

Managed Portfolio Service – March 2020 update

AJ Bell Active Income MPS 2

On Thursday 26 March 2020, it was announced that Lead Manager Nick Clay, along with Fund Manager Andrew MacKirdy and two other analysts, had departed from the organisation. This team ran the BNY Mellon Global Income fund, which the AJ Bell Active Income Managed Portfolio Service (MPS) 2 held at a 5% position size.

Whilst the fund leverages off the Newton thematic investment process at BNY Mellon, the investment team which has announced their departure was integral to implementing the investment process within the well-defined remit of this fund and with limited knowledge of the new personnel who have been awarded responsibility for the mandate going forward, we believe it is prudent to remove the fund from the portfolio with immediate effect. In addition, the firm has experienced a great deal of turnover within their equities division over the past couple of years and this most recent news further demonstrates that the group continues to find it challenging to retain high-quality fund managers. Clearly, this is disappointing news owing to the high conviction view on the fund managers, however it is not uncommon for fund managers to move to another investment house, and this should not be unexpected from time to time.

The Investment Team at AJ Bell is regularly reviewing funds not only held by the portfolios, but on a much wider universe, to ensure we identify ‘best in breed’ fund managers who are appropriate for inclusion in the investment products; this also ensures that, when a fund is exited owing to a departing manager, then the identification of a suitable replacement has already been undertaken upfront. With that in mind, an instruction has already been placed to undertake a straight swap for the BNY Mellon Global Income (5%) into the Evenlode Global Income fund (5%).

Name	ISIN	KIID ongoing charge	KIID ongoing charge date
TB Evenlode Global Income F GBP Inc	GB00BF1QNR90	0.55	02/03/2020
BNY Mellon Global Income Inst W Inc	GB00B8BQG486	0.80	14/02/2020

The TB Evenlode Global Income fund is a global equity fund seeking to outperform the MSCI World Index through investing predominately in large-cap names with an emphasis on income. Lead Fund Manager Ben Peters has managed the fund since its launch in 2017 and has also worked on the Evenlode UK Income fund since 2009, which follows the same investment process. Co-manager Chris Elliot joined Evenlode in 2015 as an Investment Analyst and became Co-manager of the Global Income Fund at launch in 2017. The team is very specific about the type of companies it seeks for inclusion in the fund, in that it attempts to identify businesses which have the following characteristics: high profitability, low capital intensity and low leverage. The team believes this ultimately leads it to buy quality stocks which benefit from compounding and the ability to pay a growing dividend. The resulting portfolio is typically concentrated in nature at around 30–40 holdings, with a bias towards financially strong companies, while the approach is also broadly low turnover owing to this long-term mentality.

As a result of the direct switch, the portfolio’s OCF will slightly fall as the portfolio can 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.

New Underlying OCF*	0.73%
Old Underlying OCF*	0.75%

*Underlying OCF is calculated using each fund’s reported OCF from their KIIDs on a model weighted basis