Money Wise UK®

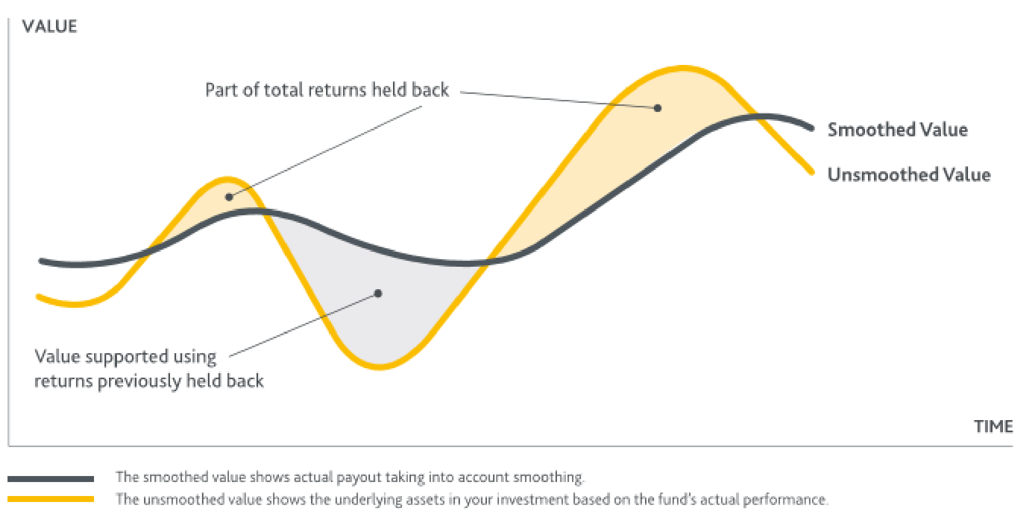
Growing together, with integrity and respect

# Wesleyan With Profits Fund: Fund Manager Review – December 2025

## Strategy and Objective

The Wesleyan With Profits Growth Fund is a smoothed, multi-asset with-profits fund aiming to deliver capital growth over the medium to long term by investing across UK and global equities, fixed interest, property, cash and related assets. The core differentiator is its daily smoothing mechanism, which aims to avoid sharp rises and falls in value by spreading investment returns over time.

Smoothing illustration – the diagram below shows how smoothing is applied to your investment




The fund sits broadly in the ABI Mixed Investment 40–85% Shares universe and is designed as a long-term “home” for money – recommended minimum holding period five years plus.

As a mutual with-profits fund, investors also benefit (positively or negatively) from a share of Wesleyan's wider business profits/losses and any distributions of surplus capital, although this is expected to be a relatively small driver versus underlying asset returns.

## Team and Resources

The fund is managed by Wesleyan's in-house Investments Team, which combines fund managers, property managers, investment analysts and a dedicated Sustainable Investment (SI) team, with 150+ years of combined experience.

Key oversight and governance points:

- Director of Investments, Martin Lawrence, is a long-standing Wesleyan investor (joined 1995, fund manager from 2001, now overseeing all funds including the With Profits Fund).
- The team has won awards such as Responsible Investor of the Year and Investment Team of the Year (Re/insurer), reflecting both performance and process recognition.
- There is a fully documented governance framework, including a With Profits Committee and Board oversight, as detailed in the PPFM and due-diligence pack.

From a financial strength perspective, Wesleyan's Solvency II coverage ratio of c. 261–322% (depending on year referenced) points to a well-capitalised mutual able to support smoothing, guarantees and transformation investment.

## Investment Process

Wesleyan runs the With Profits Growth strategy with a long-term, contra-cyclical, buy-and-hold approach:

- Asset allocation: multi-asset blend of equities, bonds, property, infrastructure, private equity and cash, with a deliberate tilt towards growth assets supported by the Society's financial strength.
- Contra-cyclical stance: willingness to buy assets when they are out of favour and to trim when they appear over-valued.
- Low turnover: portfolio turnover is kept low to minimise transaction costs and focus on long-term value creation.

The formal process is four-stage:

1. Screening & monitoring – global universe, macro and thematic filters, liquidity and capitalisation, exclusionary ESG screens.
2. Fundamental analysis – detailed review of income statement, balance sheet, cash flow, sector structure and competitive position.
3. Engagement – ongoing dialogue with company management, participation in AGMs, capital markets days, and collaborative industry initiatives.
4. Valuation & debate – absolute and relative valuation, scenario analysis, and internal stock debates / peer review before inclusion or exit.

Overlaying this is the smoothing framework, where unit prices are set using a daily formula designed to keep payouts broadly between 85%–115% of the underlying "unsmoothed" asset value over time.

## Portfolio Characteristics

Although the fund is a single With Profits Growth Fund, under the bonnet it looks like a diversified, risk-5 multi-asset portfolio:

- As at May 2025, approximate allocation: equities c. 54% (UK, US, Europe, Japan, Asia Pac, EM), bonds c. 32% (UK gilts, corporates, global ex-UK), property and REITs c. 9–10%, alternatives (infrastructure/private equity) c. 4%, cash c. 5%.
- Risk mapping places the fund in the moderate risk band on Defaqto's 1–10 scale (mapped to c. 6–7 in terms of volatility, consistent with 40–85% equity mixed-investment strategies).
- Smoothing means the client sees a single daily price rather than the full volatility of the underlying asset mix, but economically they are exposed to the same long-term risk/return drivers.

# WESLEYAN WITH PROFITS GROWTH PENSION FUND SERIES A

31 October 2025

## TOP HOLDINGS (as at 31/10/2025)

| Name | % |
|---|---|
| 3I GROUP PLC | 1.98% |
| ALPHABET INC. CLASS A | 1.70% |
| FERGUSON ENTERPRISES INC. | 1.68% |
| ASTRAZENECA PLC | 1.60% |
| SHELL PLC | 1.54% |
| MICROSOFT CORPORATION | 1.38% |
| APPLE INC. | 1.14% |
| HSBC HOLDINGS PLC | 1.14% |
| GSK PLC | 0.90% |
| NVIDIA CORPORATION | 0.89% |

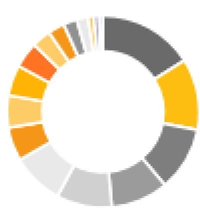
Source: Internal Figures to 31/10/2025

## ASSET BREAKDOWN

(as at 31/10/2025)

| | |
|---|---|
| UK EQUITIES | 23.82% |
| NORTH AMERICAN EQUITIES | 19.94% |
| UK GOVERNMENT BONDS | 11.56% |
| EUROPEAN (EX UK) DEVELOPED EQUITIES | 10.18% |
| PROPERTY | 8.90% |
| UK CORPORATE BONDS | 5.92% |
| UK IL GOVERNMENT BONDS | 4.94% |
| EMERGING MARKETS EQUITIES | 4.29% |
| CASH | 3.08% |
| EUROPEAN (EX UK) DEVELOPED CORPORATE BONDS | 2.49% |
| NORTH AMERICAN CORPORATE BONDS | 2.22% |
| JAPANESE EQUITIES | 1.32% |
| ASIA PACIFIC (EX. JAPAN) DEVELOPED EQUITIES | 0.97% |
| EUROPEAN (EX UK) DEVELOPED GOVERNMENT BONDS | 0.21% |
| ASIA PACIFIC (EX. JAPAN) DEVELOPED CORPORATE BONDS | 0.10% |
| JAPANESE CORPORATE BONDS | 0.06% |

## SECTOR BREAKDOWN



(as at 31/10/2025)

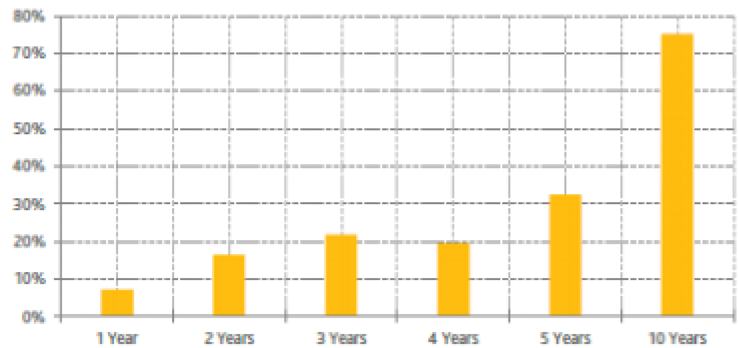
| | |
|---|---|
| FINANCE | 16.39% |
| GOVERNMENT BONDS | 11.77% |
| TECHNOLOGY | 10.99% |
| CORPORATE BONDS | 10.63% |
| INDUSTRIALS | 9.60% |
| PROPERTY | 8.90% |
| CONSUMER NON-CYCLICALS | 5.96% |
| INDEX LINKED GOVERNMENT BONDS | 5.09% |
| HEALTHCARE | 4.86% |
| NON-ENERGY MATERIALS | 3.30% |
| CASH | 3.08% |
| ENERGY | 2.91% |
| CONSUMER CYCLICALS | 2.42% |
| CONSUMER SERVICES | 1.82% |
| UTILITIES | 0.95% |
| BUSINESS SERVICES | 0.82% |
| TELECOMMUNICATIONS | 0.49% |

The fund also applies Wesleyan’s sustainable investing policy, with exclusions (e.g. tobacco, civilian firearms, irresponsible oil & gas, sanctioned regimes) and an active-ownership approach.

## Performance

Smoothed performance (Pension Series A)

SMOOTHED FUND PERFORMANCE (AS AT 31/10/2025)




Cumulative Performance to 31/10/2025

**Please note that past performance is not a reliable guide to future performance and the value of your investment can go down as well as up, so you could get back less than you have invested.**

CUMULATIVE PERFORMANCE (AS AT 31/10/2025)

| | 1 Year | 3 Years | 5 Years | 10 Years |
|---|---|---|---|---|
| Wesleyan With Profits Growth Pension Fund Series A | 7.24% | 21.77% | 32.39% | 75.18% |

ANNUAL PERFORMANCE (AS AT 31/10/2025)

| | 01/11/2024 to 31/10/2025 | 01/11/2023 to 31/10/2024 | 01/11/2022 to 31/10/2023 | 01/11/2021 to 31/10/2022 | 01/11/2020 to 31/10/2021 |
|---|---|---|---|---|---|
| Wesleyan With Profits Growth Pension Fund Series A | 7.24% | 8.43% | 4.71% | -1.87% | 10.80% |

Source: Internal actual returns correct at 31/10/2025.

The performance figures shown above are based upon the net return on the With Profits Growth Pension Fund Series A after charges are deducted and include the effects of smoothing. The return individual investors have received on their own investments will be different due to, for example, the amount invested.

The factsheet (to 31/10/2025) shows:

- 1-year: c. 7.2%
- 3-year annualised: mid-single-digit returns (reflecting both strong 2023 and weaker 2022).
- 10-year cumulative (underlying smoothed history): c. 75% total return (before individual plan timing effects).

The Q3 2025 quarterly review charts indicate that, over 10 years, the fund has delivered strong absolute returns but slightly behind the top of the ABI Mixed Investment 40–85% peer group, while exhibiting meaningfully lower volatility on risk/return scatter plots.

In simple terms:

- Over long periods the fund has produced equity-like growth with a smoother path, broadly in line with mid-pack multi-asset peers after charges.
- In sharp up-markets it tends to lag more aggressive, unsmoothed peers as smoothing and diversification cap the upside.
- In stressed periods (COVID, 2022 bond/equity sell-off) the smoothed price path shows shallower drawdowns, which is particularly relevant for clients taking income.

Charges are 0.65% AMC / 0.74% OCF, which is competitive versus many actively-managed multi-asset funds but higher than simple passive blends.

## Strengths

**1. Smoothed returns and sequencing-risk mitigation**

Daily smoothing aims to keep pay-outs within the 85–115% corridor of asset shares, reducing the impact of poor short-term sequencing – particularly valuable for retirees drawing regular income.

**2. Financial strength of a long-standing mutual**

Wesleyan's high solvency ratio (c. 261–322%), significant funds for future appropriations and history of mutual bonus distributions give additional comfort for advisers worried about with-profits balance-sheet risk.

**3. Genuine multi-asset diversification**

Exposure across global equities, bonds, property and alternatives provides a well-diversified growth engine within a single fund, with governance and asset-allocation decisions made in-house.

**4. ESG integration and active ownership**

A dedicated SI team, clear exclusions, and active engagement with investee companies align the fund with growing adviser/client demand for responsible investing without going “dark green”.

**5. Operational simplicity on platform**

Daily pricing (T+3 trading) and availability via platforms such as Hubwise, Nucleus and Wealthtime make the fund operationally usable within modern CRPs, ISAs and pensions.

## Key Risks

**1. With-profits opacity / discretion**

Although Wesleyan provide good documentation (PPFM, due diligence, “how it works” guides), with-profits remains less transparent than a straightforward unit-linked multi-asset fund. Outcomes depend on management discretion around smoothing, bonus policy and estate usage.

**2. Performance drag in prolonged bull markets**

Smoothing and diversification mean the fund is likely to under-participate in strong equity markets, especially when mega-cap growth/AI stocks dominate indices. Advisers must set expectations that it is designed for a smoother ride, not benchmark-hugging outperformance.

**3. Provider/solvency risk**

As with any with-profits fund, investors are exposed to the solvency and governance of Wesleyan. While current metrics are strong, this is a single-provider solution, so concentration risk should be managed at portfolio level.

**4. Long-term horizon requirement**

The fund is explicitly designed for 5+ years. Early encashment may crystallise periods when the smoothed price still reflects prior market conditions and could be below the unsmoothed value, particularly after sustained weakness.

## Role in a Portfolio / Retirement Strategy

From a Money Wise UK / CRP® perspective, we see the With Profits Growth Fund as:

- A core moderate-risk growth holding for clients who value stability of experience as much as maximising point-to-point returns.
- Particularly useful in retirement income strategies where smoothing can help manage sequencing risk, complementing other investment "engines" (e.g. low-cost global equity/bond index blends or more targeted satellite strategies).
- Suitable for clients who are advice-led, can tolerate some capital fluctuation, but are uncomfortable with the full volatility of an unsmoothed 60–80% equity multi-asset fund.

In practice we would tend to:

- Use it as one of the core growth buckets in a CRP®, especially for cautious-to-balanced decumulation clients.
- Pair it with transparent passive or active multi-asset funds to diversify provider risk and give clients a clearer benchmark anchor.
- Avoid using it as the sole growth engine for more sophisticated or very cost-sensitive investors who prioritise transparency and tight index tracking.

## Points of Difference

What distinguishes Wesleyan's With Profits Growth Fund from other smoothed/with-profits propositions:

1. Daily, formula-based smoothing with an explicit 85–115% corridor and no MVRs or unit price cuts under the current approach.
2. Mutual structure and surplus sharing, including periodic mutual bonus distributions when capital strength allows.
3. Strong ESG overlay with specific exclusions and engagement, rather than a purely financial-only with-profits approach.
4. Availability on mainstream adviser platforms, which is still relatively rare for with-profits funds and allows easier integration with existing advisory processes and tools.

## Summary and Money Wise UK View

Overall, the Wesleyan With Profits Growth Fund offers a credible, modern take on with-profits investing:

- A well-diversified, risk-5 multi-asset portfolio managed by an experienced, award-winning team.
- A smoothing mechanism that has historically delivered competitive long-term returns with lower volatility, particularly valuable for retirees and more anxious investors.
- The backing of a financially strong mutual with clear documentation and an explicit responsible-investment framework.

However:

- Advisers must be comfortable explaining with-profits mechanics, governance and discretion.
- Clients should understand that the trade-off for a smoother ride is likely underperformance in strong bull markets and that this is a 5+ year commitment, not a short-term parking place.

Money Wise UK view:

We see the Wesleyan With Profits Growth Fund as a useful component within a diversified Centralised Retirement Proposition®, particularly for clients where emotional comfort and sequencing-risk management are as important as maximising benchmark-relative returns. It is not a one-size-fits-all solution, but used thoughtfully – alongside transparent passive/active multi-asset funds and clear communication – it can play a valuable role in delivering smoother journeys and more stable client behaviour through market cycles.

## Disclaimer

Past performance is not a reliable guide to future results. The value of investments can fall as well as rise, and investors may not get back the amount originally invested.

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Review Completed: December 2025