

RATHBONES

Incorporating
Investec Wealth &
Investment (UK)

Investec
Managed Portfolio Service
Investment Summary
Q1 2024

Index

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MPS – Q1 2024

Over the quarter we have maintained our asset allocation weightings. Within Fixed Income we have reduced our exposure to High Yield credit, in favour of Emerging Market debt. Over the past year, macroeconomic conditions have become more favourable for EM debt. Despite the short-term inflationary pressures year to date, the broader downward trend of inflation is a positive for EM debt. These countries are also at the forefront of monetary easing with Latin America leading interest rate cuts in 2023. We also expect emerging market debt to benefit from any weakness in the US dollar.

1. Defensive

| Defensive | Action | % Change | Rationale |
|--------------------------------------|----------|----------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| L&G Global High Yield Bond Fund | Sale | -4.00% | High yield credit spreads remain very tight relative to historic levels, meaning we are not being compensated well for the additional level of risk we are taking. Instead, we are seeing better value in emerging market debt. |
| Morgan Stanley EM Debt Opportunities | Purchase | 4.00% | Morgan Stanley EM Debt Opportunities fund is an actively managed strategy supported by a well-resourced, experienced investment team with broad geographic exposure. Given the wide dispersion among countries and credits, evaluating opportunities using a bottom-up approach is critical. The fund invests in both local and hard currencies and can invest in over 100 countries. We favour the team's approach to adding alpha by focusing on countries showing signs of structural change in order to capture gains that comes with improving governance and risk reduction. The fund also has a very attractive yield of over 9.0%. |
| Hermes Emerging Markets | Reduce | -1.50% | Although we still hold conviction in Hermes Emerging Markets, we have reduced our exposure to the fund in order to add Lazard Emerging Markets and enhance our diversification within emerging market equities. |
| Lazard Emerging Markets | Purchase | 1.50% | We believe that blending the Lazard fund with Hermes Emerging Markets offers stronger diversification benefits, primarily due to its greater emphasis on value companies. Compared to other EM value funds, the Lazard fund follows a robust and consistent approach and has evidenced its commitment to value investing. Although Lazard is mainly exposed to large cap, the fund does have some exposure to mid-caps. Overall, this is a cost attractive option in the EM Value space. The fund also offers an attractive dividend yield of 4.1%. |

3. Cautious

| Cautious | Action | % Change | Rationale |
|--------------------------------------|----------|----------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| L&G Global High Yield Bond Fund | Sale | -4.00% | High yield credit spreads remain very tight relative to historic levels, meaning we are not being compensated well for the additional level of risk we are taking. Instead, we are seeing better value in emerging market debt. |
| Morgan Stanley EM Debt Opportunities | Purchase | 4.00% | Morgan Stanley EM Debt Opportunities fund is an actively managed strategy supported by a well-resourced, experienced investment team with broad geographic exposure. Given the wide dispersion among countries and credits, evaluating opportunities using a bottom-up approach is critical. The fund invests in both local and hard currencies and can invest in over 100 countries. We favour the team's approach to adding alpha by focusing on countries showing signs of structural change in order to capture gains that comes with improving governance and risk reduction. The fund also has a very attractive yield of over 9.0%. |
| Jupiter UK Special Situations | Sale | -2.00% | In January, Ben Whitmore, manager of the Jupiter UK Special Situations fund, announced he will be leaving Jupiter later this year. His co-manager, Dermot Murphy, will also be leaving as will the product specialist. A new PM, Alex Savvides, will be joining from JOHCM in the autumn to manage the fund but he operates with a different approach and process, so this marks the start of a new chapter for this fund. |
| Man GLG Undervalued Assets | Purchase | 2.00% | Man GLG Undervalued Assets is a UK value fund. The team have a disciplined investment framework with a conservative approach to fundamental analysis. There is a clear quality overlay within the investment process, preventing the fund from owning companies simply because they are lowly valued, helping them to avoid value traps. The team have the capability to hold small and mid-cap companies more flexibly than peers and has operated with an overweight position. We favour this overweight position given the current attractive valuations of small and mid-cap companies. |
| JPM Emerging Markets Income | Sale | -3.00% | Although JPM Emerging Markets Income remains a viable option to gain exposure to large-cap value companies within emerging markets, we believe that Lazard Emerging Markets provides our portfolios with better diversification when blended with Hermes Emerging Markets. |
| Lazard Emerging Markets | Purchase | 3.00% | We believe that blending the Lazard fund with Hermes Emerging Markets (which is also held in the portfolio and has a growth tilt) offers stronger diversification benefits, primarily due to its greater emphasis on value companies. Compared to other EM value funds, the Lazard fund follows a robust and consistent approach and has evidenced its commitment to value investing. Although Lazard is mainly exposed to large cap, the fund does have some exposure to mid-caps. Overall, this is a cost attractive option in the EM Value space. The fund also offers an attractive dividend yield of 4.1%. |

5. Cautious Plus

| Cautious Plus | Action | % Change | Rationale |
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| L&G Global High Yield Bond Fund | Sale | -4.00% | High yield credit spreads remain very tight relative to historic levels, meaning we are not being compensated well for the additional level of risk we are taking. Instead, we are seeing better value in emerging market debt. |
| Morgan Stanley EM Debt Opportunities | Purchase | 4.00% | Morgan Stanley EM Debt Opportunities fund is an actively managed strategy supported by a well-resourced, experienced investment team with broad geographic exposure. Given the wide dispersion among countries and credits, evaluating opportunities using a bottom-up approach is critical. The fund invests in both local and hard currencies and can invest in over 100 countries. We favour the team's approach to adding alpha by focusing on countries showing signs of structural change in order to capture gains that comes with improving governance and risk reduction. The fund also has a very attractive yield of over 9.0%. |
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| JPM Emerging Markets Income | Sale | -3.00% | Although JPM Emerging Markets Income remains a viable option to gain exposure to large-cap value companies within emerging markets, we believe that Lazard Emerging Markets provides our portfolios with better diversification when blended with Hermes Emerging Markets. |
| Lazard Emerging Markets | Purchase | 3.00% | We believe that blending the Lazard fund with Hermes Emerging Markets (which is also held in the portfolio and has a growth tilt) offers stronger diversification benefits, primarily due to its greater emphasis on value companies. Compared to other EM value funds, the Lazard fund follows a robust and consistent approach and has evidenced its commitment to value investing. Although Lazard is mainly exposed to large cap, the fund does have some exposure to mid-caps. Overall, this is a cost attractive option in the EM Value space. The fund also offers an attractive dividend yield of 4.1%. |

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Important information

- The value of investments and any income from them can go down as well as up and you may not get back the full amount of your initial investment. Your capital is at risk.
- Past performance is intended as a guide only, calculated using strategies on a single platform and so may vary dependant on your chosen platform.
- This document is not a personal recommendation or advice. It is important to consult a professional adviser before taking any action.
- The asset allocation and holdings are indicative and may not fully reflect the constituents of your own portfolio, dependent on the timing of your investment and the availability of investments across different platforms. Please refer to your Adviser for full details.
- The portfolio may invest in assets which are denominated in currencies other than sterling, and where this exposure is unhedged, the performance of the portfolio may be affected by fluctuations in currency exchange rates.
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