

## Proactive MFM SMA Portfolio Update

February 2024

### Portfolio review – manager selection process

As part of our ongoing review process and following a comprehensive evaluation of the Emerging Markets (EM) manager within your portfolio, we have decided to make an adjustment which is detailed below.

Our approach to selecting managers is systematic and comprehensive, with a primary focus on improving overall portfolio outcomes. This involves:

- **Quantitative Analysis:** we scrutinise managers based on historical performance, risk factors, and consistency.
- **Qualitative Due Diligence:** we thoroughly evaluate managers' philosophies, processes, and team dynamics, including an assessment of their risk management strategies and alignment with portfolio objectives.

Our continuous monitoring process ensures a meticulous and thoughtful approach to manager selection, aligning seamlessly with our commitment to long-term portfolio outcomes.

### Manager change: Schroders to Aikya

After careful consideration, we have chosen to replace the Schroders strategy currently held within portfolios with a fund managed by Aikya Investment Management.

Despite the active approach utilized by the team managing the Schroder Global Emerging Markets Fund, returns have closely mirrored the index, accompanied by a substantial fee. In contrast, the Aikya Emerging Markets Opportunities Fund not only delivers alpha but also comes with a reduced fee, ultimately lowering costs for investors.

### Looking Ahead

As part of our ongoing commitment, we will continually monitor developments in the global economy. If these developments necessitate further adjustments, we will advise on the best course of action at the time.

We have also included Appendix 1, which provides a summary of the newly added investment for your reference.

The portfolio change instructions are effective **26 February 2024**. The changes are being implemented by the relevant platforms over a period of time. As previously advised, any client withdrawals during that period may be deferred until the portfolio rebalance is completed, depending on the platform.

## Appendix 1

Summary of newly introduced added investment.

### **Aikya Emerging Markets Opportunities Fund**

Aikya is a London-based emerging market (EM) investment specialist manager, founded in 2019. The core investment team has come from the highly regarded Stewart Investors where they managed an EM strategy. The core team are highly experienced and have long tenure working with each other.

The Fund is a concentrated portfolio of 30-35 high quality companies either domiciled or operating in Emerging Market countries. The Fund has an ESG overlay, where companies which are categorised as having poor overall ESG characteristics are excluded. The Fund often focuses on founder or family-owned businesses, where the management can take a long-term approach to managing their business and growing the company.

Key attractive features of the fund are:

- A senior and stable investment team.
- Excellent track record of delivering outperformance versus the EM index, with lower levels of risk.
- A strong focus on governance and deep research into portfolio holding companies, which we see as especially important for EM investing.
- The fund return profile has lower volatility and lower drawdowns than the broad emerging market index, due to their focus on investing in companies with high quality and sustainable businesses.