

International MPS GBP Rebalance Note

Q3 2024

For Professional Advisers Only



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



Andrew Blake
Portfolio Manager
E: andrew.blake@evelyn.com

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						Maximum Growth
	Defensive	Conservative	Cautious	Balanced	Growth	Adventurous	
Cash	3.0%	2.0%	2.0%	4.0%	4.0%	2.5%	
Fixed Income	-5.0%	-4.0%	-4.0%	-6.0%	-6.0%	-4.5%	-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 consider Fundsmith Equity as a core fund to hold across all risk profiles, as such we added this fund for consistency. Furthermore, Fundsmith's investment style and philosophy is aligned with ours.

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

↑ Increase	Cash 1.00%
← Exit	iShares GBP Ultrashort Bond 3.00%
★ Initiate	Fundsmith Equity 2.00%

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 hold AB Intl Healthcare in models Cautious to Maximum Growth and decided to also add this fund to the conservative 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 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 GBP Ultrashort Bond 2.00%
★ Initiate	AllianceBernstein International Healthcare 2.00%

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 reduced our holding in Brown Advisory Sustainable Bond fund and initiated a position in Polar Capital Global Insurance.

We have reduced our high yield exposure and exited our position in Capital Group Global High Income as the risk-to-reward is more to the downside and the funds are held in cash to maintain 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 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 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

←	Exit	Brown Advisory Sustainable Bond 2.00%
★	Initiate	Polar Capital Global Insurance 2.00%

01.08.2024

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

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 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

←	Exit	Vanguard US Government Hedged Inc 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 UK Gilts and initiated a position in Polar Capital Global Insurance.

01.07.2024

←	Exit	iShares UK Gilts 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%	6.0%	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							
Vanguard US Government Hedged Inc	8.0%	7.0%	7.0%	4.0%	4.0%		
iShares Core UK Gilts	10.0%	8.0%	7.0%	6.0%	6.0%	4.0%	2.0%
UK Gilts 0-5yr	6.0%	5.0%	3.0%				
Brown Advisory Global Sust Total Return	10.0%	7.0%	5.0%	2.0%			
	34.0%	27.0%	22.0%	12.0%	10.0%	4.0%	2.0%
GOVERNMENT - REAL							
Amundi US TIPS Government Inflation-Lnkd	8.0%	5.0%	5.0%	4.0%			
	8.0%	5.0%	5.0%	4.0%			
Investment Grade Corporate Bonds							
SPDR Sterling Corporate ETF	3.0%	2.0%					
Vontobel - 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%	20.0%	13.0%	4.0%	2.0%
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%	4.5%	4.0%	4.0%	2.0%	2.0%	
CG Absolute Return Fund	6.0%	5.0%	5.0%	5.0%	3.0%	2.0%	
	12.0%	9.5%	9.0%	9.0%	5.0%	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%	20.5%	18.0%	18.0%	14.0%	13.0%	
Equities							
UK Equity							
iShares Core FTSE 100	3.0%	5.0%	5.5%	5.0%	5.0%	8.0%	9.0%
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%	12.0%	14.0%	15.0%	18.0%	26.0%
US Equity							
iShares S&P 500 Hedged GBP	5.0%	6.5%	6.5%	5.0%	7.0%	8.0%	7.0%
Edgewood US SELECT Growth		2.0%	2.0%	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%	8.5%	11.5%	14.0%	21.0%	24.0%	29.0%
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%	7.0%	9.0%	11.0%
	2.0%	4.0%	5.0%	5.5%	7.0%	9.0%	11.0%
Asia Pacific Ex Japan Equity							
Veritas Asian Equity	2.0%	3.0%		2.0%	3.0%	4.5%	5.0%
Schroder Asian Total Return Equity			3.5%	2.5%	3.0%	3.0%	4.0%
Fidelity Asia Smaller Companies				2.0%	2.0%	2.0%	2.0%
	2.0%	3.0%	3.5%	6.5%	8.0%	9.5%	11.0%
Global Equity							
Fundsmith Equity Feeder Fund	2.0%	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%	2.0%
Polar Cap Global Insurance			2.0%	2.0%	2.0%	2.0%	2.0%
Guinness Global Equity Income Fund	3.0%	3.0%	3.0%	4.0%	5.0%	5.0%	5.0%
	5.0%	8.0%	10.0%	13.0%	13.0%	14.0%	14.0%
Sub Total Equities	20.0%	33.5%	44.0%	56.0%	67.0%	78.5%	96.0%
est. Yield	2.43%	2.34%	2.14%	1.83%	1.41%	1.78%	1.20%
est. Underlying OCF	0.39%	0.49%	0.51%	0.62%	0.56%	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.

www.evelyn.com/financial-advisers/international-advisers

Evelyn Partners International MPS trades and rebalance note.

