

International MPS Rebalance Note - GBP

December 2023

For Professional Advisers Only



Christopher Golding
Lead Portfolio Manager
E: christopher.golding@evelyn.com

Summary

This re-balance saw changes to risk strategies Cautious to Maximum Growth, driven by our top down decision to reduce equity exposure to Emerging Markets in favour of global developed markets, as well as being influenced by our analyst's rating downgrade of Hermes Global Emerging Markets Fund. Although we still believe in the long term growth drivers for the Emerging Markets, such as positive demographics, limited supply side constraints, industrialisation, resource advantage, on-going reforms and infrastructure development, we are seeing continued negative sentiment and economic data out of China, which is a large proportion of the region, and given we have been running an overweight allocation to the region we considered it prudent to reduce this slightly. This was achieved by exiting the **Hermes Global Emerging Market** fund where we have lost confidence in management due to poor performance that coincided with the step down of the ex-PM Kunjal Gala. We were also concerned at the high turnover in the fund over the past 12 months, at more than half, suggesting a fundamental shift in the philosophy and process employed by the fund manager.

With the proceeds we initiated a new position in **AB International Healthcare**, as we currently have a favourable view on the healthcare sector on valuation grounds as well as valuing the defensive characteristics of the sector; Healthcare companies tend to be less exposed to the macro environment having resilient, predictable cash flows. As we enter the later stages of central bank tightening and the impact of these are still feeding through to the underlying economies, increasing the risk of a recession, we consider having additional exposure to this defensive sector will benefit portfolio. We selected **AB International Healthcare** as we like the manager focuses on mature proven companies that are generating sustainable cash flows at high or improving returns of capital, in essence quality companies as opposed to trying to predict medical science or the next big breakthrough. Furthermore, the fund has an excellent track record; the fund is no. 1 and 2 in its peer group of 5 and 10 years respectively. This has been achieved by capturing more on the upside (104%) and less on the downside (93.5%) of its sector, highlighting the defensive characteristics we seek.

We have shown the changes we made per risk profile in the table below:

	Risk Profiles				
	Cautious	Balanced	Growth	Advent.	Max Growth
Hermes Global Emerging Market	-2.0%	-2.0%	-2.0%	-2.0%	-2.0%
AB International Healthcare	2.0%	2.0%	2.0%	2.0%	2.0%

International MPS Investment List – Risk-based Portfoliosc

	Defensive	Cons.	Caut.	Balanced	Growth	Adventurous	Maximum Growth
Cash & Short Dated							
Cash	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
iShares GBP UltraShort Bond ETF	3.0%	2.0%					
Sub Total Cash	5.0%	4.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Fixed Income							
GOVERNMENT - NOMINAL BONDS							
Vanguard US Government Hedged Inc	8.0%	7.0%	7.0%	4.0%	4.0%	2.0%	0.0%
iShares Core UK Gilts	10.0%	8.0%	7.0%	6.0%	6.0%	4.0%	4.0%
UK Gilts 0-5yr	6.0%	5.0%	3.0%				
	24.0%	20.0%	17.0%	10.0%	10.0%	6.0%	4.0%
GOVERNMENT - REAL							
Sanlam Inflation Linked Bond Fund	8.0%	5.0%	5.0%	4.0%	0.0%		
	8.0%	5.0%	5.0%	4.0%	0.0%		
Investment Grade Corporate Bonds							
SPDR Sterling Corporate ETF	3.0%	2.0%					
Brown Advisory Global Sustainable Total Return	10.0%	7.0%	7.0%	4.0%	2.0%		
Vontobel - TwentyFour Strategic Income Fund	7.0%	8.0%	7.0%	4.0%	3.0%		
	20.0%	17.0%	14.0%	8.0%	5.0%	0.0%	0.0%
High Yield							
Capital Group Global High Income Opps	2.0%	2.0%	2.0%	4.0%	4.0%	2.5%	
	2.0%	2.0%	2.0%	4.0%	4.0%	2.5%	0.0%
Sub Total Fixed Income	54.0%	44.0%	38.0%	26.0%	19.0%	8.5%	4.0%
Alternative Assets							
Real Assets							
BBGI Global Infrastructure S.A.	5.0%	5.0%	3.0%	3.0%	3.0%	3.0%	
Schroder Global Cities	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	
	8.0%	8.0%	6.0%	6.0%	6.0%	6.0%	
Absolute Return							
Fulcrum Diversified Absolute Return	6.0%	5.00%	5.00%	4.0%	3.0%	2.0%	
CG Absolute Return Fund	6.0%	6.00%	5.00%	5.0%	3.0%	2.0%	
	12.0%	11.0%	10.0%	9.0%	6.0%	4.0%	
Gold							
Invesco Physical Gold ETC	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	
	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	
Sub Total Alternative Assets	23.0%	22.0%	19.0%	18.0%	15.0%	13.0%	
Equities							
UK Equity							
iShares Core FTSE 100	3.0%	5.0%	7.0%	6.0%	6.0%	9.0%	10.0%
Ninety One UK Alpha			3.0%	5.0%	5.0%	5.0%	10.0%
Montanaro UK Income	2.0%	3.0%	3.5%	4.0%	5.0%	5.0%	7.0%
	5.0%	8.0%	13.5%	15.0%	16.0%	19.0%	27.0%
US Equity							
iShares S&P 500 Hedged GBP	5.0%	5.0%	4.0%	4.0%	6.0%	7.0%	6.0%
Edgewood US SELECT Growth		2.0%	3.0%	3.0%	5.0%	5.0%	6.0%
GQG Partners US Equity			3.0%	3.0%	5.0%	6.0%	5.0%
Brown Advisory Mid Cap				3.0%	4.0%	5.0%	5.0%
Dodge & Cox Worldwide US Stock							6.0%
	5.0%	7.0%	10.0%	13.0%	20.0%	23.0%	28.0%
Japan Equity							
JP Morgan Japan	1.0%	2.0%	2.0%	3.0%	3.0%	4.0%	5.0%
	1.0%	2.0%	2.0%	3.0%	3.0%	4.0%	5.0%
Europe Ex UK Equity							
Blackrock Continental European Equity	2.0%	4.0%	5.0%	5.5%	6.0%	9.0%	11.0%
	2.0%	4.0%	5.0%	5.5%	6.0%	9.0%	11.0%
Asia Pacific Ex Japan Equity							
Veritas Asian Equity	3.0%	3.0%		2.0%	3.0%	4.5%	5.0%
Schroder Asian Total Return Equity			2.5%	2.5%	3.0%	3.0%	4.0%
Fidelity Asia Smaller Companies				2.0%	2.0%	2.0%	2.0%
	3.0%	3.0%	2.5%	6.5%	8.0%	9.5%	11.0%
Global Equity							
Fundsmith Equity Feeder Fund		3.0%	3.0%	5.0%	4.0%	5.0%	5.0%
AB Intl Health Care			2.0%	2.0%	2.0%	2.0%	2.0%
Guinness Global Equity Income Fund	2.0%	3.0%	3.0%	4.0%	5.0%	5.0%	5.0%
	2.0%	6.0%	8.0%	11.0%	11.0%	12.0%	12.0%
Sub Total Equities	18.0%	30.0%	41.0%	54.0%	64.0%	76.5%	94.0%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
est. Yield	2.85%	2.63%	2.48%	1.98%	1.95%	1.93%	1.42%
est. Underlying OCF	0.38%	0.48%	0.53%	0.62%	0.60%	0.60%	0.67%

Important information

This document has been prepared for use by professional advisers and intermediaries only and should not be construed as investment advice. It is not intended for use by retail clients.

Please remember the value of an investment and income derived from it can go down as well as up and investors may get back less than the amount invested. The return may increase or decrease as a result of currency fluctuations.

Past performance is not a guide to future performance.

Evelyn Partners International Limited
Registered in Jersey No. 120252. Regulated by the Jersey Financial Services Commission.