



INVESTMENT UPDATE

Sustainable MPS Rebalance Note

August 2024

For Professional Advisers Only

Summary

Changes in this rebalance were primarily driven by asset allocation adjustments and initiating positions in two new funds.

At the asset class level, the cash weighting decreased in the lower risk models (Conservative and Cautious) in order to fund additions to fixed income and bring the models in line with in-house asset allocation. Equity was also increased by 0.75% in the Conservative model, funded from cash. In the Balanced, Growth and Adventurous models the fixed income weighting slightly reduced to fund an increase to equity. No overall asset class exposure changed in the Max Growth model.

Within fixed income we continue to favour sovereign bonds over corporate credit. Equities are broadly attractive, though we primarily continued to allocate to the US and core-style global equity funds.

Across all models we switched from JPM Global Macro Sustainable into Trium Climate Impact in the Absolute Return allocation. The shift is part of an exercise to reduce equity correlation in the Absolute Return allocation. Trium Climate Impact is a market neutral hedge fund which invests in mid and large cap climate solutions in its long book and hedges out volatility, factor and style risk in its short book.

Within the moderate to higher risk models we switched out of RobecoSAM Smart Materials into Regnan Sustainable Water and Waste. This reflects our preference for the more defensive nature of the water and waste theme, which are crucial to everyday functioning of society throughout the economic cycle. Additionally, the team's focus on quality characteristics of businesses and the sustainability of their investee companies' operations reflects our own investment philosophy well.

One holding was sold in its entirety across all models:

- ← JPM Global Macro Sustainable

One holding was sold in its entirety in the Balanced, Growth, Adventurous and Max Growth Models:

- ← RobecoSAM Smart Materials

One holding was initiated across all models:

- ★ Trium Climate Impact

One holding was initiated in the Balanced, Growth, Adventurous and Max Growth models:

- ★ Regnan Sustainable Water and Waste

Sustainable Conservative

In fixed income we increased the allocation to sovereign bonds by adding to the Vanguard US government bond index. This is in line with our current preference for government bonds over corporate credit and brings us closer in-line with our internal strategic asset allocation to the asset class. Government bonds at their current yields still remain attractive in an environment of sticky and persistent inflation data. They also act as a form of portfolio insurance in a rising volatility environment, where some market participants grow nervous about the likelihood of a US recession. We also made a small addition to IG corporate credit via the Aegon Global Short Dated Climate Transition fund. Additions were funded through reducing cash.

↓ Reduce	BlackRock ICS Sterling Liquidity 1.50%
↑ Increase	Vanguard US Govt Bond Index 0.50%
↑ Increase	Aegon Global Short Dated Climate Transition 0.25%

We increased our overall equity exposure to align with our in-house asset allocation through minor additions to our global equity funds. This was to ensure a balance of style exposure across growth (CT Responsible Global Equity), value (Schroder Global Sustainable Value) and core (Baillie Gifford Responsible Global Equity Income). This was funded through a reduction in cash.

↑ Increase	Schroder Global Sustainable Value 0.25%
↑ Increase	CT Responsible Global Equity 0.25%
↑ Increase	Baillie Gifford Responsible Global Equity Income 0.25%

In alternatives we sold JPM Global Macro Sustainable to switch into Trium Climate Impact. This is a market neutral hedge fund which invests in mid and large cap climate solutions companies in its long book and seeks to hedge volatility, factor and style risk in its short book. The team seek significantly higher avoided emissions than direct emissions in potential investee companies, as well as contributions to clean water, less waste, the circular economy and improved efficiencies. The fund targets a return of cash plus 6-8% and volatility of 6-8% with low correlation to traditional asset classes and driving positive environmental outcomes.

← Exit	JPM Global Macro Sustainable 3.00%
★ Initiate	Trium Climate Impact 3.00%

Sustainable Cautious

In fixed income we increased the allocation to sovereign bonds by adding to the Vanguard US Government Bond index. This is in line with our current preference for government bonds over corporate credit and brings us closer in line with our internal strategic asset allocation to the asset class. Government bonds at their current yields still remain attractive in an environment of sticky and persistent inflation data. They also act as a form of portfolio insurance in a rising volatility environment, where some market participants grow nervous about the likelihood of a US recession. The addition was funded through reducing cash.

↓ Reduce **BlackRock ICS Sterling Liquidity** 0.50%

↑ Increase **Vanguard US Govt Bond Index** 1.00%

In alternatives we sold JPM Global Macro Sustainable to switch into Trium Climate Impact. This is a market neutral hedge fund which invests in mid and large cap climate solutions companies in its long book and seeks to hedge volatility, factor and style risk in its short book. The team seek significantly higher avoided emissions than direct emissions in potential investee companies, as well as contributions to clean water, less waste, the circular economy and improved efficiencies. The fund targets a return of cash plus 6-8% and volatility of 6-8% with low correlation to traditional asset classes and driving positive environmental outcomes.

← Exit **JPM Global Macro Sustainable** 2.50%

★ Initiate **Trium Climate Impact** 2.50%

Sustainable Balanced

In fixed income we trimmed Brown Global Sustainable Total Return Bond, which holds a mix of sovereign bonds, corporate credit and securitised bonds. This was to reflect our preference for shorter-dated vehicles in our corporate credit allocation and to fund a small addition to equity.

↓ Reduce **Brown Global Sustainable Total Return Bond 0.25%**

We increased our overall equity exposure through trimming Brown Global Sustainable Total Return Bond in fixed income. We slightly added to CT Responsible Global Equity, which is a core-growth style global equity fund. We then switched RobecoSAM Smart Materials into a new position, Regnan Sustainable Water and Waste. Materials can be more sensitive than some other sectors to the economic cycle as well as the interest rate environment. We found this an attractive time to initiate a position in the Regnan fund, which focuses on quality characteristics and sustainable operations in its investee businesses. We also like the more defensive nature of the water and waste theme, which is integral to daily life throughout the economic cycle, as well as the structural growth drivers for these sectors as global population increases and urbanises.

↑ Increase **CT Responsible Global Equity 0.25%**

← Exit **RobecoSAM Smart Materials 1.25%**

★ Initiate **Regnan Sustainable Water and Waste 1.25%**

In alternatives we sold JPM Global Macro Sustainable to switch into Trium Climate Impact. This is a market neutral hedge fund which invests in mid and large cap climate solutions companies in its long book and seeks to hedge volatility, factor and style risk in its short book. The team seek significantly higher avoided emissions than direct emissions in potential investee companies, as well as contributions to clean water, less waste, the circular economy and improved efficiencies. The fund targets a return of cash plus 6-8% and volatility of 6-8% with low correlation to traditional asset classes and driving positive environmental outcomes.

← Exit **JPM Global Macro Sustainable 2.00%**

★ Initiate **Trium Climate Impact 2.00%**

Sustainable Growth

In fixed income we trimmed Brown Global Sustainable Total Return Bond, which is a mix of sovereign bonds, corporate credit and securitized bonds. This was to reflect our preference for shorter-dated vehicles in our corporate credit allocation and to fund a small addition to equity.

↓ Reduce **TwentyFour Sustainable Short Term Bond Income** 0.25%

We increased our overall equity exposure through trimming Brown Global Sustainable Total Return Bond in fixed income. We slightly added to FTGF ClearBridge US Equity Sustainable Leaders to bring it slightly closer in weight to the Brown US Sustainable Growth fund with the aim of broadening our US equity exposure. We then switched RobecoSAM Smart Materials into a new position, Regnan Sustainable Water and Waste. Materials can be more sensitive than some other sectors to the economic cycle as well as the interest rate environment. We found this an attractive time to initiate a position in the Regnan fund, which focuses on quality characteristics and sustainable operations in its investee businesses. We also like the more defensive nature of the water and waste theme, which is integral to daily life throughout the economic cycle, as well as the structural growth drivers for these sectors as global population increases and urbanises.

↑ Increase **FTGF ClearBridge US Equity Sustainability Leaders** 0.25%

← Exit **RobecoSAM Smart Materials** 2.00%

★ Initiate **Regnan Sustainable Water and Waste** 2.00%

In alternatives we sold JPM Global Macro Sustainable to switch into Trium Climate Impact. This is a market neutral hedge fund which invests in mid and large cap climate solutions companies in its long book and seeks to hedge volatility, factor and style risk in its short book. The team seek significantly higher avoided emissions than direct emissions in potential investee companies, as well as contributions to clean water, less waste, the circular economy and improved efficiencies. The fund targets a return of cash plus 6-8% and volatility of 6-8% with low correlation to traditional asset classes and driving positive environmental outcomes.

← Exit **JPM Global Macro Sustainable** 2.00%

★ Initiate **Trium Climate Impact** 2.00%

Sustainable Adventurous

In fixed income we reduced the CG Dollar fund in order to add to overall equity exposure. This was to bring the model in closer alignment to in-house asset allocation. We still find broad US treasuries attractive in the current environment so drew on the CG Dollar fund, which invests in inflation-linked treasuries, instead.

↓ Reduce CG Dollar 1.50%

We increased our overall equity exposure by 1.5% through reducing the CG Dollar fund in fixed income. We added to FTGF ClearBridge US Equity Sustainable Leaders to bring it closer in weight to the Brown US Sustainable Growth fund, with the aim of broadening our US equity exposure. We also slightly added to Federated Hermes Sustainable Global Equity for additional core global equities exposure. We then switched RobecoSAM Smart Materials into a new position, Regnan Sustainable Water and Waste. Materials can be more sensitive than some other sectors to the economic cycle as well as the interest rate environment. We found this an attractive time to initiate a position in the Regnan fund, which focuses on quality characteristics and sustainable operations in its investee businesses. We also like the more defensive nature of the water and waste theme, which is integral to daily life throughout the economic cycle, as well as the structural growth drivers for these sectors as global population increases and urbanises.

↑ Increase FTGF ClearBridge US Equity Sustainability Leaders 0.50%

↑ Increase CT Responsible Global Equity 0.75%

↑ Increase Federated Hermes Sustainable Global Equity 0.25%

↔ Exit RobecoSAM Smart Materials 2.00%

★ Initiate Regnan Sustainable Water and Waste 2.00%

↓ Reduce RobecoSAM Smart Materials 0.75%

In alternatives we sold JPM Global Macro Sustainable to switch into Trium Climate Impact. This is a market neutral hedge fund which invests in mid and large cap climate solutions companies in its long book and seeks to hedge volatility, factor and style risk in its short book. The team seek significantly higher avoided emissions than direct emissions in potential investee companies, as well as contributions to clean water, less waste, the circular economy and improved efficiencies. The fund targets a return of cash plus 6-8% and volatility of 6-8% with low correlation to traditional asset classes and driving positive environmental outcomes.

↔ Exit JPM Global Macro Sustainable 2.00%

★ Initiate Trium Climate Impact 2.00%

Sustainable Maximum Growth

In the Maximum Growth model overall asset class weights did not change, but we slightly reduced global equities exposure in favour of adding to the US within equities.

We increased FTGF ClearBridge US Equity Sustainable Leaders and Brown US Sustainable Growth in equal measures to 4.5% weights. This reflects our ongoing view that US equities are still an attractive place to be. We then switched RobecoSAM Smart Materials into a new position, Regnan Sustainable Water and Waste. Materials can be more sensitive than some other sectors to the economic cycle as well as the interest rate environment. We found this an attractive time to initiate a position in the Regnan fund, which focuses on quality characteristics and sustainable operations in its investee businesses. We also like the more defensive nature of the water and waste theme, which is integral to daily life throughout the economic cycle, as well as the structural growth drivers for these sectors as global population increases and urbanises. We did not make a full switch however, initiating a 3% position in the Regnan fund but recycling 1% of the Smart Materials position into the US and then a slight addition to Impax Environmental Markets. Impax Environmental Markets has a SMID-cap bias which has struggled in a higher rate environment, but with the start of some central banks beginning a potential rate cutting cycle there could be brighter skies on the horizon for small and mid-cap companies.

↑ Increase	Brown US Sustainable Growth 0.50%
↑ Increase	FTGF ClearBridge US Equity Sustainability Leaders 0.50%
↑ Increase	Impax Environmental Markets 0.25%
← Exit	RobecoSAM Smart Materials 4.25%
★ Initiate	Regnan Sustainable Water and Waste 3.00%

In alternatives no changes took place during this rebalance.

Sustainable MPS Investment List – Risk-based Portfolios

Security	Conservative	Cautious	Balanced	Growth	Adventurous	Maximum Growth
Equities						
UK Equity						
Liontrust UK Ethical	1.75%	2.25%	2.75%	3.75%	4.50%	5.50%
Trojan Ethical Income	3.00%	3.50%	4.25%	5.25%	5.75%	7.00%
Jupiter Responsible Income	3.50%	4.25%	5.25%	5.75%	6.25%	8.00%
Royal London Sustainable Leaders	4.25%	5.00%	6.00%	6.50%	7.00%	8.50%
	12.50%	15.00%	18.25%	21.25%	23.50%	29.00%
US Equity						
Brown US Sustainable Growth	2.00%	2.50%	2.75%	3.75%	4.25%	4.50%
FTGF ClearBridge US Equity Sustainability Leaders	2.00%	2.50%	2.75%	3.50%	4.00%	4.50%
	4.00%	5.00%	5.50%	7.25%	8.25%	9.00%
Asia Pacific Ex Japan Equity						
Stewart Investors Asia Pacific Sustainability	4.00%	4.25%	5.00%	6.00%	6.50%	7.75%
	4.00%	4.25%	5.00%	6.00%	6.50%	7.75%
Global Emerging Equity						
Alquity Future World		1.00%	1.75%	2.25%	2.50%	2.75%
		1.00%	1.75%	2.25%	2.50%	2.75%
Global Equity						
Atlas Global Infrastructure	1.00%	2.00%	3.00%	3.75%	4.25%	4.75%
Impax Environmental Markets		1.50%	1.75%	2.00%	2.00%	3.25%
Schroder Global Sustainable Value	4.25%	6.50%	7.00%	8.25%	8.50%	10.00%
CT Responsible Global Equity	4.25%	4.50%	6.50%	6.75%	8.00%	9.00%
Baillie Gifford Responsible Global Equity Income	4.25%	4.50%	6.75%	7.75%	8.00%	9.25%
Regnan Sustainable Water and Waste			1.25%	2.00%	2.00%	3.00%
Federated Hermes Sustainable Global Equity					5.00%	6.75%
	13.75%	19.00%	26.00%	30.50%	37.75%	46.00%
Sub Total Equities	34.25%	44.25%	56.75%	67.25%	78.50%	94.50%
Fixed Income						
International Sovereign Bonds						
Vanguard US Government Bond Index (H)	15.50%	13.00%	9.25%	7.75%	6.00%	
CG Dollar Fund (H)	8.00%	6.75%	4.75%	3.75%	1.50%	
	23.50%	19.75%	14.00%	11.50%	7.50%	
Investment Grade Corporate Bonds						
Brown Global Sustainable Total Return Bond	3.75%	2.50%	2.75%			
Aegon Global Short Dated Climate Transition Bond	7.75%	6.25%	4.75%	3.00%		
TwentyFour Sustainable Short Term Bond Income	8.00%	6.50%	4.75%	3.25%		
	19.50%	15.25%	12.25%	6.25%		
Sub Total Fixed Income	43.00%	35.00%	26.25%	17.75%	7.50%	0.00%
Alternative Assets						
Real Assets						
Cordiant Digital Infrastructure	1.00%	1.00%	1.00%			
Octopus Renewables Infrastructure	1.50%	1.75%	2.00%			
The Renewables Infrastructure Group	2.00%	2.00%	2.00%	2.00%	1.50%	
SDCL Energy Efficiency Income Trust				1.00%	1.00%	
International Public Participations	2.50%	2.00%	2.00%	2.00%	1.50%	
Schroder BSC Social Income Trust	2.25%	1.75%				
	9.25%	8.50%	7.00%	5.00%	4.00%	
Absolute Return						
Trium Climate Impact	3.00%	2.50%	2.00%	2.00%	2.00%	1.75%
Trojan Ethical	3.00%	2.50%	2.00%	2.00%	2.00%	1.75%
	6.00%	5.00%	4.00%	4.00%	4.00%	3.50%
Gold						
Invesco Physical Gold ETC	4.00%	4.00%	4.00%	4.00%	4.00%	
	4.00%	4.00%	4.00%	4.00%	4.00%	
Sub Total Alternative Assets	19.25%	17.50%	15.00%	13.00%	12.00%	3.50%
Cash						
Cash	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
BlackRock ICS Sterling Liquidity	1.50%	1.25%				
Sub Total Cash	3.50%	3.25%	2.00%	2.00%	2.00%	2.00%
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

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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