

INVESTMENT UPDATE

# Active MPS Rebalance Note

May 2024

For Professional Advisers Only



**James Burns**  
Lead Portfolio Manager

E: james.burns@evelyn.com  
T: +44 20 7131 4714

## Summary

This rebalance was driven by several factors, namely two fund switches, reinvestment of cash from a corporate action and lastly to take advantage of discounts to NAV in the alternative investment company holdings.

Fund switches were carried out within the US and Emerging Markets equity allocations. We exited JPMorgan US Equity Income and reinvested into BNY Mellon US Equity Income primarily based on a preference for the process of the team at BNY. However, we were also able to benefit from access to an attractively priced share class that led to an overall OCF saving. Hermes Global Emerging Markets was also exited from all portfolios bar Dynamic Growth, where it was reduced significantly, and reinvested into Baillie Gifford Emerging Markets Leading Companies. We have more conviction in the process and team at Baillie Gifford which is unashamedly growth focused and believe that the fund will benefit significantly from any improved outlook and sentiment towards these markets.

At the start of April, Troy Income & Growth Trust completed its merger with another investment trust and as part of the transaction we opted to receive cash rather than rolling into the combined entity. We therefore put some of this back into the UK equity market in the Balanced Income, Balanced Growth and Growth portfolios. Japan was also added to in all portfolios bar Dynamic Growth as we believe the outlook for Japanese companies is compelling, buoyed by huge corporate governance reforms as well as a currency that is as weak as it has been for decades. We are now overweight Japan in all portfolios bar Defensive.

Finally, within the three lower risk portfolios, we sought to take advantage of persistently wide discounts in the property, infrastructure and hedge fund names. We believe the discounts that have persisted in these areas of the investment companies space for the past eighteen months are unsustainable. Any change in sentiment, either because of a change in the outlook for interest rates or because of a change to the penal cost disclosure regime that these companies are currently subject to could see a significant narrowing of discounts and the possibility of very attractive returns.

## Active Defensive (DT3)

We exited the position in **iShares USD Corporate Bond** as, with spreads tightening, we do not feel we are being compensated enough for the extra risk in corporate bonds over government bonds. The proceeds were split between the existing positions in **iShares Up To 10 Years Gilts Index**, **Vanguard US Government Bond Index (H)** and **SSGA SPDR Bloomberg Global Aggregate Bond ETF** which offer a mixture of attractive returns as well as portfolio diversification should we witness a growth shock.

↑	Increase	iShares Up To 10 Years Gilts Index	0.50%
↑	Increase	SSGA SPDR Bloomberg Global Aggregate Bond ETF	1.50%
↑	Increase	Vanguard US Government Bond Index (H)	0.50%
←	Exit	iShares USD Corporate Bond ETF	2.24%

Both **Empiric Student Property** and **INPP** have recently released annual results that were very reassuring. We are excited about the growth story for Empiric and the income profile of INPP and believe that neither deserves to trade on the wide discount to NAV that they do. **BH Macro** is in a similar boat and has, up until recent history, tended to trade at a premium to NAV. We believe this will happen again and so are happy to add to the position at a double-digit discount. To fund these purchases the open-ended **NB Uncorrelated Strategies** was exited.

↑	Increase	BH Macro	0.50%
↑	Increase	Empiric Student Property	0.50%
↑	Increase	INPP	0.75%
←	Exit	NB Uncorrelated Strategies	1.87%

The only equity trade was to make a switch within the US allocation. Supported by a relatively stable macro-economic outlook and a resilient earnings story, we see scope for the rally in US equities to broaden out from the 'Magnificent 7' tech stocks and that sectors such as Financials and Healthcare should benefit.

★	Initiate	BNY Mellon US Equity Income	3.18%
←	Exit	JPMorgan US Equity Income	3.18%

## Active Defensive Income (DT4)

Both **Empiric Student Property** and **INPP** have recently released annual results that were very reassuring. We are excited about the growth story for Empiric and the income profile of INPP and believe that neither deserves to trade on the wide discount to NAV that they do. **BH Macro** is in a similar boat and has, up until recent history, tended to trade at a premium to NAV. We believe this will happen again and so are happy to add to the position at a double digit discount. To fund these purchases the open-ended **NB Uncorrelated Strategies** was exited.

↑	Increase	<b>BH Macro</b> 0.25%
↑	Increase	<b>Empiric Student Property</b> 0.50%
↑	Increase	<b>INPP</b> 0.50%
←	Exit	<b>NB Uncorrelated Strategies</b> 1.36%

The exposure to equities was unchanged, although a small decrease in the UK was made to bolster the Japanese allocation. We also made a switch within the US allocation. Supported by a relatively stable macro-economic outlook and a resilient earnings story, we see scope for the rally in US equities to broaden out from the 'Magnificent 7' tech stocks and that sectors such as Financials and Healthcare should benefit.

↓	Reduce	<b>NinetyOne UK Alpha</b> 0.75%
★	Initiate	<b>BNY Mellon US Equity Income</b> 5.51%
←	Exit	<b>JPMorgan US Equity Income</b> 5.26%
↑	Increase	<b>JPMorgan Japan</b> 0.25%
↑	Increase	<b>Jupiter Japan Income</b> 0.25%

## Active Balanced Income (DT5)

A small increase to Emerging Market bonds was made as we continue to see compelling returns from the asset class. **M&G Emerging Markets Bond** has a flexible mandate that enables it to provide exposure to both government and corporate debt in both local and hard (US dollar) currencies, with the manager being able to move around as she sees fit.

↑ Increase    **M&G Emerging Markets Bond** 0.25%

Both **Empiric Student Property** and **INPP** have recently released annual results that were very reassuring. We are excited about the growth story for Empiric and the income profile of INPP and believe that neither deserves to trade on the wide discount to NAV that they do. **BH Macro** is in a similar boat and has, up until recent history, tended to trade at a premium to NAV. We believe this will happen again and so are happy to add to the position at a double digit discount. To fund these purchases the open-ended **NB Uncorrelated Strategies** was exited.

↑ Increase    **BH Macro** 0.25%

↑ Increase    **Empiric Student Property** 0.50%

↑ Increase    **INPP** 0.75%

← Exit        **NB Uncorrelated Strategies** 1.68%

The cash proceeds from the **Troy Income & Growth Trust** corporate action were reinvested into a mixture of UK and Japanese equities. We also made a switch within the US allocation. Supported by a relatively stable macro-economic outlook and a resilient earnings story, we see scope for the rally in US equities to broaden out from the 'Magnificent 7' tech stocks and that sectors such as Financials and Healthcare should benefit. Finally, **Baillie Gifford Emerging Markets Leading Companies** replaced **Hermes Global Emerging Markets**. This fund is unashamedly growth focused and will benefit from any improved outlook and market sentiment.

↑ Increase    **Legal & General UK 100 Index** 0.50%

↑ Increase    **Premier Miton UK Multi Cap Income** 0.50%

★ Initiate    **BNY Mellon US Equity Income** 7.09%

← Exit        **JPMorgan US Equity Income** 7.09%

↑ Increase    **JPMorgan Japan** 0.50%

★ Initiate    **Baillie Gifford Emerging Markets Leading Companies** 2.25%

← Exit        **Hermes Global Emerging Markets** 2.24%

## Active Balanced Growth (DT6)

The cash proceeds from the **Troy Income & Growth Trust** corporate action were reinvested into a mixture of UK and Japanese equities. We also made a switch within the US allocation. Supported by a relatively stable macro-economic outlook and a resilient earnings story, we see scope for the rally in US equities to broaden out from the 'Magnificent 7' tech stocks and that sectors such as Financials and Healthcare should benefit. Finally, **Baillie Gifford Emerging Markets Leading Companies** replaced **Hermes Global Emerging Markets**. This fund is unashamedly growth focused and will benefit from any improved outlook and market sentiment.

↑	Increase	Legal & General UK 100 Index	1.00%
↑	Increase	Premier Miton UK Multi Cap	0.25%
↑	Increase	Redwheel UK Equity Income	0.25%
★	Initiate	BNY Mellon US Equity Income	5.89%
←	Exit	JPMorgan US Equity Income	5.89%
↑	Increase	JPMorgan Japan	0.25%
↑	Increase	Jupiter Japan Income	0.25%
★	Initiate	Baillie Gifford Emerging Markets Leading Companies	4.75%
←	Exit	Hermes Global Emerging Markets	4.89%

## Active Growth (DT7)

The cash proceeds from the **Troy Income & Growth Trust** corporate action were reinvested into a mixture of UK and Japanese equities. **BlackRock Smaller Companies** was added to after a torrid period for smaller companies in the UK which has also seen the discount to NAV on this investment trust widen out significantly. We also made a switch within the US allocation. Supported by a relatively stable macro-economic outlook and a resilient earnings story, we see scope for the rally in US equities to broaden out from the 'Magnificent 7' tech stocks and that sectors such as Financials and Healthcare should benefit. Finally, **Baillie Gifford Emerging Markets Leading Companies** replaced **Hermes Global Emerging Markets**. This fund is unashamedly growth focused and will benefit from any improved outlook and market sentiment.

↑	Increase	Legal & General UK 100 Index	1.50%
↑	Increase	BlackRock Smaller Companies	0.50%
★	Initiate	BNY Mellon US Equity Income	6.63%
←	Exit	JPMorgan US Equity Income	5.88%
↑	Increase	JPMorgan Japan	0.25%
↑	Increase	Jupiter Japan Income	0.25%
★	Initiate	Baillie Gifford Emerging Markets Leading Companies	3.00%
←	Exit	Hermes Global Emerging Markets	3.60%

## Active Dynamic Growth (DT8)

Cash was reduced to top up the existing positions in US government bonds hedged back to sterling which offer a mixture of attractive returns as well as portfolio diversification should we witness a growth shock. We continue to see compelling returns from Emerging Market debt. **M&G Emerging Markets Bond** has a flexible mandate that enables it to provide exposure to both government and corporate debt in both local and hard (US dollar) currencies, with the manager being able to move around as she sees fit.

---

↑ Increase    Vanguard US Government Bond (H) 0.25%

---

↑ Increase    M&G Emerging Markets Bond 0.25%

---

**Baillie Gifford Emerging Markets Leading Companies** was increased at the expense of **Hermes Global Emerging Markets**. This fund is unashamedly growth focused and will benefit from any improved outlook and market sentiment.

---

↑ Increase    Baillie Gifford Emerging Markets Leading Companies 2.00%

---

↓ Reduce    Hermes Global Emerging Markets 2.00%

---

## Active MPS Investment List

Security	Defensive	Defensive Income	Balanced Income	Balanced Growth	Growth	Dynamic Growth
<b>Equities</b>						
<b>UK Equity</b>						
Artemis UK Select			4.04%	4.18%	5.04%	3.79%
Blackrock Smaller Companies				1.97%	3.32%	1.67%
L&G UK 100 Index Trust			5.30%	5.43%	8.56%	3.17%
Premier Miton UK Multi Cap Income	2.54%	3.02%	3.65%	2.92%	3.57%	2.67%
Ninety One UK Alpha	4.10%	4.65%	4.47%	4.47%	5.80%	3.65%
Redwheel UK Equity Income	3.29%	4.32%	3.71%	3.06%	4.38%	
<b>US Equity</b>						
BlackRock Gold & General	1.45%	1.61%	1.70%	2.11%	2.11%	2.18%
GQG US Equity	1.52%	4.20%	6.21%	6.51%	7.01%	5.58%
Monks Investment Trust				2.21%	4.05%	4.08%
Vanguard US Equity Index	4.94%	5.93%	9.04%	7.43%	7.38%	4.63%
BNY Mellon US Equity Income	3.18%	5.51%	7.09%	5.89%	6.63%	
<b>Europe Equity</b>						
Blackrock Continental European Income		3.53%	2.69%			
Blackrock European Dynamic		2.79%	3.42%	3.04%	3.00%	3.56%
Janus Henderson European Focus				3.36%	3.26%	3.59%
<b>Japan Equity</b>						
Baillie Gifford Japan Trust						1.53%
JPMorgan Japan	2.42%	3.19%	3.54%	3.56%	3.30%	2.96%
Jupiter Japan Income	2.38%	3.28%	2.81%	2.87%	3.08%	2.29%
<b>Asia Pacific ex Japan Equity</b>						
Federated Hermes Asia Ex Japan						5.47%
Fidelity Asia				3.91%	3.58%	5.64%
Pinebridge Asia Ex Japan Small Cap Equity				2.78%	2.71%	4.67%
Schroder Asian Total Return Investment Company		2.23%	2.04%	3.42%	3.57%	5.31%
Schroder Income Maximiser	1.26%	1.95%	1.96%			
<b>Emerging Market Equity</b>						
BlackRock Emerging Markets Equity Strategies			1.90%	2.99%	2.24%	4.88%
Blackrock Frontier Markets				1.34%	1.45%	2.43%
Baillie Gifford Emerging Markets Leading Cos			2.25%	4.75%	3.00%	5.04%
Fidelity China Special Situations					1.74%	2.27%
Goldman Sachs India Equity					1.94%	3.32%
Federated Hermes Global Emerging Markets						3.29%
Utilico Emerging Markets						4.67%
<b>Fixed Income</b>						
<b>Index-Linked Bonds</b>						
Sanlam International Inflation Linked Bond	5.29%	5.53%	4.57%	3.24%		
Vanguard UK Inflation Linked Gilt	2.45%	2.36%				
<b>Sovereign Bonds</b>						
iShares Up to 10 Years Gilts Index	5.56%	2.39%				
Vanguard US Government Bond Index (H)	8.79%	5.92%	6.44%	3.65%	3.38%	3.81%
<b>UK Corporate Bonds</b>						
Artemis Corporate Bond	7.52%	6.37%	3.61%	4.10%		
<b>International Bonds</b>						
AXA US Short Duration High Yield (H)	6.92%	6.13%	3.04%			
M&G Emerging Markets Bond	3.77%	3.18%	2.16%	2.03%	1.41%	1.67%
SSGA SPDR Barclays Global Aggregate Bond	9.36%	5.09%	2.92%			
<b>High Yield Bonds</b>						
Sequoia Economic Infrastructure Income	2.73%	2.40%	1.44%	1.38%	0.95%	
<b>Alternative Assets</b>						
<b>Hedge Funds</b>						
BH Macro	2.65%	2.39%	2.29%	1.66%	1.29%	
Neuberger Berman Uncorrelated Strategies				1.69%		
<b>Real Assets</b>						
INPP	2.69%	2.40%	2.22%			
Empiric Student Property	2.46%	2.40%	1.93%			
Picton Property Income	3.07%	3.06%	2.23%	2.50%	2.06%	1.95%
<b>Cash</b>						
Cash	0.11%	0.22%	0.24%	0.24%	0.20%	0.22%
Blackrock ICS Sterling Liquidity	9.54%	3.95%	1.09%	1.33%		

Source Evelyn Partners Investment Management LLP



## 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.**



T: 020 7189 9918  
E: IFAServices@evelyn.com

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

45 Gresham Street, London EC2V 7BG  
© Evelyn Partners Group Limited 2024

**Evelyn Partners Investment Management LLP** is authorised and regulated by the Financial Conduct Authority.

