CCC-B are considered to be laggards, ratings from BB-A are moderate and companies with a rating from AA-AAA are ESG leaders (CCC-AAA). The chart includes the total ESG score of companies and evaluable mutual funds. Money market and alternative investments are excluded.

Most Carbon Intensive Sectors (Scope 1 & 2 emissions in tCO2e/$m Sales)



Scope 1 refers to emissions from the company and Scope 2 includes emissions from purchased energy, such as electricity. Funds, alternative investments and money market are excluded. Carbon dioxide intensity is represented by the carbon risk multiple. A carbon risk multiple that is considered to be: very low is 0-15, low is 15-70, moderate is 70-250, high is 250-525 and very high is equal to or over 525.

Controversy Flags Comparison



Companies with orange flags have controversies that are examined in more detail in the form of engagement and with a comprehensive risk analysis. Red flags are excluded from an investment.

Note: The benchmark is comprised of MSCI USA, MSCI Europe ex UK, MSCI UK, iBoxx GBP Gilt 5-7yrs, iBoxx Sterling Corp. 5-7yr, with weights in line with your benchmark without cash.

Source: MSCI ESG Research LLC, own calculations and visualisations as at 09/07/21.

MAIF 1 Impact Contribution
Company Examples

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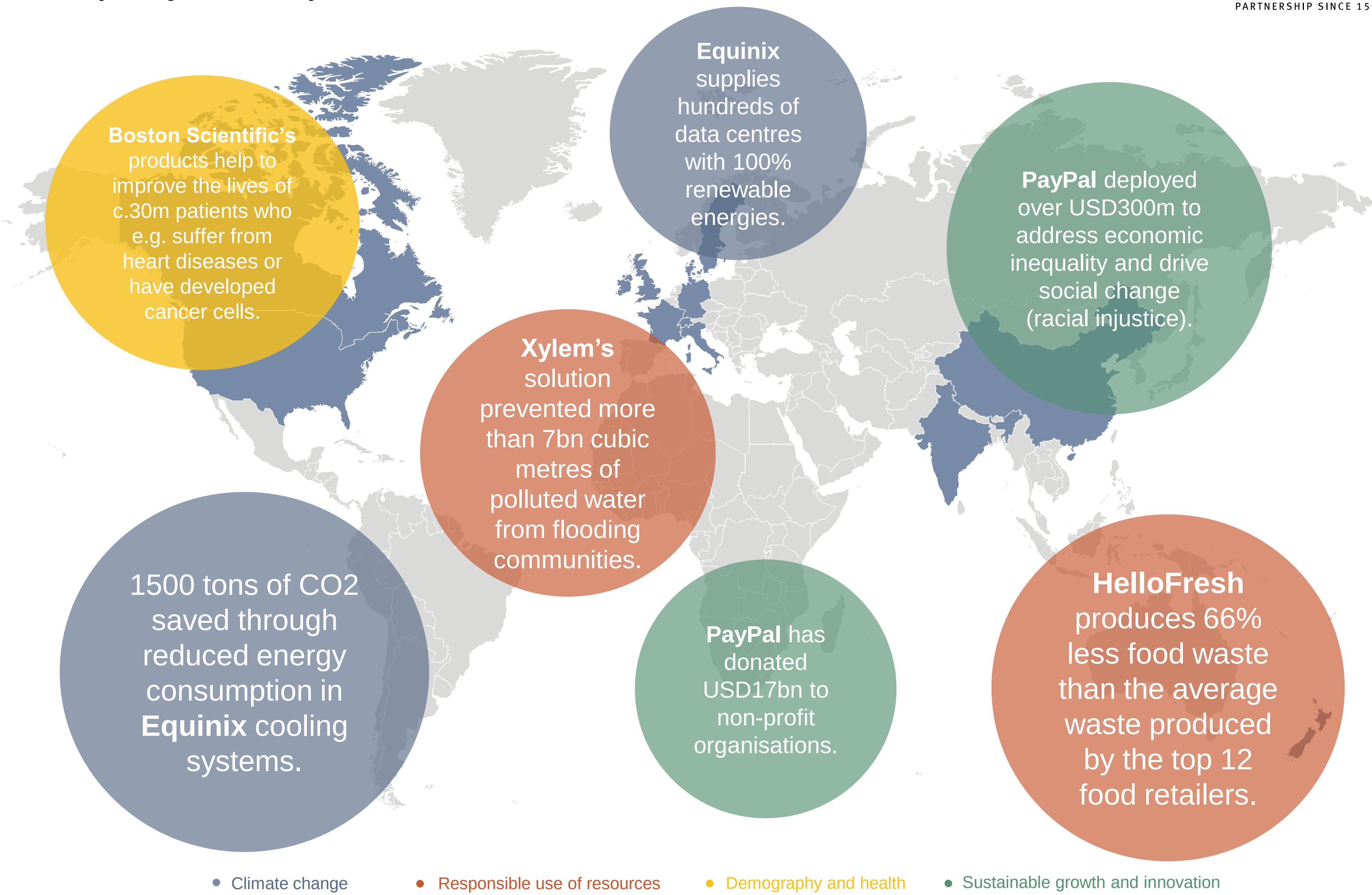

Source: Company reports, Berenberg Research, Corporate engagement

04 Appendix

Benchmark Composition

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MAIF 1

MSCI USA Net Total Return	13.00%
MSCI Europe ex UK Daily Net Total Return	12.00%
MSCI UK Net Total Return	40.00%
iBoxx GBP Gilt 5-7 Yr Total Return	15.00%
iBoxx Sterling Corp. 5-7 Yr Total Return	15.00%
LIBOR GBP 1 Month	5.00%

MAIF 2

MSCI USA Net Total Return	5.00%
MSCI Europe ex UK Daily Net Total Return	5.00%
MSCI UK Net Total Return	15.00%
iBoxx GBP Gilt 5-7 Yr Total Return	35.00%
iBoxx Sterling Corp. 5-7 Yr Total Return	35.00%
LIBOR GBP 1 Month	5.00%

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As of: 06 October 2021