

International EUR MPS Rebalance Note

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For Professional Advisers Only



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Summary

This re-balance saw changes to risk strategies Cautious to Maximum Growth, driven by our top down decision to reduce equity exposure to Emerging Markets in favour of global developed markets, as well as being influenced by our analyst's rating downgrade of Hermes Global Emerging Markets Fund. Although we still believe in the long term growth drivers for the Emerging Markets, such as positive demographics (excluding China), limited supply side constraints, industrialisation, resource advantage, on-going reforms and infrastructure development, we are seeing continued negative sentiment and economic data out of China, which is a large proportion of the region, and given we have been running an overweight allocation to the region we considered it prudent to reduce this slightly. This was achieved by exiting the **Hermes Global Emerging Market** fund where we have lost confidence in management due to poor performance that coincided with the step down of the ex-PM Kunjal Gala. We were also concerned at the high turnover in the fund over the past 12 months, at more than half, suggesting a fundamental shift in the philosophy and process employed by the fund manager.

We gained global developed equity exposure by initiating a new position in Vanguard FTSE All World ETF. This is a low cost, liquid ETF that can easily sold if we wanted to de-risk the portfolio or rotate into a specific thematic strategy.

We also wanted to reduce our overweight to Europe slightly, partly because of the slowdown in China having a negative impact on the region. This was achieved by exiting our European small and mid-cap exposure given the challenging environment of higher interest rates.

We reduced our underweight to the US for risk profiles Cautious to Maximum Growth with the exception of Balanced where the underweight was less pronounced.

Please see below our changes per strategy.

Cautious

There were no changes to the fixed income or alternative allocations.

Within equity, we exited **Hermes Global Emerging Market** fund due to poor performance which has coincided with the step down of the ex-PM Kunjal Gala, also we were concerned at the high turnover in the fund over the past 12 months, at more than half, suggesting a fundamental shift in the philosophy and process employed by the fund manager. This culminated in a loss of confidence in management.

With the proceeds (2.0%) we decided to gain broad market exposure by initiating a new position a Vanguard FTSE All World ETF.

We reduced our overweight to Europe by 2%. This achieved by exiting **Eleva Leaders Small & Mid Cap European**. The higher interest rate environment has made it more challenging for small and mid-cap sized companies that are using leverage to grow, especially as their financing will be at shorter durations meaning they will be refinancing at higher rates diminishes their growth prospects. We used some of the proceeds (1.00%) to add to the **Vanguard Europe ex UK**, which is predominantly too large-cap international companies. We also initiated a new position in GQG Partners US equity, which reduced our underweight exposure to the region. We like the very active approach the manager takes, and we consider the fund complementary to the broader allocation given its material allocation to the energy sector.

←	Exit	Eleva Leaders Small & Mid Cap European 3.00%
←	Exit	Hermes Global Emerging Markets 2.00%
↑	Increase	Vanguard Europe ex UK ETF 1.00%
★	Initiate	Vanguard FTSE All World ETF 2.0%
★	Initiate	GQG Partners US Equity 2.0%

Balanced

There were no changes to the fixed income or alternative allocations.

Within equity, we exited **Hermes Global Emerging Market** fund due to poor performance which has coincided with the step down of the ex-PM Kunjal Gala, also were concerned at the high turnover in names over the past 12 months (55%) suggesting a fundamental shift in the philosophy or process employed by the fund manager which have culminated in a loss of confidence in management.

With the proceeds (2.0%) we decided to get broad market exposure by initiating a new position a **Vanguard FTSE All World ETF**.

We exited **Eleva Leaders Small & Mid Cap European** as the higher interest rate environment has made it more challenging for small and mid-cap sized companies that are using leverage to grow, especially as their financing will be at shorter durations meaning they will be refinancing at higher rates which diminishes their growth prospects.

We used the proceeds to add to the **Vanguard Europe ex UK**, which is predominantly large-cap international companies.

←	Exit	Eleva Leaders Small & Mid Cap European 3.00%
←	Exit	Hermes Global Emerging Markets 2.00%
↑	Increase	Vanguard Europe ex UK ETF 3.00%
★	Initiate	Vanguard FTSE All World ETF 2.0%

Growth

There were no changes to the fixed income or alternative allocations.

Within equity, we exited **Hermes Global Emerging Market** fund due to poor performance which has coincided with the step down of the ex-PM Kunjal Gala, also were concerned at the high turnover in names over the past 12 months (55%) suggesting a fundamental shift in the philosophy or process employed by the fund manager which have culminated in a loss of confidence in management.

Using some of the proceeds (2.0%) we decided to get broad market exposure by initiating a new position a **Vanguard FTSE All World ETF** and did a small top up to **GQG Partners US equity**, to slightly reduce our underweight exposure to the region. We like the very active approach the manager takes, and we consider the fund complementary to the broader allocation given its material allocation to the energy sector.

We exited **Eleva Leaders Small & Mid Cap European** as the higher interest rate environment has made it more challenging for small and mid-cap sized companies that are using leverage to grow, especially as their financing will be at shorter durations meaning they will be refinancing at higher rates which diminishes their growth prospects.

We used some of the proceeds to add to the **Vanguard Europe ex UK**, which is predominantly large-cap international companies.

←	Exit	Eleva Leaders Small & Mid Cap European 4.00%
←	Exit	Hermes Global Emerging Markets 2.50%
↑	Increase	Vanguard Europe ex UK ETF 4.00%
↑	Increase	GQG Partners US Equity 0.5%
★	Initiate	Vanguard FTSE All World ETF 2.0%

Adventurous

There were no changes to the fixed income or alternative allocations.

Within equity, we exited **Hermes Global Emerging Market** fund due to poor performance which has coincided with the step down of the ex-PM Kunjal Gala, also were concerned at the high turnover in names over the past 12 months (55%) suggesting a fundamental shift in the philosophy or process employed by the fund manager which have culminated in a loss of confidence in management.

With the proceeds (2.0%) we decided to get broad market exposure by initiating a new position a Vanguard FTSE All World ETF.

We reduced our overweight to Europe by 4% as by exiting **Jupiter European Growth** on performance concerns and **Eleva Leaders Small & Mid Cap European**, which is more closely linked to the European consumer. We used some of the proceeds to add to the Vanguard Europe ex UK, which is predominantly too large-cap international companies. We also increased **GQG Partners US equity**, which reduced our underweight exposure to the region. We like the very active approach the manager takes, and we consider the fund complementary to the broader allocation given its material allocation to the energy sector.

←	Exit	Eleva Leaders Small & Mid Cap European 3.00%
←	Exit	Hermes Global Emerging Markets 2.00%
←	Exit	Jupiter European Growth Class 5.00%
↑	Increase	Vanguard Europe ex UK ETF 4.00%
↑	Increase	GQG Partners US Equity 4.00%
↑	Increase	Vanguard S&P 500 2.00%
★	Initiate	Vanguard FTSE All World ETF 2.00%

Maximum Growth

There were no changes to the fixed income or alternative allocations.

Within equity, we exited **Hermes Global Emerging Market** fund due to poor performance which has coincided with the step down of the ex-PM Kunjal Gala, also were concerned at the high turnover in names over the past 12 months (55%) suggesting a fundamental shift in the philosophy or process employed by the fund manager which have culminated in a loss of confidence in management.

With the proceeds (2.0%) we decided to get broad market exposure by initiating a new position a **Vanguard FTSE All World ETF**.

We exited **Eleva Leaders Small & Mid Cap European** as the higher interest rate environment has made it more challenging for small and mid-cap sized companies that are using leverage to grow, especially as their financing will be at shorter durations meaning they will be refinancing at higher rates which diminishes their growth prospects.

We used some of the proceeds to add to the **Vanguard Europe ex UK**, which is predominantly large-cap international companies.

←	Exit	Eleva Leaders Small & Mid Cap European	5.00%
←	Exit	Hermes Global Emerging Markets	3.50%
←	Exit	Jupiter European Growth Class	5.00%
↑	Increase	Vanguard Europe ex UK ETF	5.00%
↑	Increase	GQG Partners US Equity	5.00%
★	Initiate	Vanguard FTSE All World ETF	3.50%

International MPS Investment List – Risk-based Portfolios

	Def	Cons.	Caut.	Balanced	Growth	Adv	Max Growth
Cash & Short Dated							
Cash	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
iShares Euro UltraShort Bond ETF	3.0%	2.0%					
Sub Total Cash	5.0%	4.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Fixed Income							
GOVERNMENT - NOMINAL BONDS							
iShares EUR GOV 3-5 Years	10.5%	8.0%	7.5%	6.0%	6.0%	4.0%	4.0%
iShares Treasury Bond 3-7year ETF EUR Hedged	12.5%	11.0%	9.5%	4.0%	4.0%	2.0%	
	23.0%	19.0%	17.0%	10.0%	10.0%	6.0%	4.0%
GOVERNMENT - REAL							
Sanlam Inflation Linked Bond Fund	8.0%	6.0%	5.0%	4.0%			
	8.0%	6.0%	5.0%	4.0%			
Investment Grade Corporate Bonds							
iShares USD Corp Bond Hedged	3.0%	2.0%	4.0%				
Brown Advisory Global Sustainable Total Return	10.0%	7.0%	4.0%	4.0%	3.0%		
Vontobel - TwentyFour Strategic Income	7.0%	8.0%	6.0%	4.0%			
	20.0%	17.0%	14.0%	8.0%	3.0%		
High Yield							
Capital Group Global High Income Opps	2.0%	2.0%	2.0%	4.0%	4.0%	2.5%	
	2.0%	2.0%	2.0%	4.0%	4.0%	2.5%	
Sub Total Fixed Income	53.0%	44.0%	38.0%	26.0%	17.0%	8.5%	4.0%
Alternative Assets							
Real Assets							
Greencoat Renewables	3.0%	3.0%	2.0%	3.0%	3.0%	3.0%	
Schroder Global Cities	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	
	6.0%	6.0%	5.0%	6.0%	6.0%	6.0%	
Absolute Return							
SEI Liquid Alternatives	2.0%	2.0%	1.0%				
Fulcrum Diversified Absolute Return	7.0%	5.0%	5.0%	4.0%	3.0%	2.0%	
Blackrock - Global Event Driven	6.0%	6.0%	5.0%	5.0%	3.0%	2.0%	
	15.0%	13.0%	11.0%	9.0%	6.0%	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	24.0%	22.0%	19.0%	18.0%	15.0%	13.0%	
Equities							
Europe Ex UK Equity							
Blackrock Continental European Equity	3.0%	5.0%	5.0%	6.0%	8.5%	8.0%	12.0%
Vanguard Europe ex UK	4.0%	6.0%	7.0%	8.0%	11.0%	14.0%	17.5%
	7.0%	11.0%	12.0%	14.0%	19.5%	22.0%	29.5%
US Equity							
Vanguard S&P 500	3.0%	4.0%	5.0%	6.0%	8.0%	10.0%	10.0%
Edgewood Select US Growth Hedged		2.0%	3.0%	5.0%	5.0%	6.0%	6.0%
GQG Partners US equity			2.0%	4.0%	3.50%	7.00%	8.0%
	3.0%	6.0%	10.0%	15.0%	16.5%	23.0%	24.0%
Global Equity							
Fundsmith Equity Feeder Fund		2.5%	4.0%	5.0%	4.0%	5.0%	5.5%
Vanguard FTSE All-World UCITS ETF			2.0%	2.0%	2.0%	2.0%	3.5%
Guinness Global Equity Income	3.0%	3.0%	4.0%	3.0%	5.0%	5.0%	5.5%
	3.0%	5.5%	10.0%	10.0%	11.0%	12.0%	14.5%
Japan Equity							
JP Morgan Japan - Inc	1.00%	2.0%	2.0%	4.0%	4.5%	4.5%	6.0%
iShares MSCI Japan - Inc							
	1.0%	2.0%	2.0%	4.0%	4.5%	4.5%	6.0%
UK Equity							
Montanaro UK Income EUR	2.0%	2.5%	3.0%	3.0%	4.0%	4.0%	3.0%
iShares Core FTSE 100							4.5%
	2.0%	2.5%	3.0%	3.0%	4.0%	4.0%	7.5%
Asia Pacific Ex Japan Equity							
Schroder Asian Total Return Equity Hedged			4.0%	3.0%	4.0%	3.0%	3.0%
Fidelity Asia Smaller Companies				2.0%	2.5%	3.0%	3.0%
Veritas Asian Equity	2.0%	3.0%		3.0%	4.0%	5.0%	6.5%
	2.0%	3.0%	4.0%	8.0%	10.5%	11.0%	12.5%
Sub Total Equities	18.0%	30.0%	41.0%	54.0%	66.0%	76.5%	94.0%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Est Yield	2.30	1.92	1.67	1.87	1.71	1.56	1.38
Est TER	0.49	0.54	0.53	0.59	0.58	0.57	0.54

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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