

Core MPS Rebalance Note

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For Professional Advisers Only



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Summary

This rebalance saw us change the mix within both the equity and non-equity allocations of the portfolios as well as introduce five new holdings to the range and exit seven entirely.

Following on from previous rebalances, exposure to government fixed income assets was increased as the yields available continue to look attractive. We added to a mixture of longer dated US government bonds hedged back to sterling and US government inflation linked bonds, again hedged back to sterling. The resultant mix in the portfolios enables us to take advantage of inflation continuing to fall in the short term whilst also providing protection should longer term inflation prove to be more persistent.

This move was funded by a broad decrease in the alternative assets content, with the exposure to real assets, absolute return and gold all being trimmed. These all remain attractive in absolute terms, but we believe the relative attraction and diversification benefits favour a shift towards fixed income.

Within equities we increased the exposure to Europe at the expense of UK and Japan. With acute war risks receding the relative attractiveness of Europe has increased and is an area that has been running at a discount to the rest of the world. We are still positive on the prospects for UK and Japanese equities on valuation grounds but on a tactical basis believe there are more catalysts drive European ones ahead.

Finally, we exited all ETFs previously held in the portfolios and replaced them either with actively managed open-ended funds or passive trackers. We are conscious that most platforms that the Core MPS is available on have dealing charges associated with trading in listed vehicles such as ETFs. Having recently reduced the management charge on the Core MPS to 0.20% and placed it as an ideal proposition for cost-sensitive clients, these extra charges are not helpful, particularly for those making regular withdrawals or subscriptions. As a result, the only listed holding following this rebalance is the Physical Gold ETC that is held in all but the Maximum Growth portfolio. There is unfortunately no other structure available to hold this important diversifying asset class in and we believe it is important to retain an allocation in the portfolios. Pleasingly, despite the reduced allocation to passives across the range, we have managed to keep the underlying OCFs almost unchanged.

Please find below the detailed changes and rationale for each model.

Core Defensive

Two equity ETFs were sold and replaced with actively managed open-ended funds. BNY Mellon US Equity Income is focused on sustainable income and dividend growth whilst paying particular attention to valuation and plays to our theme of favouring more defensive sectors at this stage of the economic cycle. The allocation to UK large cap equities was reduced to fund an increase to overseas equities through Evenlode Global Income. Again, this holding focuses on dividend growth and should be ideally suited to the current environment.

↓	Reduce	L&G UK 100 Index Trust	0.25%
↓	Reduce	Lindsell Train UK Equity	0.25%
←	Exit	iShares Edge MSCI USA Quality Factor ETF	2.00%
★	Initiate	BNY Mellon US Equity Income	2.00%
★	Initiate	Evenlode Global Income	5.50%
←	Exit	iShares Edge MSCI World Quality Factor	5.00%

The weighting to alternative assets (real assets, absolute return and gold) was reduced across the board. Sanlam Real Assets was introduced in place of Schroder Global Cities to provide a more diversified exposure to real assets through infrastructure, renewable energy and specialist property investments. JPMorgan Global Macro Opportunities was exited due to its historically higher correlation to risk assets and was replaced by Atlantic House Defined Returns. Although Atlantic House is not a classic 'hedge fund' its investments in defensive autocalls mean that it should generate attractive positive returns in all but the most severe market corrections.

←	Exit	Schroder Global Cities Real Estate	2.75%
★	Initiate	Sanlam Real Assets	2.25%
↓	Reduce	Lazard Global Listed Infrastructure	0.50%
←	Exit	JPMorgan Global Macro Opportunities	5.50%
★	Initiate	Atlantic House Defined Returns	4.00%
↓	Reduce	Fulcrum Diversified Absolute Return	0.50%
↓	Reduce	Invesco Physical Gold ETC	0.50%

The proceeds were invested into a mixture of longer dated US government bonds hedged back to sterling and US government inflation linked bonds, again hedged back to sterling. The Lyxor US TIPS ETF was sold and switched into the hedged share class of the CG Dollar Fund which is an actively managed portfolio of US government index-linked bonds managed by a highly respected team.

←	Exit	Lyxor US TIPS ETF (H)	4.50%
★	Initiate	CG Dollar Fund (H)	7.00%
↑	Increase	Vanguard US Government Bond Index (H)	1.00%

Core Conservative

One equity ETF was sold and replaced with an actively managed open-ended fund. BNY Mellon US Equity Income is focused on sustainable income and dividend growth whilst paying particular attention to valuation and plays to our theme of favouring more defensive sectors at this stage of the economic cycle. Japan was reduced and the proceeds used to add to Europe and, to a lesser degree, large cap UK equities and Emerging Markets.

↑	Increase	L&G UK 100 Index Trust	0.25%
←	Exit	iShares Edge MSCI USA Quality Factor ETF	3.75%
★	Initiate	BNY Mellon US Equity Income	3.75%
↓	Reduce	Baillie Gifford Japanese Fund	1.50%
↑	Increase	HSBC European Index Fund	1.00%
↑	Increase	Hermes Global Emerging Markets	0.25%

The weighting to alternative assets (real assets, absolute return and gold) was reduced across the board. Sanlam Real Assets was introduced in place of Schroder Global Cities to provide a more diversified exposure to real assets through infrastructure, renewable energy and specialist property investments. JPMorgan Global Macro Opportunities was exited due to its historically higher correlation to risk assets and was replaced by Atlantic House Defined Returns. Although Atlantic House is not a classic 'hedge fund' its investments in defensive autocalls mean that it should generate attractive positive returns in all but the most severe market corrections.

←	Exit	Schroder Global Cities Real Estate	2.75%
★	Initiate	Sanlam Real Assets	2.25%
↓	Reduce	Lazard Global Listed Infrastructure	0.50%
↓	Reduce	NB Uncorrelated Strategies	0.25%
←	Exit	JPMorgan Global Macro Opportunities	4.00%
★	Initiate	Atlantic House Defined Returns	3.00%
↓	Reduce	Fulcrum Diversified Absolute Return	0.50%
↓	Reduce	Invesco Physical Gold ETC	0.50%

The proceeds were invested into a mixture of longer dated US government bonds hedged back to sterling and US government inflation linked bonds, again hedged back to sterling. The Lyxor US TIPS ETF was sold and switched into the hedged share class of the CG Dollar Fund which is an actively managed portfolio of US government index-linked bonds managed by a highly respected team.

←	Exit	Lyxor US TIPS ETF (H)	3.50%
★	Initiate	CG Dollar Fund (H)	5.00%
↑	Increase	Vanguard US Government Bond Index (H)	1.75%

Core Cautious

One equity ETF was sold and replaced with an actively managed open-ended fund. BNY Mellon US Equity Income is focused on sustainable income and dividend growth whilst paying particular attention to valuation and plays to our theme of favouring more defensive sectors at this stage of the economic cycle. Japan and the UK were reduced and the proceeds used to add to Europe.

↓	Reduce	Lindsell Train UK Equity 0.25%
↓	Reduce	NinetyOne UK Alpha 0.25%
←	Exit	iShares Edge MSCI USA Quality Factor ETF 4.50%
★	Initiate	BNY Mellon US Equity Income 4.50%
↓	Reduce	Baillie Gifford Japanese Fund 1.00%
↑	Increase	HSBC European Index Fund 1.50%

The weighting to alternative assets (real assets, absolute return and gold) was reduced across the board. Sanlam Real Assets was introduced in place of Schroder Global Cities to provide a more diversified exposure to real assets through infrastructure, renewable energy and specialist property investments. JPMorgan Global Macro Opportunities was exited due to its historically higher correlation to risk assets and was replaced by Atlantic House Defined Returns. Although Atlantic House is not a classic 'hedge fund' its investments in defensive autocalls mean that it should generate attractive positive returns in all but the most severe market corrections.

←	Exit	Schroder Global Cities Real Estate 2.45%
★	Initiate	Sanlam Real Assets 2.25%
↓	Reduce	Lazard Global Listed Infrastructure 0.50%
←	Exit	JPMorgan Global Macro Opportunities 3.75%
★	Initiate	Atlantic House Defined Returns 2.50%
↓	Reduce	Fulcrum Diversified Absolute Return 0.50%
↓	Reduce	Invesco Physical Gold ETC 0.50%

The proceeds were invested into a mixture of longer dated US government bonds hedged back to sterling and US government inflation linked bonds, again hedged back to sterling. The Lyxor US TIPS ETF was sold and switched into the hedged share class of the CG Dollar Fund which is an actively managed portfolio of US government index-linked bonds managed by a highly respected team.

←	Exit	Lyxor US TIPS ETF (H) 3.00%
★	Initiate	CG Dollar Fund (H) 4.50%
↑	Increase	Vanguard US Government Bond Index (H) 1.25%

Core Balanced

Two equity ETFs were sold and replaced with an actively managed open-ended fund and a passive tracker. BNY Mellon US Equity Income is focused on sustainable income and dividend growth whilst paying particular attention to valuation and plays to our theme of favouring more defensive sectors at this stage of the economic cycle. Japan and the UK were reduced and the proceeds used to add to Europe. HSBC European Index Fund is now the sole holding providing exposure to Europe.

↓ Reduce	L&G UK 100 Index Trust 0.50%
← Exit	iShares Edge MSCI USA Quality Factor ETF 5.50%
★ Initiate	BNY Mellon US Equity Income 5.50%
↓ Reduce	Baillie Gifford Japanese Fund 1.50%
↑ Increase	HSBC European Index Fund 3.75%
← Exit	iShares Edge MSCI European Quality Factor ETF 2.00%

The weighting to alternative assets (absolute return and gold) was reduced. Sanlam Real Assets was introduced in place of Schroder Global Cities to provide a more diversified exposure to real assets through infrastructure, renewable energy and specialist property investments. JPMorgan Global Macro Opportunities was exited due to its historically higher correlation to risk assets.

← Exit	Schroder Global Cities Real Estate 4.00%
★ Initiate	Sanlam Real Assets 4.00%
↓ Reduce	NB Uncorrelated Strategies 1.25%
← Exit	JPMorgan Global Macro Opportunities 3.25%
↑ Increase	Fulcrum Diversified Absolute Return 0.25%
↓ Reduce	Invesco Physical Gold ETC 0.50%

The proceeds were invested into a mixture of longer dated US government bonds hedged back to sterling and US government inflation linked bonds, again hedged back to sterling. The Lyxor US TIPS ETF was sold and switched into the hedged share class of the CG Dollar Fund which is an actively managed portfolio of US government index-linked bonds managed by a highly respected team.

← Exit	Lyxor US TIPS (H) 2.50%
★ Initiate	CG Dollar Fund (H) 3.50%
↑ Increase	Vanguard US Government Bond Index (H) 1.50%

Core Growth

Two equity ETFs were sold and replaced with an actively managed open-ended fund and a passive tracker. BNY Mellon US Equity Income is focused on sustainable income and dividend growth whilst paying particular attention to valuation and plays to our theme of favouring more defensive sectors at this stage of the economic cycle. Japan and the UK were reduced and the proceeds used to add to Europe. HSBC European Index Fund is now the sole holding providing exposure to Europe.

↓ Reduce	Lindsell Train UK Equity 0.25%
↓ Reduce	NinetyOne UK Alpha 0.50%
← Exit	iShares Edge MSCI USA Quality Factor ETF 7.50%
↑ Increase	Vanguard US Equity Index 0.50%
★ Initiate	BNY Mellon US Equity Income 7.00%
↓ Reduce	Baillie Gifford Japanese Fund 1.50%
↑ Increase	HSBC European Index Fund 4.75%
← Exit	iShares Edge MSCI European Quality Factor ETF 2.45%

The weighting to alternative assets (absolute return and gold) was reduced. Sanlam Real Assets was introduced in place of Schroder Global Cities to provide a more diversified exposure to real assets through infrastructure, renewable energy and specialist property investments. JPMorgan Global Macro Opportunities was exited due to its historically higher correlation to risk assets and partially replaced by Fulcrum Diversified Absolute Return which has demonstrated good returns in broadly weaker markets.

← Exit	Schroder Global Cities Real Estate 3.50%
★ Initiate	Sanlam Real Assets 3.50%
← Exit	JPMorgan Global Macro Opportunities 3.50%
★ Initiate	Fulcrum Diversified Absolute Return 2.00%
↓ Reduce	Invesco Physical Gold ETC 0.50%

The proceeds were invested into longer dated US government bonds hedged back to sterling. The Lyxor US TIPS ETF was sold and switched into the hedged share class of the CG Dollar Fund which is an actively managed portfolio of US government index-linked bonds managed by a highly respected team.

← Exit	Lyxor US TIPS ETF (H) 2.50%
★ Initiate	CG Dollar Fund (H) 2.50%
↑ Increase	Vanguard US Government Bond Index (H) 2.00%

Core Adventurous

Two equity ETFs were sold and replaced with an actively managed open-ended fund and a passive tracker. BNY Mellon US Equity Income is focused on sustainable income and dividend growth whilst paying particular attention to valuation and plays to our theme of favouring more defensive sectors at this stage of the economic cycle. Japan and the UK were reduced and the proceeds used to add to Europe. HSBC European Index Fund is now the sole holding providing exposure to Europe.

↓	Reduce	L&G UK 100 Index Trust 0.50%
↓	Reduce	NinetyOne UK Alpha 0.50%
←	Exit	iShares Edge MSCI USA Quality Factor ETF 8.00%
★	Initiate	BNY Mellon US Equity Income 8.00%
↓	Reduce	Baillie Gifford Japanese Fund 1.75%
↑	Increase	HSBC European Index Fund 5.75%
←	Exit	iShares Edge MSCI European Quality Factor ETF 3.00%

The weighting to alternative assets (absolute return and gold) was reduced. Sanlam Real Assets was introduced in place of Schroder Global Cities to provide a more diversified exposure to real assets through infrastructure, renewable energy and specialist property investments.

←	Exit	Schroder Global Cities Real Estate 3.25%
★	Initiate	Sanlam Real Assets 3.25%
↓	Reduce	NB Uncorrelated Strategies 1.00%
↓	Reduce	Invesco Physical Gold ETC 0.50%

The proceeds were invested into longer dated US government bonds hedged back to sterling.

↑	Increase	Vanguard US Government Bond Index (H) 1.50%
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Core Maximum Growth

Two equity ETFs were sold and replaced with an actively managed open-ended fund and a passive tracker. BNY Mellon US Equity Income is focused on sustainable income and dividend growth whilst paying particular attention to valuation and plays to our theme of favouring more defensive sectors at this stage of the economic cycle. Japan and the UK were reduced and the proceeds used to add to Europe. HSBC European Index Fund is now the sole holding providing exposure to Europe.

↓	Reduce	L&G UK 100 Index Trust 0.50%
↓	Reduce	NinetyOne UK Alpha 0.50%
←	Exit	iShares MSCI USA Quality Factor ETF 11.55%
↑	Increase	Vanguard US Equity Index 1.50%
★	Initiate	BNY Mellon US Equity Income 10.00%
↓	Reduce	Baillie Gifford Japanese Fund 2.20%
↑	Increase	HSBC European Index Fund 6.50%
←	Exit	iShares Edge MSCI European Quality Factor 3.25%

Core Income

Threadneedle UK Equity Income was sold following the retirement of its long-standing manager and the proceeds used to initiate a new position in FTF Martin Currie UK Equity Income. The Martin Currie fund is focused in large cap companies and has a mixture of high yielding and high dividend growth names in its portfolio. Japan and the UK were reduced and the proceeds used to add to Europe.

↓ Reduce	L&G UK 100 Index 0.50%
← Exit	Threadneedle UK Equity Income 5.50%
★ Initiate	FTF Martin Currie UK Equity Income 5.00
↑ Increase	Schroder US Equity Income Maximiser 0.50%
↓ Reduce	Baillie Gifford Japanese Fund 1.00%
↑ Increase	HSBC European Index Fund 1.50%
↓ Reduce	TB Evenlode Global Income Fund 0.50%

The weighting to alternative assets (absolute return and gold) was reduced although real assets were added to. Sanlam Real Assets was introduced in place of Schroder Global Cities to provide a more diversified exposure to real assets through infrastructure, renewable energy and specialist property investments.

← Exit	Schroder Global Cities 3.00%
★ Initiate	Sanlam Real Assets 3.50%
↓ Reduce	NB Uncorrelated Strategies 0.25%
↓ Reduce	NinetyOne Diversified Income 1.00%
↓ Reduce	Fulcrum Diversified Absolute Return 1.00%
↓ Reduce	Invesco Physical Gold ETC 0.50%

The proceeds were invested into a mixture of longer dated US government bonds hedged back to sterling and US government inflation linked bonds, again hedged back to sterling. The Lyxor US TIPS ETF was sold and switched into the hedged share class of the CG Dollar Fund which is an actively managed portfolio of US government index-linked bonds managed by a highly respected team.

← Exit	Lyxor US TIPS (H) 3.00%
★ Initiate	CG Dollar Fund (H) 4.50%
↑ Increase	Vanguard US Government Bond Index (H) 1.25%

Core MPS Investment List – Risk-based Portfolios

Security	Defensive	Conservative	Cautious	Balanced	Growth	Adventurous	Maximum Growth
Equities							
UK Equity							
L&G UK 100 Index Trust	3.75%	5.25%	5.25%	8.25%	8.75%	10.25%	13.00%
LF Lindsell Train UK Equity	2.75%	3.00%	3.75%	4.75%	5.75%	7.00%	8.00%
Ninety One UK Alpha		4.00%	4.50%	5.50%	7.50%	8.50%	10.00%
Premier Miton Multi Cap Income			3.00%	3.50%	4.50%	5.50%	7.50%
	6.50%	12.25%	16.50%	22.00%	26.50%	31.25%	38.50%
US Equity							
Vanguard US Equity Index	4.00%	6.25%	8.25%	10.00%	11.50%	13.75%	16.00%
BNY Mellon US Equity Income	2.00%	3.75%	4.50%	5.50%	7.00%	8.00%	10.00%
	6.00%	10.00%	12.75%	15.50%	18.50%	21.75%	26.00%
Japan Equity							
Baillie Gifford Japanese		1.25%	1.50%	2.00%	2.40%	2.75%	3.50%
	0.00%	1.25%	1.50%	2.00%	2.40%	2.75%	3.50%
Europe Ex UK Equity							
HSBC European Index		3.75%	5.00%	6.75%	8.00%	9.25%	11.50%
	0.00%	3.75%	5.00%	6.75%	8.00%	9.25%	11.50%
Asia Pacific Ex Japan Equity							
Stewart Investors Asia Pacific Leaders		2.00%	3.80%	4.00%	2.80%	3.20%	3.45%
Fidelity Asia					2.00%	3.75%	4.75%
	0.00%	2.00%	3.80%	4.00%	4.80%	6.95%	8.20%
Global Emerging Equity							
Hermes Global Emerging Markets		2.25%	2.50%	3.75%	4.75%	4.25%	5.25%
	0.00%	2.25%	2.50%	3.75%	4.75%	4.25%	5.25%
Global Equity							
TB Evenlode Global Income	5.50%						
Sub Total Equities	18.00%	31.50%	42.05%	54.00%	64.95%	76.20%	92.95%
Fixed Income							
International Sovereign Bonds							
CG Dollar Fund (H)	7.00%	5.00%	4.50%	3.50%	2.50%		
Vanguard US Govt Bond Index (H)	12.50%	9.50%	8.75%	7.25%	5.50%	4.50%	
	19.50%	14.50%	13.25%	10.75%	8.00%	4.50%	0.00%
Investment Grade Corporate Bonds							
L&G Short Dated £ Corporate Bond	7.80%	5.70%	4.00%	3.00%	4.25%		
M&G UK Inflation Linked Corporate Bond	8.30%	6.10%	4.25%	3.50%			
Artemis Corporate Bond	8.00%	7.50%	6.25%	4.50%			
Vontobel TwentyFour Absolute Return Credit	8.40%	7.20%	5.75%	3.50%	5.80%	3.50%	
	32.50%	26.50%	20.25%	14.50%	10.05%	3.50%	0.00%
Sub Total Fixed Income	52.00%	41.00%	33.50%	25.25%	18.05%	8.00%	0.00%
Alternative Assets							
Real Assets							
Sanlam Real Assets	2.25%	2.25%	2.25%	4.00%	3.50%	3.25%	
Lazard Global Listed Infrastructure Equity	2.00%	2.00%	2.00%				
	4.25%	4.25%	4.25%	4.00%	3.50%	3.25%	0.00%
Absolute Return							
NB Uncorrelated Strategies	8.00%	7.25%	6.00%	5.75%	5.00%	6.00%	4.00%
Atlantic House Defined Returns	4.00%	3.00%	2.50%				
Fulcrum Diversified Absolute Return	6.50%	6.00%	5.00%	4.50%	2.00%		
	18.50%	16.25%	13.50%	10.25%	7.00%	6.00%	4.00%
Gold							
Invesco Physical Gold ETC	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	
	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	0.00%
Sub Total Alternative Assets	27.25%	25.00%	22.25%	18.75%	15.00%	13.75%	4.00%
Cash							
Cash	2.75%	2.50%	2.20%	2.00%	2.00%	2.05%	3.05%
Sub Total Cash	2.75%	2.50%	2.00%	2.00%	2.00%	2.05%	3.05%
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Source: Evelyn Partners Investment Management Services Limited

Asset allocation within the portfolios is subject to change and the allocation is correct as at 08.06.2023.

Core MPS Investment List – Income-based Portfolio

	Income
Equities	
UK Equity	
L&G UK 100 Index Trust	8.50%
FTF Martin Currie UK Equity Income	5.00%
Premier Miton Multi Cap Income	3.00%
Redwheel UK Equity Income	
Trojan Income	
	16.50%
US Equity	
Vanguard US Equity Index	6.75%
Schroder US Equity Income Maximiser	6.00%
	12.75%
Japan Equity	
Baillie Gifford Japanese	1.50%
	1.50%
Europe Ex UK Equity	
HSBC European Index	4.75%
	4.75%
Asia Pacific Ex Japan Equity	
Schroder Asian Income Maximiser	4.50%
	4.50%
Global Emerging Equity	
Hermes Global Emerging Markets	
	0.00%
Global Equity	
Evenlode Global Income	4.00%
	4.00%
Sub Total Equities	44.00%
Fixed Income	
International Sovereign Bonds	
CG Dollar Fund (H)	4.50%
Vanguard US Govt Bond Index (H)	8.75%
	13.25%
Investment Grade Corporate Bonds	
Artemis Corporate Bond	6.75%
L&G Short Dated £ Corporate Bond	6.75%
Vontobel TwentyFour Absolute Return Credit	6.75%
	20.25%
Sub Total Fixed Income	33.50%
Alternative Assets	
Real Assets	
Sanlam Real Assets	3.50%
	3.50%
Absolute Return	
NB Uncorrelated Strategies	4.50%
Ninety One Diversified Income	5.00%
Fulcrum Diversified Absolute Return	3.00%
	12.50%
Gold	
Invesco Physical Gold ETC	4.50%
	4.50%
Sub Total Alternative Assets	20.50%
Cash	
Cash	2.00%
Sub Total Cash	2.00%
	100.00%

Source: Evelyn Partners Investment Management Services Limited

Asset allocation within the portfolios is subject to change and the allocation is correct as at 08.06.2023.

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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