

INVESTMENT UPDATE

Active MPS Rebalance Note

February 2024

For Professional Advisers Only



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Summary

This rebalance was primarily driven by the annual update made to the Dynamic Planner asset allocation framework.

Since February 2023 we have steadily increased not only the weighting to conventional government bonds across the risk profiles but also the duration within the allocation. We selectively continued to do so again and now have a maximum overweight exposure. Government bonds remain a compelling investment proposition, offering the combined benefits of attractive real yields as well as a level of portfolio insurance were a growth shock to occur. A new position in the iShares Up To 10 Years Gilts Index was introduced in the two lowest risk models to help manage our duration exposure. This passive fund has a relatively short duration but is positioned well to reflect where we see most value in the UK government bond markets.

Equity exposure was decreased in the two lowest and the highest risk models but increased in the other three, although all moves were marginal. The one area of consistent reduction was to the UK where, despite attractive valuations, there are greater macro-economic headwinds and less exposure to the growth theme that has been driving markets for the past year or so. However, we retain an overweight to equities in all six models as corporations continue to enjoy strong pricing power as consumer confidence remains robust, labour markets are tight and economic activity remains surprisingly buoyant, especially in the US.

In the higher risk half of the range, we remain underweight Asia and Emerging Markets which have continued to struggle on a relative basis for the past few years, principally due to a deteriorating picture in China. It is possible that we are nearing a turning point, but we await evidence of this occurring before making any significant moves here. That said, we have taken some profits from BlackRock Emerging Markets Equity Strategies which has outperformed its benchmark by a huge margin over the past three years thanks to the contrarian stance that has been taken by its managers. In the highest risk model, we initiated a position in Baillie Gifford Emerging Markets Leading Companies which is unashamedly growth focused and will benefit from any improved outlook and market sentiment. In time, when we have greater conviction, we may well bring this into more of the models.

Active Defensive (DT3)

Overall, there was a small increase in the allocations to both cash and bonds. The duration of the government bond exposure was increased by introducing a new position in **iShares Up To 10 Years Gilts Index** and adding to the existing position in **Vanguard US Government Bond Index (H)**. To fund these moves we exited the position in **iShares UK Gilts 0-5 Year ETF**. International bonds were also added to through an increase in **SSGA SPDR Bloomberg Global Aggregate Bond ETF**.

↑	Increase	BlackRock ICS Sterling Liquidity	0.25%
←	Exit	iShares UK Gilts 0-5Yr ETF	6.19%
★	Initiate	iShares Up to 10 Years Gilts Index	5.25%
↑	Increase	Vanguard US Government Bond Index (H)	1.00%
↑	Increase	SSGA SPDR Bloomberg Global Aggregate Bond ETF	1.00%

The exposure to equities was lowered through a reduction to the UK and a lesser increase to the US. **Troy Income & Growth Trust** is soon to merge with a global investment trust also run by Troy and we took the opportunity to the exit the position ahead of this transition. We initiated a small position in **GQG US Equity** which has a benchmark unconstrained approach and although it has a quality growth bias the managers are very valuation aware. We believe this position will complement the others in the portfolio well and it means that the fund is now held across all models in the range.

←	Exit	Troy Income & Growth Trust	2.43%
★	Initiate	GQG US Equity	1.50%
↓	Reduce	Vanguard US Equity Index	0.50%

Active Defensive Income (DT4)

Overall, there was an increase in the allocation to bonds and a reduction in cash. The duration of the government bond exposure was increased by introducing a new position in **iShares Up To 10 Years Gilts Index** and adding to the existing position in **Vanguard US Government Bond Index (H)**. To fund these moves we exited the position in **iShares UK Gilts 0-5 Year ETF**. International bonds were also added to through an increase in **SSGA SPDR Bloomberg Global Aggregate Bond ETF** and **M&G Emerging Markets Bond**.

↓	Reduce	BlackRock ICS Sterling Liquidity 1.25%
←	Exit	iShares UK Gilts 0-5Yr ETF 3.56%
★	Initiate	iShares Up to 10 Years Gilts Index 2.50%
↑	Increase	Vanguard US Government Bond Index (H) 1.25%
↑	Increase	SSGA SPDR Bloomberg Global Aggregate Bond ETF 1.00%
↑	Increase	M&G Emerging Markets Bond 0.75%

The exposure to equities was lowered through a reduction to the UK and a lesser increase to the US, Europe and Japan. Of particular note is **Troy Income & Growth Trust** which is soon to merge with a global investment trust also run by Troy and we took the opportunity to exit the position ahead of this transition. We added to existing positions across the other geographies to ensure a conviction weighting in each allocation. The small reduction in **Schroder Asian Income Maximiser** was done to reflect our greater enthusiasm for the current outlook for developed markets in general.

↓	Reduce	NinetyOne UK Alpha 0.25%
↓	Reduce	Redwheel UK Equity Income 0.50%
←	Exit	Troy Income & Growth Trust 2.68%
↑	Increase	GQG US Equity 0.50%
↑	Increase	JPMorgan US Equity Income 0.50%
↑	Increase	BlackRock Continental European Income 0.25%
↑	Increase	BlackRock European Dynamic 0.50%
↑	Increase	JPMorgan Japan 0.50%
↑	Increase	Jupiter Japan Income 0.75%
↓	Reduce	Schroder Asian Income Maximiser 0.25%

Active Balanced Income (DT5)

Overall, there was a small decrease in the allocations to both cash and bonds. After a strong run in the fourth quarter of last year we took the opportunity to reduce exposure to corporate bonds by reducing **Artemis Corporate Bond** and **AXA US Short Duration High Yield (H)**. International bonds were also added to through an increase in **SSGA SPDR Bloomberg Global Aggregate Bond ETF** and **M&G Emerging Markets Bond**.

↓	Reduce	BlackRock ICS Sterling Liquidity 2.00%
↓	Reduce	Artemis Corporate Bond 0.75%
↓	Reduce	AXA Short Duration High Yield 0.75%
↑	Increase	M&G Emerging Markets Bond 0.50%
↑	Increase	SSGA SPDR Bloomberg Global Aggregate Bond ETF 0.50%

The movements in the bond markets over the past year or so have led to significant price falls in other asset classes, perhaps most notably listed infrastructure and property. There are many compelling opportunities now available and we took the opportunity to introduce **INPP**, which focuses on international operational public sector backed projects and has an attractive dividend yield. It trades at a significant discount to net asset value which we believe offers considerable value. This position is now held in the three lower risk models in the range.

★	Initiate	INPP 1.50%
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The exposure to equities was increased through a reduction to the UK but increases to the US, Europe and Japan. Of particular note is **Troy Income & Growth Trust** which is soon to merge with a global investment trust also run by Troy and we took the opportunity to reduce the position ahead of this transition. We added to existing positions across the other geographies to ensure a conviction weighting in each allocation. The reduction in Emerging Markets was done to reflect our greater enthusiasm for the current outlook for developed markets in general, but also to take some profits from **BlackRock Emerging Markets Equity Strategies** which has performed extremely well over the past three years thanks to its contrarian stance during a time of general weakness for equities in the region.

↓	Reduce	Legal & General UK 100 Index 0.25%
↓	Reduce	NinetyOne UK Alpha 0.25%
↓	Reduce	Redwheel UK Equity Income 0.25%
↓	Reduce	Troy Income & Growth Trust 0.50%
↑	Increase	GQG US Equity 0.50%
↑	Increase	JPMorgan US Equity Income 0.50%
↑	Increase	BlackRock Continental European Income 0.50%
↑	Increase	BlackRock European Dynamic 0.75%
↑	Increase	JPMorgan Japan 1.00%
↓	Reduce	BlackRock Emerging Markets Equity Strategies 0.75%
↓	Reduce	Hermes Global Emerging Markets 0.25%

Active Balanced Growth (DT6)

Overall, there was an increase in the allocation to bonds and a reduction in cash. We added to the existing position in **Vanguard US Government Bond Index (H)**, taking the allocation to a maximum overweight. Government bonds continue to trade at attractive yields and at the same time provide a degree of protection for portfolios in a growth shock. International bonds were also added to through an increase in **M&G Emerging Markets Bond**.

↓ Reduce	BlackRock ICS Sterling Liquidity 1.75%
↑ Increase	Vanguard US Government Bond Index (H) 0.25%
↑ Increase	M&G Emerging Markets Bond 0.25%

The movements in the bond markets over the past year or so have led to significant price falls in other asset classes, perhaps most notably listed infrastructure and property. There are many compelling opportunities now available and we took the opportunity to add to **Picton Property Income**. It offers exposure to a diversified portfolio of UK commercial property and has a low level of debt with no facilities maturing until the 2030s. It has an attractive dividend yield that is well covered by earnings and trades at a significant discount to net asset value which we believe offers considerable value.

↑ Increase	Picton Property Income 0.50%
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The exposure to equities was increased through a reduction to the UK but increases to Europe and Japan. Of particular note is **Troy Income & Growth Trust** which is soon to merge with a global investment trust also run by Troy and we took the opportunity to reduce the position ahead of this transition. We added to existing positions across the other geographies to ensure a conviction weighting in each allocation. Some profits were also taken from **BlackRock Emerging Markets Equity Strategies** which has performed extremely well over the past three years thanks to its contrarian stance during a time of general weakness for equities in the region. The proceeds were reinvested into **Hermes Global Emerging Markets** which will benefit from any improved outlook and market sentiment.

↓ Reduce	Artemis UK Select 0.25%
↓ Reduce	NinetyOne UK Alpha 0.25%
↓ Reduce	Troy Income & Growth Trust 0.25%
↑ Increase	BlackRock European Dynamic 0.25%
↑ Increase	Janus Henderson European Focus 0.25%
↑ Increase	JPMorgan Japan 0.50%
↑ Increase	Jupiter Japan Income 0.50%
↓ Reduce	BlackRock Emerging Markets Equity Strategies 0.75%
↑ Increase	Hermes Global Emerging Markets 0.75%

Active Growth (DT7)

The exposure to equities was marginally increased through a reduction to cash, the UK, Europe, Asia and Emerging Markets but a significant increase to the US. Economic activity has remained surprisingly buoyant in the US and we feel that the rally over the past year or so that has been driven by the Magnificent Seven tech stocks will broaden out to encompass other sectors. For this reason, we added to the **Vanguard US Equity Index** passive fund but more significantly to **JPMorgan US Equity Income** which has a greater exposure to sectors such as financials and healthcare. Some profits were also taken from **BlackRock Emerging Markets Equity Strategies** which has performed extremely well over the past three years thanks to its contrarian stance during a time of general weakness for equities in the region.

↓	Reduce	Artemis UK Select	1.00%
↓	Reduce	Legal & General UK 100 Index	0.25%
↓	Reduce	NinetyOne UK Alpha	0.50%
↓	Reduce	Redwheel UK Equity Income	0.50%
↓	Reduce	Troy Income & Growth Trust	0.25%
↑	Increase	JPMorgan US Equity Income	3.00%
↑	Increase	Vanguard US Equity Index	2.00%
↓	Reduce	Janus Henderson European Focus	0.25%
↓	Reduce	Fidelity Asia	0.50%
↓	Reduce	Schroder Asian Total Return Investment Company	0.25%
↓	Reduce	BlackRock Emerging Market Equity Strategies	1.25%

Active Dynamic Growth (DT8)

Overall, there were small increases in the allocations to bonds and cash. We added to the existing position in **Vanguard US Government Bond Index (H)**, taking the allocation to a maximum overweight. Government bonds continue to trade at attractive yields and at the same time provide a degree of protection for portfolios in a growth shock.

↑ Increase **Vanguard US Government Bond (H) 0.25%**

The exposure to equities was marginally decreased through a reduction to the UK and increases to all other geographic regions. Of particular note is **Troy Income & Growth Trust** which is soon to merge with a global investment trust also run by Troy and we took the opportunity to the exit the position ahead of this transition. We added to existing positions across the other geographies to ensure a conviction weighting in each allocation. **Monks Investment Trust** was added to following a disappointing couple of years of performance. We retain faith in the management team and their style and believe our patience will be rewarded over time. Some profits were also taken from **BlackRock Emerging Markets Equity Strategies** which has performed extremely well over the past three years thanks to its contrarian stance during a time of general weakness for equities in the region. The proceeds were reinvested into a new position in **Baillie Gifford Emerging Markets Leading Companies**. This fund is unashamedly growth focused and will benefit from any improved outlook and market sentiment.

↓ Reduce **Artemis UK Select 0.50%**

↓ Reduce **Legal & General UK 100 Index 1.00%**

↓ Reduce **NinetyOne UK Alpha 0.50%**

← Exit **Troy Income & Growth Trust 2.76%**

↑ Increase **Monks Investment Trust 1.50%**

↑ Increase **BlackRock European Dynamic 0.50%**

↑ Increase **JPMorgan Japan 0.50%**

↑ Increase **Jupiter Japan Income 0.50%**

↑ Increase **Hermes Asia Ex-Japan 0.50%**

↓ Reduce **BlackRock Emerging Markets Equity Strategies 2.25%**

★ Initiate **Baillie Gifford Emerging Market Leading Companies 3.00%**

Active MPS Investment List

Security	Defensive	Defensive Income	Balanced Income	Balanced Growth	Growth	Dynamic Growth
Equities						
UK Equity						
Artemis UK Select			3.65%	3.80%	4.66%	3.51%
Blackrock Smaller Companies				1.92%	2.77%	1.65%
L&G UK 100 Index Trust			4.55%	4.25%	6.85%	3.08%
Premier Miton UK Multi Cap Income	2.36%	2.84%	2.99%	2.56%	3.46%	2.60%
NinetyOne UK Alpha	4.10%	5.43%	4.54%	4.59%	6.03%	3.81%
Redwheel UK Equity Income	2.96%	3.92%	3.41%	2.62%	4.12%	
Troy Income & Growth Trust			1.82%	2.08%	2.77%	
US Equity						
BlackRock Gold & General	1.23%	1.37%	1.47%	1.84%	1.86%	1.93%
GQG US Equity	1.50%	4.14%	6.20%	6.55%	7.13%	5.69%
JPMorgan US Equity Income	3.13%	5.22%	7.12%	5.99%	6.05%	
Monks Investment Trust				2.13%	3.96%	4.01%
Vanguard US Equity Index	4.82%	5.85%	9.03%	7.50%	7.53%	4.73%
Europe Equity						
Blackrock Continental European Income		3.42%	2.64%			
Blackrock European Dynamic		2.78%	3.45%	3.10%	3.09%	3.68%
Janus Henderson European Focus				3.30%	3.25%	3.59%
Japan Equity						
Baillie Gifford Japan Trust						1.62%
JPMorgan Japan	2.40%	2.93%	3.07%	3.39%	3.16%	3.07%
Jupiter Japan Income	2.37%	3.03%	2.86%	2.68%	2.94%	2.38%
Asia Pacific ex Japan Equity						
Federated Hermes Asia Ex Japan						5.25%
Fidelity Asia				3.75%	3.47%	5.48%
Pinebridge Asia Ex Japan Small Cap Equity				2.80%	2.75%	4.76%
Schroder Asian Total Return Investment Company		2.23%	2.08%	3.51%	3.70%	5.52%
Schroder Income Maximiser	1.25%	1.94%	1.98%			
Emerging Market Equity						
BlackRock Emerging Markets Equity Strategies			1.80%	2.87%	2.19%	4.77%
Blackrock Frontier Markets				1.36%	1.49%	2.50%
Baillie Gifford EM Leading Companies						3.00%
Fidelity China Special Situations					1.47%	1.92%
Goldman Sachs India Equity					1.96%	3.38%
Federated Hermes Global Emerging Markets			2.16%	4.75%	3.55%	5.23%
Utilico Emerging Markets						4.82%
Fixed Income						
Index-Linked Bonds						
Sanlam International Inflation Linked Bond	5.33%	5.62%	4.71%	3.37%		
Sovereign Bonds						
iShares Up to 10 Years Gilts Index	5.25%	2.50%				
Vanguard US Government Bond Index (H)	8.61%	6.19%	6.82%	3.90%	3.65%	3.87%
Vanguard UK Inflation Linked Gilt	2.44%	2.38%				
UK Corporate Bonds						
Artemis Corporate Bond	7.68%	6.56%	3.75%	4.32%		
AXA US Short Duration High Yield (H)	6.97%	6.23%	3.11%			
International Bonds						
iShares USD Corporate Bond	2.33%					
M&G Emerging Markets Bond	3.77%	3.21%	1.95%	2.09%	1.47%	1.48%
SSGA SPDR Global Aggregate Bond	7.98%	5.20%	3.02%			
High Yield Bonds						
Sequoia Economic Infrastructure Income	2.88%	2.55%	1.55%	1.50%	1.04%	
Alternative Assets						
Hedge Funds						
BH Macro	2.18%	2.20%	2.12%	1.74%	1.37%	
Neuberger Berman Uncorrelated Strategies	1.90%	1.39%	1.74%	1.77%		
Real Assets						
INPP	1.93%	1.91%	1.50%			
Empiric Student Property	1.95%	1.91%	1.46%			
Picton Property Income	2.90%	2.91%	2.15%	2.42%	2.03%	1.92%
Cash						
Cash	0.22%	0.18%	0.19%	0.21%	0.23%	0.76%
Blackrock ICS Sterling Liquidity	9.54%	3.97%	1.10%	1.37%		

Source Evelyn Partners Investment Management Services Limited 09.02.24

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.



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