

Managed Portfolio Service Update – April 2020

AJ Bell Active Income 2

In the Active Income 2 portfolio, we have had exposure to the Artemis Global Income fund for the past two years. We have taken the decision to remove this holding from the portfolio and move the allocation to the recently introduced Evenlode Global Income fund.

With the world adapting over the past two months, one of the clear consequences is the pressure on dividends, with many companies announcing they are postponing, cutting or cancelling their dividends. This is due to either those companies wanting to preserve cash or regulatory pressure, particularly on financial companies.

Evenlode Global Income has a very clear focus on which type of companies it seeks for inclusion in the fund, and so attempts to identify businesses which have the following characteristics: high profitability, low capital intensity and low leverage. Evenlode Global Income believes this ultimately leads to the fund buying quality stocks which benefit from compounding and the ability to pay a growing dividend.

In the current environment, we think this focus is very important in order to mitigate some of the risk from exposure to those companies that have already cut dividends, or may do so in the future. As a result, the 5% allocation to Artemis Global Income has been moved to Evenlode Global Income, bringing the fund to a 10% weight.

As a result of the direct switch, the portfolio's OCF will slightly fall as the portfolio can now access the founder's share class of TB Evenlode Global Income, which is ring-fenced for use within AJ Bell's MPS, due to the discretionary nature and scalability of the product.

Old underlying OCF	0.68%
New underlying OCF	0.67%