

# International USD MPS Rebalance Note

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 Portfolios

	Defensive	Cons.	Caut.	Balanced	Growth	Adventurous	Maximum Growth
<b>Cash &amp; Short Dated</b>							
Cash	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
iShares USD UltraShort Bond ETF	3.0%	2.0%					
<b>Sub Total Cash</b>	<b>5.0%</b>	<b>4.0%</b>	<b>2.0%</b>	<b>2.0%</b>	<b>2.0%</b>	<b>2.0%</b>	<b>2.0%</b>
<b>Fixed Income</b>							
<b>GOVERNMENT - NOMINAL BONDS</b>							
iShares \$ Treasury 7-10 Year	10.0%	7.0%	7.0%	5.0%	6.0%	2.0%	4.0%
iShares Treasury Bond 3-7year ETF USD	14.0%	13.0%	10.0%	6.0%	5.0%	4.0%	
	<b>24.0%</b>	<b>20.0%</b>	<b>17.0%</b>	<b>11.0%</b>	<b>11.0%</b>	<b>6.0%</b>	<b>4.0%</b>
<b>GOVERNMENT - REAL</b>							
Sanlam Inflation Linked Bond Fund	8.0%	5.0%	5.0%	4.0%	0.0%	0.0%	0.0%
	<b>8.0%</b>	<b>5.0%</b>	<b>5.0%</b>	<b>4.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Investment Grade Corporate Bonds</b>							
iShares \$ Global Corporate Bond ETF	3.00%	2.00%					
Brown Advisory Sustainable Bond Fund	10.00%	7.00%	7.00%	2.0%	4.0%		
Vontobel TwentyFour Strategic Income Fund	7.00%	8.00%	7.00%	4.0%			
	<b>20.0%</b>	<b>17.0%</b>	<b>14.0%</b>	<b>6.0%</b>	<b>4.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>High Yield</b>							
Capital Group Global High Income Opps	2.0%	2.0%	2.0%	4.0%	4.0%	2.5%	
	<b>2.0%</b>	<b>2.0%</b>	<b>2.0%</b>	<b>4.0%</b>	<b>4.0%</b>	<b>2.5%</b>	<b>0.0%</b>
<b>Sub Total Fixed Income</b>	<b>54.0%</b>	<b>44.0%</b>	<b>38.0%</b>	<b>25.0%</b>	<b>19.0%</b>	<b>8.5%</b>	<b>4.0%</b>
<b>Alternative Assets</b>							
<b>Real Assets</b>							
Schroder Global Cities	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	
	<b>3.0%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>0.0%</b>
<b>Absolute Return</b>							
JPMorgan Global Macro Opportunities	5.0%	5.00%	3.00%	3.0%	3.0%	3.5%	
Fulcrum Diversified Absolute Return	5.0%	5.00%	5.00%	5.0%	3.0%	3.5%	
BlackRock Event Driven	5.0%	4.00%	5.00%	5.0%	3.0%		
	<b>15.0%</b>	<b>14.0%</b>	<b>13.0%</b>	<b>13.0%</b>	<b>9.0%</b>	<b>7.0%</b>	<b>0.0%</b>
<b>Gold</b>							
Invesco Physical Gold ETC	5.0%	5.0%	3.0%	3.0%	3.0%	3.0%	0.0%
	<b>5.0%</b>	<b>5.0%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>0.0%</b>
<b>Sub Total Alternative Assets</b>	<b>23.0%</b>	<b>22.0%</b>	<b>19.0%</b>	<b>19.0%</b>	<b>15.0%</b>	<b>13.0%</b>	<b>0.0%</b>
<b>Equities</b>							
<b>US Equity</b>							
Vanguard S&P 500	4.0%	9.0%	8.0%	8.0%	12.0%	12.0%	11.5%
Edgewood Select US Growth			5.0%	5.0%	5.0%	6.5%	10.0%
Dodge & Cox US Stock				4.0%	4.0%	4.0%	6.0%
GQG Partners US Equity			3.0%	5.0%	4.0%	8.0%	7.0%
Brown Advisory US Mid Cap Growth		3.0%	3.0%	3.0%	5.0%	5.0%	9.0%
	<b>4.0%</b>	<b>12.0%</b>	<b>19.0%</b>	<b>25.0%</b>	<b>30.0%</b>	<b>35.5%</b>	<b>43.5%</b>
<b>UK Equity</b>							
iShares Core FTSE 100	1.5%						3.0%
Montanaro UK Income		2.0%	3.0%	2.0%	3.0%	4.0%	2.5%
	<b>1.5%</b>	<b>2.0%</b>	<b>3.0%</b>	<b>2.0%</b>	<b>3.0%</b>	<b>4.0%</b>	<b>5.5%</b>
<b>Japan Equity</b>							
JP Morgan Japan USD	150%	2.0%	3.0%	3.0%	3.0%	4.0%	5.0%
	<b>1.5%</b>	<b>2.0%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>4.0%</b>	<b>5.0%</b>
<b>Europe Ex UK Equity</b>							
Blackrock Continental European Equity	3.0%	3.0%	4.0%	6.0%	6.0%	6.0%	10.0%
Vanguard FTSE Developed Europe ex UK					2.0%	5.0%	4.0%
	<b>3.0%</b>	<b>3.0%</b>	<b>4.0%</b>	<b>6.0%</b>	<b>8.0%</b>	<b>11.0%</b>	<b>14.0%</b>
<b>Asia Pacific Ex Japan Equity</b>							
Veritas Asian Equity	2.0%	3.0%	2.0%	3.0%	3.0%	5.0%	5.0%
Fidelity Asian Smaller Companies Income				2.0%	2.0%	3.0%	3.5%
Schroder Asian Total Return Equity		2.0%	2.0%	3.0%	3.0%	4.0%	5.0%
	<b>2.0%</b>	<b>5.0%</b>	<b>4.0%</b>	<b>8.0%</b>	<b>8.0%</b>	<b>12.0%</b>	<b>13.5%</b>
<b>Global Equity</b>							
Fundsmith Equity Feeder Fund	3.0%	3.0%	3.0%	5.0%	5.0%	5.0%	5.0%
AB International Healthcare			2.0%	2.0%	2.0%	2.0%	2.5%
Guinness Global Equity Income Fund	3.0%	3.0%	3.0%	3.0%	5.0%	3.0%	5.0%
	<b>6.0%</b>	<b>6.0%</b>	<b>8.0%</b>	<b>10.0%</b>	<b>12.0%</b>	<b>10.0%</b>	<b>12.5%</b>
<b>Sub Total Equities</b>	<b>18.0%</b>	<b>30.0%</b>	<b>41.0%</b>	<b>54.0%</b>	<b>64.0%</b>	<b>76.5%</b>	<b>94.0%</b>
	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Yield*</b>	<b>1.43%</b>	<b>1.69%</b>	<b>1.44%</b>	<b>0.80%</b>	<b>0.91%</b>	<b>0.84%</b>	<b>0.77%</b>
<b>Total OCF**</b>	<b>0.47%</b>	<b>0.50%</b>	<b>0.57%</b>	<b>0.67%</b>	<b>0.63%</b>	<b>0.63%</b>	<b>0.68%</b>

### **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.

[www.evelyn.com/financial-advisers](http://www.evelyn.com/financial-advisers)

**evelyn**  
PARTNERS