

# ACTIVE MPS

## *Review 2025*

### Introduction

The aim of this review is to consider how we performed during 2025 and where the Active MPS is currently positioned. As a reminder, our philosophy since launch in September 2012 has been to provide a series of risk targeted portfolios that result in a service similar to that which our firm's private clients receive. We do this by adopting a 'whole of market' approach that includes investment companies and passives alongside open ended funds to gain access to as many asset classes as possible through the most appropriate structure.

### What did the team get up to in 2025?

For the second year in a row we executed just two rebalances during the course of the year, in May and December. We hope the returns generated in 2025 prove that it is often better to let themes in a portfolio play out rather than needlessly tinkering in order to look busy. The common thread across both rebalances was to reduce equities and increase exposure to bonds and alternatives. Four new positions were initiated and five were exited.

The May rebalance was primarily driven by the annual update made to the Dynamic Planner asset allocation framework. The changes made to the portfolios were the first in exactly a year and were, perhaps unsurprisingly, sizeable. At the headline level equities were reduced significantly in all models apart from Dynamic Growth where there was only a small reduction. Within the equity allocations sizeable cuts were made to the UK and US, whilst Europe, Japan and Asia/Emerging Markets generally saw increases. The bond allocation saw some major changes with UK government bonds being increased at the expense of US government bonds. Corporate bonds were also reduced.



*James Burns*

LEAD PORTFOLIO MANAGER

[james.burns@evelyn.com](mailto:james.burns@evelyn.com)

The December rebalance was driven primarily by a desire to marginally reduce the equity exposure in all models apart from Dynamic Growth where the overall allocation remained unchanged. Within the equity allocation cuts were once again made to the UK and US throughout the range, whilst Europe and Asia/Emerging Markets were increased in certain portfolios. The allocation to UK gilts was increased throughout the range as the budget reassured the bond markets as to the country's finances. Within the corporate bond allocation in the lower risk portfolios, the duration exposure was reduced. Finally, within alternatives, we added to the infrastructure allocation in most of the models as the investment companies in which we are invested continue to trade at significant discounts to net asset value whilst producing very attractive yields.

Infrastructure). Both these holdings should offer good diversification to the portfolios as we expect their return profiles to be driven by their own fundamentals rather than relying on positive equity markets. Finally, NB Uncorrelated Strategies was exited, although this was only held in one portfolio

## What investments were the team most pleased to hold and what didn't work so well during the year?

For this first time in many years global equities were not led by the US, as investors sought out other, more reasonably priced markets. For sterling investors, the weakness of the US dollar also proved a headwind for US equities. The list of holdings within the range generally performed strongly.

The UK market ended the year near multi-year highs, supported in particular by financial stocks. More domestically focused mid and small caps lagged on softer growth and uncertainty over Rachel Reeves' Autumn Statement. Artemis UK Select (+28.7%) and Redwheel UK Equity Income (+27.8%) outperformed, although the return from L&G UK 100 Index (+25.6%) was also impressive. Premier Miton

UK Multi Cap Income (+17.3%) also made decent returns but was held back on a relative basis by its significant exposure to mid and small caps. Exposure to this end of the market was unsurprisingly a headwind for BlackRock Smaller Companies (-1.2%).

The US allocation provided not only the range's best performing position but also its worst performing one too. BlackRock Gold & General (+147.4%) had a banner year as the price of gold rose by over 65%. The gains made by this position dwarfed all others but it should be noted that despite that it was prudently trimmed in both rebalances during the year. Vanguard US Equity Index (+8.7%) demonstrated the more muted returns from the broader market and the headwind of a weakening dollar. It was therefore pleasing to see both Monks Investment Trust (+18.7%) and BNY Mellon US Equity Income (+9.8%) outperform. Disappointingly, GQG Partners US Equity (-13.9%) was very poor and suffered from cutting virtually all of its allocation to technology in May on valuation concerns. This lack of exposure to the stocks that drove the market forward was painful for this fund and we are conscious that the Active MPS range in general is very underweight US technology. However, with more and more market commentary focused on the eye-watering levels of capex that we are seeing from these companies as they chase the AI story, this may be the wrong time to make any big moves. It is safe to say that this part of the portfolios will be receiving the most scrutiny in 2026.

European equities had a good year and were boosted by a newly agreed US-EU trade deal, which helped ease tensions and improved clarity for businesses. All three positions here generated pleasing returns, although it was the more value focused Janus Henderson European Focus (+32.9%) that led the way, ahead of BlackRock Continental European Income (+25.7%) and the more growth focused BlackRock European Dynamic (+16.9%). This allocation best demonstrates our intention to have a blend of investment styles across our geographic buckets. It was a similar story within the Japan allocation where both Baillie Gifford Japan (+27.7%) and Jupiter Japan Income (+18.8%) outperformed but the growth focus of JPMorgan Japan (+15.5%) led it to lag. Although the Baillie Gifford investment trust has a growth bias too, it was helped by a significant narrowing of its discount to NAV. The weakness of the yen over the year tempered returns for sterling investors.

We were delighted to see a return to form for Asian and Emerging Market equities after a tough few years. Going into 2024, our allocation here had been relatively defensive and with a significant underweight to China. We spent the rebalances of 2024 adding to the China allocation as well as to funds that would outperform in any recovery of these markets. We were rewarded in 2025 with Fidelity China Special Situations (+41.2%) being the range's second best performing vehicle. However, there were a raft of notable performances coming from BlackRock Emerging Market Equity Strategies (+34.2%), Utilico Emerging Markets (+31.3%), Federated Hermes Asia ex Japan (+27.1%), Baillie Gifford Emerging Markets Leading Companies (+26.1%) and Fidelity Asia (+25.7%). Vanguard Emerging Markets Stock Index (24.3%)\* displayed the broader strength of these markets and outperformed some of the more defensive holdings in Schroder Asian Income Maximiser (+19.3%) and Schroder Asian Total Return Investment Company (+19.3%). The diversifying holdings in BlackRock Frontiers (+20.0%) and Pinebridge Asia ex Japan Small Cap (+11.5%) also lagged due to their total lack of exposure to the big index constituents that drove the markets. The only disappointment was India which had been the biggest beneficiary of the previous few years 'anything but China' trade. As a result, Goldman Sachs India Equity (-11.2%) lagged markedly in the two highest risk portfolios in which it was held.

Perhaps unsurprisingly, the list of bond holdings provided steady, although far less spectacular returns. Within government bonds, both US conventional and index-linked bonds outperformed their UK counterparts. In terms of the range's positions, iShares Up To 10 Years Gilts Index (+5.7%) and Vanguard UK Government Bond Index (+5.0%) made steady progress whilst Sanlam NinetyOne International Inflation Linked (+4.3%) outperformed Vanguard UK Inflation Linked Gilt Index (+1.3%). The Sanlam position is in a hedged share class, meaning that it is not affected by currency fluctuations and so did not suffer from the weakness in the dollar over the year that was a notable headwind for SPDR Bloomberg Global Aggregate Bond (+0.4%). Emerging market bonds have become more popular with investors recently due to the higher returns available and, despite the currency headwinds, M&G Emerging Markets Bond (+8.8%) produced excellent returns. Corporate bonds saw spreads tighten throughout the year meaning that the excess return investors are being paid to take on corporate over

government risk is at its narrowest level in many years. Our exposure is to short duration or more niche areas and saw Sequoia Economic Infrastructure Income (+9.5%), AXA US Short Duration High Yield (+7.2%) and Aegon Global Short Dated Climate Transition (+6.2%)\* all make good ground.

We hold alternative assets to provide diversification for the portfolios and look at them from a relative attraction point of view versus bonds. Throughout 2025 we have been overweight alternatives and underweight bonds and the returns generated throughout the year have generally vindicated our thinking. Property and infrastructure names were helped by the backdrop of lowered interest rates as well as corporate activity in the UK and enabled Cordiant Digital Infrastructure (+22.6%)\*, Picton Property Income (+15.8%) and International Public Partnerships (+11.0%) to stand out. The only disappointment was Empiric Student Property (-2.5%) which contended with a potentially more mixed outlook for overseas students and its upcoming takeover by The Unite Group. The hedge fund names were mixed with Fulcrum Diversified Absolute Return (+10.6%)\* leading the way from BH Macro (-1.7%). We are not concerned by BH Macro's performance as it tends to excel when other asset classes are struggling, and so to lose only a small amount in a decent year for bonds and an excellent one for equities is not an issue in our opinion. We view this position as invaluable disaster insurance.

\*introduced during the year

Source: Morningstar as at 31.12.25.

## How is the MPS currently positioned as we begin a new year?

Despite the reduction in equities in 2025, the portfolios remain fully invested with an underweight allocation to cash and bonds but overweight equities and alternatives. Within the bond allocation we are most notably underweight government bonds. The alternatives overweight is explained by the portfolios having significant allocations to both hedge funds as well as property and infrastructure. Within the equity allocation we are significantly overweight the UK and US, have a smaller overweight to Europe, are neutral on Japan and underweight Asia and Emerging Markets.

A year ago we wrote about the headwinds that the investment companies sector has faced in recent years due to PRIIPs and associated EU Law regarding cost disclosure requirements. In December we received good news, with the new Consumer Composite Investments (CCI) regime replacing PRIIPs. The key point here is that fund of funds no longer have to aggregate investment companies costs in their own OCFs. Sadly, on the MIFID side of things, we are not quite there as the FCA will be reviewing MIFID this year. MIFID cost disclosure still requires wealth managers to aggregate investment company costs in a portfolio.

There is therefore now a glaring inconsistency versus CCI disclosure which we hope will be ironed out this year. Were this to be resolved, this would have important positive ramifications for the Active MPS range and would see the portfolio OCFs significantly reduced. We look forward to reporting any news on this later in the year.

We thank all of you for your support over the past twelve months and we look forward to staying in regular communication with you throughout 2026.

## Cumulative performance to 31 December 2025

	1 year	5 years	Since Launch
<b>Active MPS Defensive Portfolio</b>	<b>9.39%</b>	<b>15.59%</b>	<b>96.11%</b>
IA 0-35% Shares	8.03%	10.13%	56.06%
<b>Active MPS Defensive Income Portfolio</b>	<b>11.92%</b>	<b>25.40%</b>	<b>138.58%</b>
IA 20-60% Shares	10.25%	20.12%	86.37%
<b>Active MPS Balanced Income Portfolio</b>	<b>13.61%</b>	<b>37.47%</b>	<b>180.37%</b>
IA 40-85% Shares	11.63%	31.26%	138.76%
<b>Active MPS Balanced Growth Portfolio</b>	<b>16.60%</b>	<b>40.79%</b>	<b>219.83%</b>
IA 40-85% Shares	11.63%	31.26%	138.76%
<b>Active MPS Growth Portfolio</b>	<b>18.02%</b>	<b>41.43%</b>	<b>242.35%</b>
IA Flexible	12.17%	32.99%	145.43%
<b>Active MPS Dynamic Growth Portfolio</b>	<b>20.51%</b>	<b>35.58%</b>	<b>231.55%</b>
IA Global	10.95%	46.97%	275.17%

**Past performance is not a guide to future performance.** Capital at Risk. The value of investments and the income from them can fall as well as rise and you may not receive back the original amount invested. The portfolio's performance is shown above after the effects of all charges made by the underlying holdings but before accounting for Evelyn Partner's investment management charge, and any platform fees and adviser charges. The effect of these additional fees and charges would be to reduce the returns shown. IA = Investment Association. Source: Factset as at 31.12.25.

By necessity, this briefing can only provide a short overview and it is essential to seek professional advice before applying the contents of this article. This briefing does not constitute advice nor a recommendation relating to the acquisition or disposal of investments. No responsibility can be taken for any loss arising from action taken or refrained from on the basis of this publication. Details correct at time of writing.

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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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45 Gresham Street, London EC2V 7BG  
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T: 020 7189 9918  
E: IFAServices@evelyn.com



[www.evelyn.com/financial-advisers](http://www.evelyn.com/financial-advisers)