

International MPS USD Rebalance Note

Q3 2024

For Professional Advisers Only



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Summary

We made two sets of trades during the quarter. The first set, at the beginning of July, was driven by our constructive view on equities and the perceived opportunity in global insurance. The second set, at the beginning of August, was based on our assessment that the risk-to-reward for high-yield fixed income was more to the downside, leading us to exit this exposure.

Overall, we are slightly bullish on global equity markets, supported by relatively solid economic data, sustained high profit margins, and strong earnings expectations. Lower inflation and interest rates should also provide additional support to mitigate market risks.

Within equities, we see insurance companies as well-positioned to benefit from a strong underwriting environment and the rise in short-term bond yields, which allows them to generate higher returns before claims are settled. Historically, global insurance companies have tracked book value growth, and Polar Capital expects book value growth to be around 16% over the next 12 months.

We raised funds primarily by selling down Brown Advisory Total Return, which we consider a low-risk, defensive asset.

We exited the Capital Global High Income Opportunities fund following our strategy team's decision to rate high yield as negative, given that spreads are near historical lows and the risk-to-reward is more to the downside. We decided to keep the funds in cash to maintain optionality, especially as we anticipate volatility in fixed income markets approaching the UK budget, US elections, and various economic data releases.

Please see below our changes per strategy.

Net major asset allocation changes during Q3

Security	Risk Profiles						
	1	2	3	4	5	6	7
Cash	3.0%	2.0%	2.0%	4.0%	3.0%	2.5%	
Fixed Income	-5.0%	-4.0%	-4.0%	-6.0%	-5.0%	-4.50%	-2.0%
Equity	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

Defensive

We have a constructive view on equities as such we decided to increase exposure at the expense of short dated fixed income. We hold AB Intl Healthcare in models Conservative to Maximum Growth and decided to also add this fund to the Defensive portfolio. We continue to have a favourable view on the healthcare sector on valuation grounds and we also like the defensive qualities of the sector; Healthcare companies tend to be less exposed to the macro environment having resilient and predictable cash flows.

We decided to allocate specifically towards global insurance companies as we consider the current underwriting environment as favourable. To action this we have exited our holding in iShares USD Ultrashort Bond and initiated a position in Polar Capital Global Insurance.

01.07.2024

↑ Increase	Cash 1.00%
← Exit	iShares USD Ultrashort Bond 3.00%
★ Initiate	AB Healthcare 1.00%
★ Initiate	Polar Capital Global Insurance 1.00%

01.08.2024

↑ Increase	Cash 2.00%
← Exit	Capital Group Global High Income Opp 2.00%

Conservative

We have a constructive view on equities as such we decided to increase exposure at the expense of short dated fixed income. We decided to allocate specifically towards global insurance companies as we consider the current underwriting environment as favourable and the healthcare sector. To action this we have exited our holding in iShares USD Ultrashort Bond and initiated a position in Polar Capital Global Insurance and increased our holding in AB Healthcare.

We reduced our high yield exposure by exiting Capital Group Global High Income Opportunities, as we considered the risk-to-reward is more to the downside. The proceeds are held in cash for optionality, as we anticipate volatility in the fixed income markets.

01.07.2024

← Exit	iShares USD Ultrashort Bond 2.00%
↑ Increase	AB Healthcare 0.50%
★ Initiate	Polar Capital Global Insurance 1.50%

01.08.2024

↑ Increase	Cash 2.00%
← Exit	Capital Group Global High Income Opp 2.00%

Cautious

We have a constructive view on equities as such we decided to increase exposure at the expense of short dated fixed income. We chose to do this specifically towards global insurance companies as we consider the current underwriting environment as favourable. To action this we have reduced our holding in Brown Advisory Sustainable Bond fund and initiated a position in Polar Capital Global Insurance.

We reduced our high yield exposure by exiting Capital Group Global High Income Opportunities, as we considered the risk-to-reward is more to the downside. The proceeds are held in cash for optionality, as we anticipate volatility in the fixed income markets.

01.07.2024

↓	Reduce	Brown Advisory Sustainable Bond 2.00%
★	Initiate	Polar Capital Global Insurance 2.00%

01.08.2024

↑	Increase	Cash 2.00%
←	Exit	Capital Group Global High Income Opp 2.00%

Balanced

We have a constructive view on equities as such we decided to increase exposure at the expense of short dated fixed income. We chose to do this specifically towards global insurance companies as we consider the current underwriting environment as favourable. To action this we have exited our holding in Brown Advisory Sustainable Bond fund and initiated a position in Polar Capital Global Insurance.

We also wanted to increase duration slightly, as this would provide better protection should there be an unforeseen downturn in global equity markets on recessionary fears and have added to the iShares USD Treasury 7-10 Year.

We reduced our high yield exposure by exiting Capital Group Global High Income Opportunities, as we considered the risk-to-reward is more to the downside. The proceeds are held in cash for optionality, as we anticipate volatility in the fixed income markets.

01.07.2024

←	Exit	Brown Advisory Sustainable Bond 3.00%
★	Initiate	Polar Capital Global Insurance 2.00%
↑	Increase	iShares \$ Treasury 7-10 Year 1.00%

01.08.2024

↑	Increase	Cash 4.00%
←	Exit	Capital Group Global High Income Opp 4.00%

Growth

We have a constructive view on equities as such we decided to increase exposure at the expense of short dated fixed income. We chose to do this specifically towards global insurance companies as we consider the current underwriting environment as favourable. To action this we have reduced our holding in iShares USD Treasury 3-7 Year and initiated a position in Polar Capital Global Insurance.

We reduced our high yield exposure by exiting Capital Group Global High Income Opportunities, as we considered the risk-to-reward is more to the downside. The proceeds are held in cash for optionality, as we anticipate volatility in the fixed income markets.

01.07.2024

↓	Reduce	iShares \$ Treasury 3-7 Year	1.00%
↓	Reduce	Capital Group Global High Income	1.00%
★	Initiate	Polar Capital Global Insurance	2.00%

01.08.2024

↑	Increase	Cash	3.00%
←	Exit	Capital Group Global High Income Opp	3.00%

Adventurous

We have a constructive view on equities as such we decided to increase exposure at the expense of short dated fixed income. We chose to do this specifically towards global insurance companies as we consider the current underwriting environment as favourable. To action this we have exited our holding in iShares USD Treasury 3-7 Year and initiated a position in Polar Capital Global Insurance.

We reduced our high yield exposure by exiting Capital Group Global High Income Opportunities, as we considered the risk-to-reward is more to the downside. The proceeds are held in cash for optionality, as we anticipate volatility in the fixed income markets.

01.07.2024

←	Exit	iShares \$ Treasury 3-7 Year	2.00%
★	Initiate	Polar Capital Global Insurance	2.00%

01.08.2024

↑	Increase	Cash	2.50%
←	Exit	Capital Group Global High Income Opp	2.50%

Maximum Growth

We have a constructive view on equities as such we decided to increase exposure at the expense of fixed income.

We chose to do this specifically towards global insurance companies as we consider the current underwriting environment as favourable. To action this we have reduced our holding in iShares USD Treasury 7-10 Year and initiated a position in Polar Capital Global Insurance.

01.07.2024

↓	Reduce	iShares \$ Treasury 7-10 Year	2.00%
★	Initiate	Polar Capital Global Insurance	2.00%

International MPS Investment List – Risk-based Portfolios

	Defensive	Cons.	Cautious	Balanced	Growth	Adventurous	Maximum Growth
Cash & Short Dated							
Cash	5.0%	4.0%	4.0%	6.0%	5.0%	4.5%	2.0%
Sub Total Cash	5.0%	4.0%	4.0%	6.0%	6.0%	4.5%	2.0%
Fixed Income							
GOVERNMENT - NOMINAL BONDS							
iShares \$ Treasury 7-10 Year	10.0%	7.0%	7.0%	6.0%	6.0%	4.0%	2.0%
Brown Advisory Sustainable Bond Fund	10.0%	7.0%	5.0%				
iShares Treasury Bond 3-7year ETF USD	14.0%	13.0%	10.0%	6.0%	5.0%		
	34.0%	27.0%	22.0%	12.0%	11.0%	4.0%	2.0%
GOVERNMENT - REAL							
Lxyor US TIPS	8.0%	5.0%	5.0%	4.0%			
	8.0%	5.0%	5.0%	4.0%			
Investment Grade Corporate Bonds							
iShares \$ Global Corporate Bond ETF	3.0%	2.0%					
Vontobel Fund - TwentyFour Strategic Income	7.0%	8.0%	7.0%	4.0%	3.0%		
	10.0%	10.0%	7.0%	4.0%	3.0%		
Sub Total Fixed Income	52.0%	42.0%	34.0%	19.0%	12.0%	4.0%	2.0%
Alternative Assets							
Real Assets							
Schroder Global Cities	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	
	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	
Absolute Return							
JPMorgan Global Macro Opportunities	5.0%	4.0%	3.0%	3.0%	3.0%	3.5%	
Fulcrum Diversified Absolute Return	5.0%	5.0%	5.0%	5.0%	3.0%	3.5%	
Blackrock Event Driven	5.0%	3.5%	4.0%	4.0%	2.0%		
	15.0%	12.5%	12.0%	12.0%	8.0%	7.0%	
Gold							
Invesco Physical Gold ETC	5.0%	5.0%	3.0%	3.0%	3.0%	3.0%	
	5.0%	5.0%	3.0%	3.0%	3.0%	3.0%	
Sub Total Alternative Assets	23.0%	20.5%	18.0%	18.0%	14.0%	13.0%	
Equities							
US Equity							
Vanguard S&P 500	6.0%	9.0%	9.0%	8.0%	12.0%	12.0%	14.0%
Edgewood Select US Growth			5.0%	5.0%	5.0%	6.5%	10.0%
Dodge & Cox US Stock				4.0%	4.0%	8.0%	6.0%
GQG Partners US Equity		2.0%	5.0%	7.0%	6.0%	10.0%	10.0%
Brown Advisory US Mid Cap Growth		3.0%	3.0%	3.0%	5.0%	5.0%	9.0%
	6.0%	14.0%	22.0%	27.0%	32.0%	41.5%	49.0%
UK Equity							
iShares Core FTSE 100							3.0%
Japan Equity							
JP Morgan Japan USD	1.0%	2.0%	3.0%	3.0%	3.0%	4.0%	5.0%
	1.0%	2.0%	3.0%	3.0%	3.0%	4.0%	5.0%
Europe Ex UK Equity							
Blackrock Continental European Equity	2.0%	3.0%	4.0%	6.0%	6.0%	6.0%	7.0%
Vanguard FTSE Developed Europe ex UK					2.0%	3.0%	4.0%
	2.0%	3.0%	4.0%	6.0%	8.0%	9.0%	11.0%
Asia Pacific Ex Japan Equity							
Veritas Asian Equity	3.0%	3.0%	2.0%	3.0%	5.0%	5.0%	5.0%
Fidelity Asian Smaller Companies Income				2.0%	2.0%	3.0%	3.5%
Schroder Asian Total Return Equity		2.0%	3.0%	3.0%	3.0%	4.0%	5.0%
	3.0%	5.0%	5.0%	8.0%	10.0%	12.0%	13.5%
Global Equity							
Fundsmith Equity Feeder Fund	3.0%	3.0%	3.0%	5.0%	5.0%	5.0%	5.0%
AB International Healthcare	1.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.5%
Polar Cap Global Insurance	1.0%	1.5%	2.0%	2.0%	2.0%	2.0%	2.0%
Guinness Global Equity Income Fund	3.0%	3.0%	3.0%	3.0%	5.0%	3.0%	5.0%
	8.0%	9.5%	10.0%	12.0%	14.0%	12.0%	14.5%
Sub Total Equities	20.0%	33.5%	44.0%	56.0%	67.0%	78.5%	96.0%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
est. Yield	1.93%	1.86%	1.57%	0.82%	0.99%	0.71%	0.68%
est. Underlying OCF	0.43%	0.46%	0.52%	0.63%	0.61%	0.64%	0.65%

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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