



deVere
**MPS Review
& Outlook**

Q3 2024

Q3

Market Review

Two of the most powerful and influential institutions changed policies in September: the US Federal Reserve and the Chinese Politburo. The Federal Reserve announced a 50-basis point cut, exceeding expectations for a quarter point cut, to kick off their cutting cycle. The Fed cited growing confidence that much had been done to tame inflation and that the focus of the Fed has shifted to the downside risks to unemployment. However, payrolls data released at the end of the month surprised to the upside, indicating that while the labour market had moderated over the course of the year, an imminent growth slowdown in the US still seemed unlikely.

Whilst a cut from the Federal Reserve was well telegraphed, the Chinese authorities launched a coordinated stimulus effort, utilising monetary tools, asset purchasing programmes and the announcement of a fiscal stimulus programme following an unscheduled Politburo meeting chaired by President Xi. These measures are an attempt to address the ailing property market and falling consumption levels in the economy.

deVere MPS Performance Review

deVere models were slightly behind ARC over the course of the quarter, however they remain ahead of their benchmark on a year-to-date basis. Total returns were positive across the models, ranging from 2.4% to 0.9%.

All of the strategies within the deVere range added value, with the strongest returns being in the dVAM Global Equity Income (2.98%), the dVAM Diversified Liquid Alternatives (3.28%) and the Pacific Longevity and Social Change fund (2.97%).

Cumulative Returns since 31st Dec 2018 – 30th Sep 2024

deVere MPS vs Benchmark	1yr	3yr	5yr
deVere MPS Growth (GBP) - Clean	14.5 %	12.3 %	33.0 %
ARC Equity Risk PCI (GBP)	14.6 %	7.2 %	27.7 %
deVere MPS Moderate Growth (GBP) – Clean	13.6 %	12.3 %	31.8 %
ARC Steady Growth PCI (GBP)	12.8 %	6.0 %	21.8 %
deVere MPS Balanced (GBP) - Clean	12.7 %	9.5 %	25.3 %
ARC Balanced Asset PCI (GBP)	10.9 %	4.1 %	16.1 %
deVere MPS Cautious (GBP) - Clean	10.5 %	3.2 %	15.3 %
ARC Cautious PCI (GBP)	7.8 %	1.5 %	9.6 %

Please Note: All funds referenced in this financial promotion are GBP Classes.



dVAM

Global Equity Focus Strategy

Performance

- The fund underperformed the MSCI All-Country World Index benchmark in the third quarter.

Detractors

- The relative underperformance was mainly due to security selection, especially in technology and consumer discretionary.
- Sector allocation had a moderate negative impact in aggregate due to the technology overweight and zero weight in utilities.
- At the stock level, Lam Research was the largest detractor as it underperformed the market during the wider tech sell-off early in the quarter. Chip stocks were also hurt by reports that the US was planning to impose more stringent restrictions on exports of semiconductor equipment to China. However, performance improved later after the firm posted largely positive quarterly and full-year results during the period.
- Dexcom also detracted due a downturn in July after the company cut its full-year guidance.

Top Performers

- In terms of sector allocation, our zero weight in energy made a favourable contribution. Our healthcare overweight also added value.
- At the stock level, Howmet Aerospace made the largest positive impact. The stock outperformed on the back of above-expectation Q2 results, led by a jump in commercial aerospace revenues. The firm, which makes components used in jet engines, also upgraded its 2024 guidance.
- Our Mastercard holding was also helpful. Its shares rallied in the run-up to its Q2 earnings release at the end of July due to optimism that consumer spending and online payments would remain resilient. The subsequent results confirmed this hope, with profits exceeding expectations, leading to favourable onward performance.

New Purchases

- **Broadcom:** A leading semiconductor manufacturer that helps design custom AI chips for large companies such as Alphabet. The firm boasts a strong market position, particularly in data centres, networking and recurring software.
- **3i:** The leading international investment company holds attractive growth potential due to its strong investment track record, healthy balance sheet and diversified investment portfolio. We hold particular conviction in 3i's largest investment in Action, a non-food discount retailer.
- **AIA Group:** The pan-Asian life insurance group and wealth manager enjoys a strong competitive position in an industry with high barriers to entry, thanks to its established presence and far-reaching distribution network.

General comments

- We profitably sold out of Applied Materials and Becton Dickinson after strong performance.
- We also switched out of Advanced Micro Devices to fund the Broadcom purchase, as we view the latter as a less risky option with greater upside.

dVAM

Diversified Liquid Alternatives

Performance

- dVAM DLA returned +3.28% for Q3 2024, c.1.3% ahead of the ARC Cautious benchmark.

Top Performers

- REITs were the strongest performers, within which Cohen & Steers and Resolution made the greatest contributions.
- Infrastructure investments enjoyed positive returns, led by Atlas, the Power Grid Theme and Duff & Phelps' Clean Energy.
- Corporate bond spreads continued to tighten and demand for yield remained in place, benefiting all strategies, particularly those with longer duration.
- Securitised credit and emerging market debt performed well as spreads tightened, bond yields fell and emerging market currencies rallied.
- Several Diversifiers funds performed well, notably Fidelity FAST Emerging Markets and Montanaro in the new Alternative Equity sleeve, Marshall Wace within Relative Value, Man GLG in Equity Long/Short, both Event-Driven managers, and Crabel's Systematic Macro

Detractors

- Fidelity's Absolute Return Global Equity Fund fell victim to the swift rotation from MegaCap Tech/Cyclicals/Momentum names to Small Cap/Value/Defensives which much of dVAM DLA benefited from.
- Linked to the above, Digital REITs struggled in July, when the sector repriced somewhat and retraced previous gains.
- PGIM's Emerging Market Total Return Fund also retraced some of their strong performance given the fund remains positioned for US dollar strength.

General Comments

- Contained inflation prints enabled central banks to cut interest rates, increasing the possibility of a Soft Landing. Bonds and equities rallied as a result, while commodities as a whole sold off, as did the US dollar.
- Our macroeconomic outlook was unchanged across the period; we remain of the opinion that a Soft Landing is the most likely outcome.
- Towards the end of the quarter we reallocated some assets from non-directional strategies within Diversifiers to Infrastructure and REITs to benefit from the supportive interest rate environment.
- We introduced RobecoSam's Smart Materials Fund, a new Natural Resources strategy.

dVAM

Global Equity Income

Performance

- The Fund outperformed the benchmark (MSCI World Index).

Top Contributors

- Aflac (+25.8% USD), US supplemental health and life insurer.
- CME Group (+12.8% USD), world's largest derivatives exchange operator.
- Stock selection in Financials (Aflac, Blackrock), Healthcare (Roche, Medtronic) and Information Technology (Paychex).
- Overweight to Consumer Staples and Industrials, which outperformed over the quarter.

Detractors

- Novo Nordisk (-18.2% USD), Danish-based pharmaceutical company.
- Zero allocation to Utilities and Real Estate, the two best-performing sectors over the quarter.

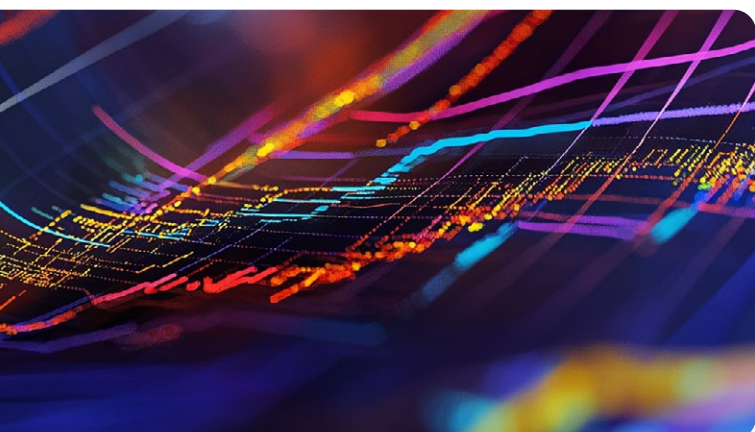
Dividend Updates

So far in 2024 we have had dividend updates from 33 of our 35 holdings:

- 31 companies announced increases for their 2024 dividend vs 2023.
- 2 companies announced a flat dividend vs 2023.
- 0 companies announced a dividend cut.
- 0 companies announced dividend cancellations.

General Comments

- We made no changes to the portfolio in the quarter.
- The Fund continues to deliver on key tenets: quality, value, dividend, and conviction.
- The Fund continues to offer a portfolio of consistently highly profitable companies with strong balance sheets at a small premium to the benchmark despite its quality and yield advantages.
- We have kept our approach unchanged, continuing to focus on quality compounders and dividend growers.



Pacific Longevity & Social Change

Performance

- Pacific Longevity & Social Change outperformed its benchmark MSCI World Net Total Return in Q3, due to strong performance among our Healthcare, Financials and Staples holdings. Our zero allocation to Tech also contributed positively as the sector was a laggard.
- Healthcare and Staples contributed positive alpha (in GBP), while Financials performed in line with the benchmark sector gain. Consumer Discretionary lagged on weakness in the Fitness names and due to our zero allocation to Tesla.

Top Contributors

- Education & Wellbeing subtheme was the top contributor to performance; led by Screening and Hygiene & Personal Care.
- Longevity Consumer was the second largest contributor with a positive performance across all the subthemes and the highest contribution from Financial Planning which saw broad based strength.
- At stock level, Exact Sciences, Procept Biorobotics and Cooper, all part of the Screening subtheme, were the main contributors to performance. Exact Sciences shares reversed most of the losses seen in Q2 on a solid quarterly update and positive news on its blood based test. Procept Biorobotics rallied on the back of the earlier than expected approval of its next-gen Aquablation system, expected to launch in Q3. Cooper provided a strong quarterly update, which also highlighted a solid set up for FY25.

Detractors

- AstraZeneca, Strategic Education and Icon were the main detractors from performance in Q3.
- AstraZeneca, our largest portfolio holding, reached a new high at the end of August. However, disappointing data on a key cancer drug and news of a probe by the Chinese government into illegal drug import activities by a few of its current and former employees drove the share price weakness in September and an overall negative contribution in Q3.
- Despite delivering a strong quarter, Strategic Education derated, as the company increased investment guidance, implying a small downgrade to the projected full year margin increase.
- Icon underperformance likely came because of weaker investor sentiment, but we see an attractive risk reward at this point and believe the CRO growth outlook is likely to improve from here.

General Comments

- September saw some reassuring news come out of China as the Politburo announced further macro and fiscal stimulus. This helped to reverse some of the prior losses in China exposed Topspots and Prudential.
- We trimmed our position in Nike ahead of its Q1 results release. Although Q1 print was broadly in line with expectations, the company withdrew full year guidance on weak visibility and cancelled the upcoming capital markets day.
- We also opportunistically trimmed our position in Humana and exited our holding in CVS health.



dVAM

Multi-Asset Active Range

Performance

- All of the dVAM Multi-Asset Active funds generated positive returns over the course of the quarter.
- Equities continued to rally, bringing year to date returns in Global Equities to 18.9% in Sterling terms.

Top Contributors

- Fixed Income was a large contributor to returns, with both the Investment Grade and Government bonds up over 3%. The PGIM Global Corporate bond fund was up 4.8% over the period.
- Equity also added value, particularly in the UK, with the JO Hambro UK Equity Income fund up over 5.4%

Detractors

- Diversifying Assets were a small drag over the course of the quarter, as performance was mixed within the asset class. Crucially, their correlation to equity and bond markets remains low however, helping diversify portfolios during periods of volatility.



Pacific

Multi-Asset Accumulator Range

Performance

- All of the Pacific Multi-Asset Accumulator funds posted positive returns over the quarter.

Top Contributors

- Equities added value, with a position in Chinese Technology companies, which was added at the start of the year, where we believe it represented very attractive value, rallied sharply, up 22.5% on the quarter.
- A holding in the Japanese Yen, also rallied sharply, up 9% over the quarter, as the carry trade, where investors go short the Yen to invest in higher yielding currencies unwound over the quarter.
- A holding in the Abrdn Property Income Trust, which invests in UK Real Estate had its assets bid for, and rallied 20% over the quarter.

Detractors

- A small holding in commodities, which we sold over the quarter underperformed other asset classes over the quarter.

To learn more about our services, contact one of our Financial Advisors in your area.

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