



Brewin
Dolphin

Sustainable Managed Portfolio Service

Quarterly report – Q3 2023



Introduction

Welcome to the RBC Brewin Dolphin Sustainable Managed Portfolio Service (SMPS) investment review. In this report, we cover information and events that influenced performance during the third quarter of 2023.

Global equities and government bonds declined in the third quarter, with yields peaking in September.

Commodities outperformed – particularly energy, which saw gains as Saudi Arabia and Russia cut oil production.

One of the defining trends of the year remains the outperformance of a handful of the biggest US companies, including Apple, Amazon, Microsoft, Tesla, Alphabet (owner of Google), Meta (owner of Facebook) and Nvidia (which makes graphics processors with multiple uses in artificial intelligence (AI) and other technologies).

The Federal Reserve and the Bank of England kept interest rates on hold in September, whereas the European Central Bank (ECB) hiked its deposit rate by a quarter percentage point to 4%, the highest level since the euro was introduced in 1999.

Eurozone inflation declined to 4.3% year-on-year in September, the lowest level in two years, raising hopes that interest rates may have peaked. US inflation is also on a downward trend, but the Federal Reserve has still indicated a further rate hike may be coming before the end of the year.

The Chinese stock market declined sharply in August on the back of turmoil in the country's property sector. Country Garden, China's largest private developer, was one of several major developers to struggle, warning it was at risk of defaulting if its liabilities continued to deteriorate. The Chinese stock market saw a boost in late August after the government introduced a 50% stamp duty tax cut on share dealing.

The big picture in Q3

- Renewable energy stocks sold off sharply over the quarter, particularly contrasting with oil and gas stocks, which were in positive territory. The sector is vulnerable to rising interest rates, poor profitability, and the threat of less generous tax credits in the US. This resulted in the most recent British offshore wind auction attracting zero bidders, as the unit price for electricity was set too low, with some existing projects also seeing their development paused.

- Several asset managers withdrew from Climate Action 100+, the collaborative engagement initiative. Over 700 groups remain members, including RBC Brewin Dolphin, but the departures come at a time when the US is seeing legal challenges on anti-trust grounds, accusing investors of acting in concert to hurt consumers by raising the price of oil and its derivative products.

- Nature Action 100, a global investor engagement initiative that mobilises investors to drive greater corporate ambition and action on nature and biodiversity loss, finalised the 100 companies targeted and started the initial engagement process.

- ShareAction launched a corporate disclosure drive to try and improve corporate governance and transparency in the rapidly growing Indian market. The Workforce Disclosure Initiative (WDI) is specifically looking to gain more information on whether companies are effectively managing their staff and supply chain workers.

- Finally, UK prime minister Rishi Sunak announced that the government was relaxing some of its targets to address climate change. There was a backlash from the leaders of 15 manufacturers' trade bodies, including Make UK, the Construction Equipment Association, and the Chemical Industries Association, which wrote a letter to the Financial Times describing this as 'a huge setback' and that "we are going backwards".

Market overview Q3 2023

- The sharp increase in oil prices over the third quarter had an impact on the market. Oil stocks performed well whereas tech stocks took more of a back seat compared to the first half of the year.

- In terms of asset class performance, absolute return and gold did well, returning +1.4% and +1.7%, respectively.

- Cash also gave a positive return thanks to higher interest rates. On the other hand, commercial property saw a negative return of -3.4%, and global bonds experienced negative returns. UK bonds were a little more resilient.

- In equity markets, Japan and emerging markets led the way with returns of +3.1% and +2.6%, respectively. North America and the UK also showed positive returns, while European equities faced a setback with a return of -1.9%.

- Concerns about inflation and recession receded in 2023, with inflation slowing down in many regions, including the US. The economy proved resilient, with consumers eager to spend their savings accumulated during lockdowns.

- Technology stocks, which had suffered in 2022, led the gains in 2023, further boosted by the introduction of practical generative AI tools.

- However, the third quarter saw a loss of momentum in stocks, with the global market peaking in July. This was against a backdrop of changing economic dynamics, including a sharp increase in oil prices in June, which was due to a combination of factors, including supply and demand dynamics, the decision by the Organization of the Petroleum Exporting Countries (OPEC) to restrict output, and sanctions on oil supplies from Iran.

The value of investments, and any income from them, can fall and you may get back less than you invested.

Sustainable MPS highlights Q3 2023



Asset Allocation

What worked and why?

Total allocation effect was neutral this quarter with no significant contributors or detractors.

What didn't work and why?

There was no significant detractor from allocation this quarter.

Fund Selection

What worked and why?

Royal London Ethical Bond fund was the most significant contributor to returns in Q3. Brown Advisory US Sustainable Growth also contributed positively to returns.

What didn't work and why?

Schroders Global Energy Transition Fund was the most notable detractor this quarter as the renewal energy space saw several stocks perform poorly through a combination of equipment maintenance concerns and high inflation rapidly increasing costs. Ninety One Global Environment Fund and Columbia Threadneedle Responsible Global Equity Fund also had a relatively poor quarter.

Sustainable MPS Portfolio changes Q3 2023

Asset Allocation

In July, the Asset Allocation Committee recommended an increased exposure to fixed income within portfolios. This allocation was offset against a decrease in absolute return by 1%. The rationale was that yields were more attractive and the downside risks of persistently high inflation were now better balanced against the risk of an economic slowdown.

The committee elected to add 0.5% each to global sovereigns and inflation-linked bonds, and also rotated 0.5% from global credit into UK credit as a valuation gap has opened up, making UK bonds more attractive.

Fund Selection

In July, we introduced a new fund to the portfolios: Trium ESG Emissions Improvers. Following our tactical guidance, the allocation to ASI Global Government Bond Tracker was increased. These two changes were funded by reducing the allocations to Muzinich Global Tactical Credit and BNY Mellon Sustainable Global Dynamic Bond.

We also shifted some of the credit exposure within the portfolios to Royal London Ethical Bond by reducing RobecoSAM Global SDG Credits.

In September, Liontrust Sustainable Future US Growth was introduced as a replacement to Liontrust Sustainable Future Global Growth. We also reduced the allocation to Brown Advisory US Sustainable Growth.

SMPS performance

SMPS PERFORMANCE (%)					
	Q3	2023 YTD	1yr	2yr	2022
Income Portfolio	-1.5	1.5	3.5	-8.1	-11.7
Income Higher Equity Portfolio	-1.7	2.0	4.1	-7.1	-11.7
Balanced Portfolio	-2.0	2.1	4.3	-6.2	-11.5
Growth Portfolio	-2.2	2.8	5.0	-5.2	-11.6
Global Equity Portfolio	-2.4	3.7	6.0	-3.9	-11.7

All figures shown above are calculated to 30 September 2023.

Performance Calculation: All income is reinvested. Performance is shown inclusive of underlying fund charges but gross of RBC Brewin Dolphin's investment management charge. Deduction of this charge will have the result of reducing the illustrated performance. Neither simulated nor actual past performance are reliable indicators of future performance.

Funds in focus Q3 2023

Trium ESG Emissions Improvers

This fund stands out in the alternatives space, due to the fact that it combines a highly credible equity market neutral strategy with a deep level of ESG integration. Unlike some peers where sustainability goals can be an afterthought, the process is designed specifically around achieving these objectives, while continuing to offer attractive risk-adjusted returns to investors.

All aspects of ESG are carefully considered within the process, but there is a primary focus on carbon emissions and, specifically, companies the fund believes have the most scope to make efficient and meaningful reductions to their emissions profile. The fund seeks to support these 'improvers' in their transition not only through invested capital, but also positive engagement with CEOs and company boards.

On the other hand, the fund will take short positions in companies where there are structural challenges to decarbonisation. This may be where a business lacks the flexibility to pivot towards less carbon-intensive segments, or where the capex required to achieve this

is overwhelmingly large. The combination of these longs and shorts, plus some opportunistic trades and calibrating positions, allows the fund to create a portfolio which bears little-to-no correlation with broader equity markets.

In summary, this fund allows us to invest in a product that can help to achieve environmental improvement, without being subject to the rise and fall in stock markets over time. We believe its pragmatic approach to tackling the issue is a differentiator and allows the fund to focus on achieving real-world outcomes, rather than box ticking. The fund is run by Joe Mares, an experienced investor in this space, who is backed and supported by a dedicated alternatives house in the form of Trium Capital.

Oliver King
Associate Analyst

Funds in focus Q3 2023 continued

Liontrust Sustainable Future US Growth

The Liontrust Sustainable Future US Growth fund may be a new addition to our SRI buy list, but it is managed by a team that we have followed for some time, implementing their consistent sustainable investment approach. The team have been prominent in the sustainable investment industry for over 20 years, developing their approach through stints at Aviva, Alliance Trust and, finally, at Liontrust since 2017. We have supported their global and UK-focused strategies for a number of years.

Now their “Sustainable Future” process is being applied to the US market. The approach looks to identify the key structural trends that will shape the sustainable economy of the future, and the companies that will benefit from these. The three mega trends that the team view the world through are: better resource efficiency (cleaner); improved health (healthier); and greater safety and resilience (safer).

Over 20 sub-themes are categorised into one of these mega themes, such as “delivering a circular materials economy” in “cleaner” or “providing affordable healthcare” under “healthier”. Companies that are aligned to a sustainable trend will then be subject to an ESG analysis of their management teams and products/ services, business quality (positioned to deliver high returns on equity), and valuation (a three to five-year price target allows for greater than 10% per annum return) assessment before making it into the portfolio.

Michael Paul
Head of Equity Funds

ESG reporting for SMPS Income

(as at 30 September 2023)

MSCI ESG Ratings

ESG Quality Score **7.0**



Carbon Intensity

Carbon Intensity measures a portfolio's exposure to carbon intensive businesses and is a recommended metric for assessing carbon risk by the Task Force on Climate Related Financial Disclosures (TCFD). It is calculated as a weighted average of each portfolio company's total Scope 1(1) and Scope 2(2) carbon emissions divided by their annual sales, with a lower score representing less (better) Carbon Intensity.

Comparisons of Carbon Intensity figures should be made with caution, as generally companies in the sectors with the highest carbon emissions (such as utilities) also have the highest potential for reducing their carbon emissions. We believe it is important to encourage these reductions in carbon emissions where they have the potential for highest impact.

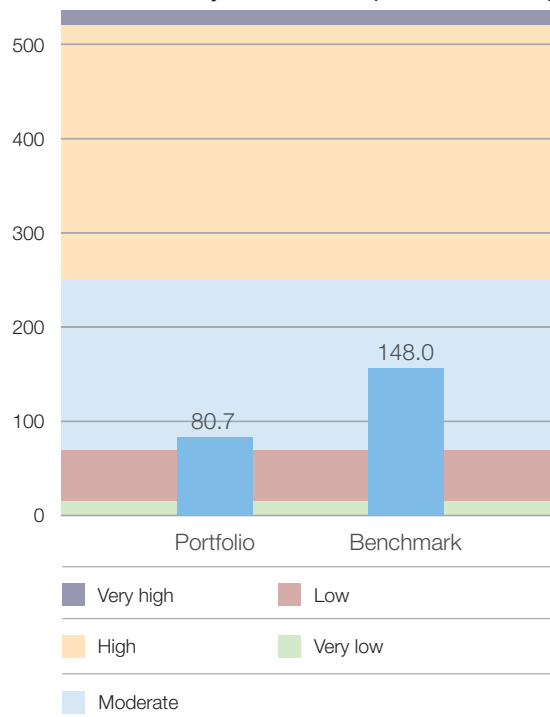
References:

(1) Scope 1: All direct GHG emissions from sources owned or controlled by the company (e.g. emissions from combustion in owned boilers, furnaces).

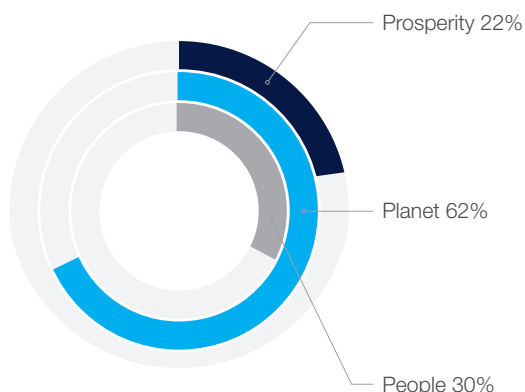
(2) Scope 2: Indirect GHG emissions that occur from the generation of purchased electricity, steam or heat consumed by the company.

Benchmark for comparison: 45% MSCI ACWI, 55% Bloomberg Barclays Global Aggregate

Carbon Intensity vs Benchmark (TCO2e / \$m sales)



SDG Alignment



The UN SDG Alignment provides a framework for considering a broad set of 17 sustainability issues. Although not intended for investment purposes, it provides a useful context for measuring a portfolio's alignment with these goals.

We select 12 of these SDGs and place them into three sustainability themes: People, Planet, and Prosperity, with each sustainability theme consisting of four SDG goals. We use fund alignment data from MSCI to measure the alignment of the portfolio to each of our three sustainability themes. To calculate this, we take a weighted average of each fund's alignment to each of the three sustainability themes.

For instance, if Fund A is a 10% holding in the portfolio, and within the People theme is aligned with both "Zero Hunger" and "Gender Equality" but not the other two SDGs, then the fund will contribute 5% to the overall score of the People theme: 2.5% through Gender Equality and 2.5% through "Zero Hunger".

Prosperity



Planet



People



ESG reporting for SMPS

Income Higher Equity

(as at 30 September 2023)

MSCI ESG Ratings

ESG Quality Score **7.2**

MSCI
ESG RATINGS



CCC B BB BBB A AA AAA

Carbon Intensity

Carbon Intensity measures a portfolio's exposure to carbon intensive businesses and is a recommended metric for assessing carbon risk by the Task Force on Climate Related Financial Disclosures (TCFD). It is calculated as a weighted average of each portfolio company's total Scope 1(1) and Scope 2(2) carbon emissions divided by their annual sales, with a lower score representing less (better) Carbon Intensity.

Comparisons of Carbon Intensity figures should be made with caution, as generally companies in the sectors with the highest carbon emissions (such as utilities) also have the highest potential for reducing their carbon emissions. We believe it is important to encourage these reductions in carbon emissions where they have the potential for highest impact.

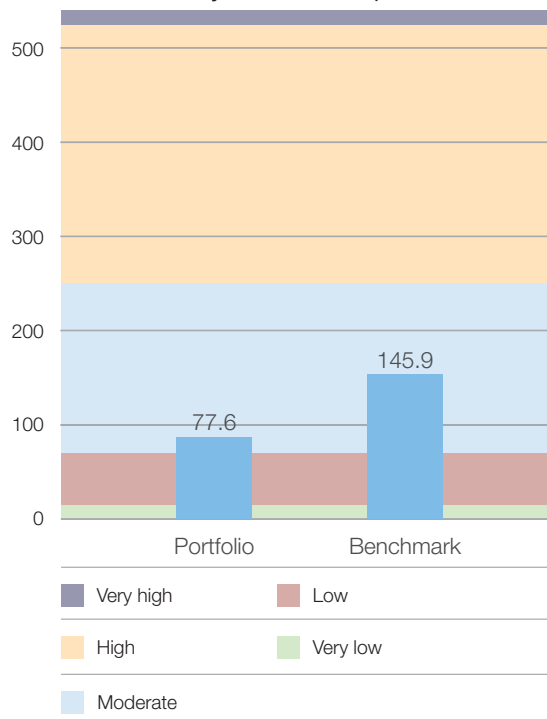
References:

(1) Scope 1: All direct GHG emissions from sources owned or controlled by the company (e.g. emissions from combustion in owned boilers, furnaces).

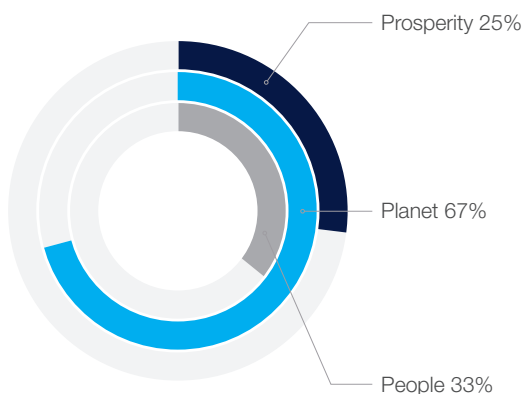
(2) Scope 2: Indirect GHG emissions that occur from the generation of purchased electricity, steam or heat consumed by the company.

Benchmark for comparison: 55% MSCI ACWI, 45% Bloomberg Barclays Global Aggregate

Carbon Intensity vs Benchmark (TCO2e / \$m sales)



SDG Alignment



The UN SDG Alignment provides a framework for considering a broad set of 17 sustainability issues. Although not intended for investment purposes, it provides a useful context for measuring a portfolio's alignment with these goals.

We select 12 of these SDGs and place them into three sustainability themes: People, Planet, and Prosperity, with each sustainability theme consisting of four SDG goals. We use fund alignment data from MSCI to measure the alignment of the portfolio to each of our three sustainability themes. To calculate this, we take a weighted average of each fund's alignment to each of the three sustainability themes.

For instance, if Fund A is a 10% holding in the portfolio, and within the People theme is aligned with both "Zero Hunger" and "Gender Equality" but not the other two SDGs, then the fund will contribute 5% to the overall score of the People theme: 2.5% through Gender Equality and 2.5% through "Zero Hunger".

Prosperity



Planet



People



ESG reporting for SMPS Balanced

(as at 30 September 2023)

MSCI ESG Ratings

ESG Quality Score **7.3**

MSCI ESG RATINGS



CCC | B | BB | BBB | A | AA | AAA

Carbon Intensity

Carbon Intensity measures a portfolio's exposure to carbon intensive businesses and is a recommended metric for assessing carbon risk by the Task Force on Climate Related Financial Disclosures (TCFD). It is calculated as a weighted average of each portfolio company's total Scope 1(1) and Scope 2(2) carbon emissions divided by their annual sales, with a lower score representing less (better) Carbon Intensity.

Comparisons of Carbon Intensity figures should be made with caution, as generally companies in the sectors with the highest carbon emissions (such as utilities) also have the highest potential for reducing their carbon emissions. We believe it is important to encourage these reductions in carbon emissions where they have the potential for highest impact.

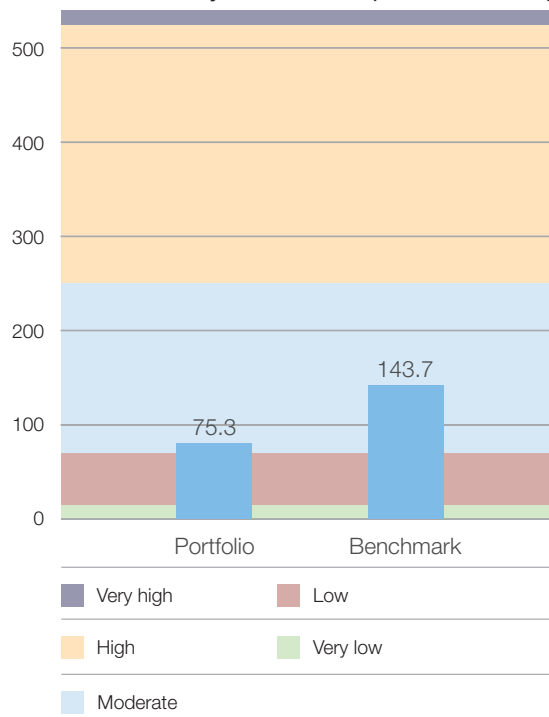
References:

(1) Scope 1: All direct GHG emissions from sources owned or controlled by the company (e.g. emissions from combustion in owned boilers, furnaces).

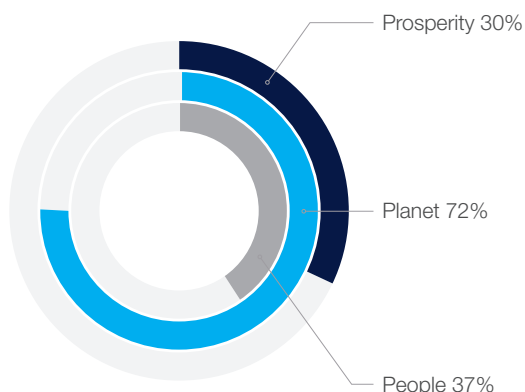
(2) Scope 2: Indirect GHG emissions that occur from the generation of purchased electricity, steam or heat consumed by the company.

Benchmark for comparison: 70% MSCI ACWI, 30% Bloomberg Barclays Global Aggregate

Carbon Intensity vs Benchmark (TCO₂e / \$m sales)



SDG Alignment



The UN SDG Alignment provides a framework for considering a broad set of 17 sustainability issues. Although not intended for investment purposes, it provides a useful context for measuring a portfolio's alignment with these goals.

We select 12 of these SDGs and place them into three sustainability themes: People, Planet, and Prosperity, with each sustainability theme consisting of four SDG goals. We use fund alignment data from MSCI to measure the alignment of the portfolio to each of our three sustainability themes. To calculate this, we take a weighted average of each fund's alignment to each of the three sustainability themes.

For instance, if Fund A is a 10% holding in the portfolio, and within the People theme is aligned with both "Zero Hunger" and "Gender Equality" but not the other two SDGs, then the fund will contribute 5% to the overall score of the People theme: 2.5% through Gender Equality and 2.5% through "Zero Hunger".

Prosperity



Planet



People



ESG reporting for SMPS Growth

(as at 30 September 2023)

MSCI ESG Ratings

ESG Quality Score **7.4**

MSCI
ESG RATINGS



CCC B BB BBB A AA AAA

Carbon Intensity

Carbon Intensity measures a portfolio's exposure to carbon intensive businesses and is a recommended metric for assessing carbon risk by the Task Force on Climate Related Financial Disclosures (TCFD). It is calculated as a weighted average of each portfolio company's total Scope 1(1) and Scope 2(2) carbon emissions divided by their annual sales, with a lower score representing less (better) Carbon Intensity.

Comparisons of Carbon Intensity figures should be made with caution, as generally companies in the sectors with the highest carbon emissions (such as utilities) also have the highest potential for reducing their carbon emissions. We believe it is important to encourage these reductions in carbon emissions where they have the potential for highest impact.

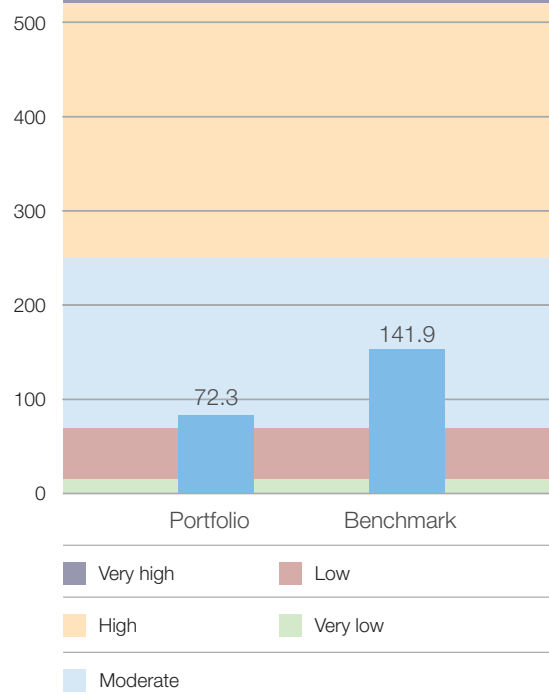
References:

(1) Scope 1: All direct GHG emissions from sources owned or controlled by the company (e.g. emissions from combustion in owned boilers, furnaces).

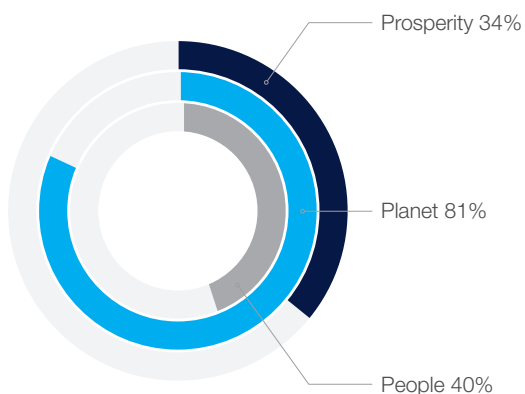
(2) Scope 2: Indirect GHG emissions that occur from the generation of purchased electricity, steam or heat consumed by the company.

Benchmark for comparison: 85% MSCI ACWI, 15% Bloomberg Barclays Global Aggregate

Carbon Intensity vs Benchmark (TCO2e / \$m sales)



SDG Alignment



The UN SDG Alignment provides a framework for considering a broad set of 17 sustainability issues. Although not intended for investment purposes, it provides a useful context for measuring a portfolio's alignment with these goals.

We select 12 of these SDGs and place them into three sustainability themes: People, Planet, and Prosperity, with each sustainability theme consisting of four SDG goals. We use fund alignment data from MSCI to measure the alignment of the portfolio to each of our three sustainability themes. To calculate this, we take a weighted average of each fund's alignment to each of the three sustainability themes.

For instance, if Fund A is a 10% holding in the portfolio, and within the People theme is aligned with both "Zero Hunger" and "Gender Equality" but not the other two SDGs, then the fund will contribute 5% to the overall score of the People theme: 2.5% through Gender Equality and 2.5% through "Zero Hunger".

Prosperity



Planet



People



ESG reporting for SMPS Global Equity

(as at 30 September 2023)

MSCI ESG Ratings

ESG Quality Score **7.7**



CCC | B | BB | BBB | A | AA | AAA

Carbon Intensity

Carbon Intensity measures a portfolio's exposure to carbon intensive businesses and is a recommended metric for assessing carbon risk by the Task Force on Climate Related Financial Disclosures (TCFD). It is calculated as a weighted average of each portfolio company's total Scope 1(1) and Scope 2(2) carbon emissions divided by their annual sales, with a lower score representing less (better) Carbon Intensity.

Comparisons of Carbon Intensity figures should be made with caution, as generally companies in the sectors with the highest carbon emissions (such as utilities) also have the highest potential for reducing their carbon emissions. We believe it is important to encourage these reductions in carbon emissions where they have the potential for highest impact.

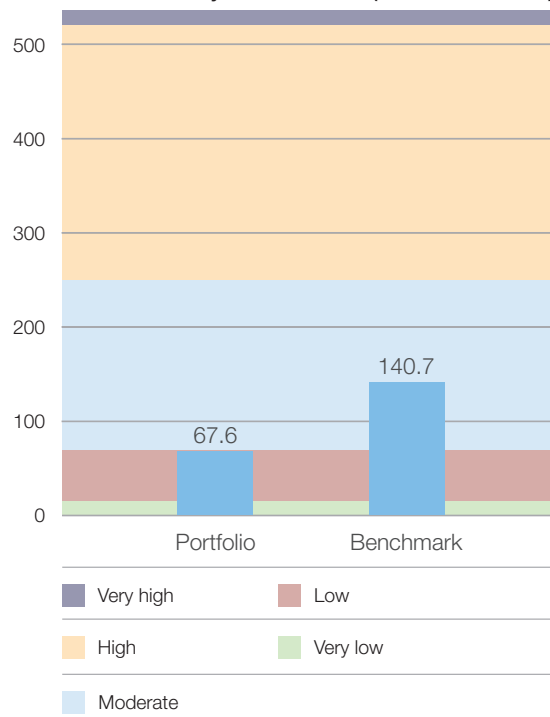
References:

(1) Scope 1: All direct GHG emissions from sources owned or controlled by the company (e.g. emissions from combustion in owned boilers, furnaces).

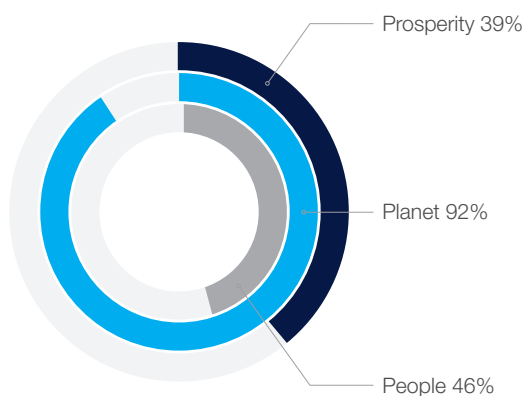
(2) Scope 2: Indirect GHG emissions that occur from the generation of purchased electricity, steam or heat consumed by the company.

Benchmark for comparison: 100% MSCI ACWI

Carbon Intensity vs Benchmark (TCO2e / \$m sales)



SDG Alignment



The UN SDG Alignment provides a framework for considering a broad set of 17 sustainability issues. Although not intended for investment purposes, it provides a useful context for measuring a portfolio's alignment with these goals.

We select 12 of these SDGs and place them into three sustainability themes: People, Planet, and Prosperity, with each sustainability theme consisting of four SDG goals. We use fund alignment data from MSCI to measure the alignment of the portfolio to each of our three sustainability themes. To calculate this, we take a weighted average of each fund's alignment to each of the three sustainability themes.

For instance, if Fund A is a 10% holding in the portfolio, and within the People theme is aligned with both "Zero Hunger" and "Gender Equality" but not the other two SDGs, then the fund will contribute 5% to the overall score of the People theme: 2.5% through Gender Equality and 2.5% through "Zero Hunger".

Prosperity



Planet



People



Asset Allocation Committee investment outlook

These views are implemented across our portfolios but there may be deviations where asset classes or suitable investments are unavailable or excluded.



Cash

We remain overweight. Cash offers an increasingly attractive return and is a desirable asset class at a time when the risk/reward backdrop for equities is not great.



Bonds

We have an overweight to government bonds. Government bond performance has a tight inverse correlation with central bank rate expectations. While we don't foresee rate expectations dropping meaningfully anytime soon, it would be surprising for them to move substantially higher. Among our three government bond categories, we favour gilts, in large part due to the UK's interest rate sensitivity and challenging growth outlook. Meanwhile, we remain underweight corporate bonds. In our view, credit spreads are not sufficiently large to compensate for global economic growth risks.



Global Equities

Factors supportive of global equities at present are the resilience the economy has exhibited, the potential for AI themes to push equity prices higher, and sentiment, which has turned negative. The main headwinds are the current stage of the economic cycle (late), monetary policy (tight), valuation metrics (high), the returns available on competing assets such as cash (high) and the technical backdrop (poor). Weighing everything up, the cons seem to outweigh the pros. We maintain a mild underweight.



Alternatives

The gold price has historically been inversely correlated with real (inflation-adjusted) bond yields. Notwithstanding the decline over the past four months, gold has held up surprisingly well given the surge in real yields since early 2022, not to mention the strength in the dollar. The reportedly strong buying from foreign official sector purchasers (China, Russia) looking to diversify their reserve holdings probably explains some of the divergence. In our view, real yields are unlikely to go up or down by much over the next couple of quarters. As such, we retain a neutral position to gold. We remain overweight property, as real bond yields should remain elevated (for now), inflationary pressure is weakening, and credit conditions are tightening.

UK Equities

After strongly outperforming in 2022 (in common currency terms), UK equity relative performance has underperformed the global equity market this year. The main headwind has been the fact that globally, value style stocks have fallen out of favour relative to their growth style counterparts. This tends to weigh on UK equity relative performance given its high exposure to the former (via energy and financials mostly) and low exposure to growth-oriented tech. We would advise against looking at the underperformance this year as an opportunity to raise UK equity exposure versus the global benchmark. Although we expect the outlook for value versus growth equities to be more balanced going forward, the domestic growth backdrop remains challenging.

US Equities

There are several factors leaning against the US. Tech stocks appear to have disconnected somewhat from both their industry and macro fundamentals. The broad US market is trading on significantly higher than normal premiums compared to their global ex US counterparts. Finally, the dollar is richly valued, making it vulnerable to a decline in the longer term. Importantly, these headwinds are offset by several tailwinds. The US, with both its defensive currency and sector composition, is generally a good market to be in when global economic growth slows. Even if digital stocks are expensive, the structural demand backdrop for the goods and services they sell appears strong. Despite their strong performance, there doesn't appear to be excessive froth around tech nor the US market more broadly. Against this mixed backdrop, it doesn't appear to be a good time to make big bets on the US equity relative performance outlook in either direction.

Europe ex-UK Equities

After a strong start to the year, Europe ex UK stocks have sharply underperformed in common currency terms since the end of April. Sparking the underperformance has been the fact that the region has low exposure to the names benefitting from the buzz around AI. Globally, when tech stocks outperform, that tends to coincide with Europe ex UK underperformance. European currency weakness versus the dollar has since mid-July made things worse. Looking ahead, it doesn't appear to be a good time to add exposure to AI plays due to concerns about valuation. Equally, given the potential for what currently looks like a mini bubble to turn into a bigger bubble, one would not want to be underweight these AI names relative to the global equity benchmark. With this in mind, and given the mixed backdrop for European FX, in our view it makes sense to continue to hold positions in Europe ex UK that are consistent with it performing broadly in line with the global equity benchmark.

Japan Equities

In late July, the Bank of Japan (BoJ) surprised markets by tweaking its yield curve control policy in what was considered a stealth way. While it maintained guidance of allowing the ten-year Japanese government bond (JGB) yield to move +/- 0.5% around the 0% target, this would now be considered a "reference" rather than rigid range. The BoJ promised to buy ten-year JGBs in fixed-rate operations at the 1% level, instead of the previous rate of 0.5%. This effectively signals that it will now tolerate a rise in the ten-year yield to as much as 1%. Looking ahead, if the yen strengthens, as we expect, Japanese GDP is likely to outperform US GDP in common currency terms. Against that backdrop, there's probably a window for Japanese equities to outperform. That said, in the long term, with both the population and birth rate in free fall and given Japan's lack of enthusiasm for immigration, Japan's demographic should act as a roadblock to any sustained economic and equity outperformance.



Asia ex-Japan Equities

Following a promising start to the year, incoming Chinese economic data has disappointed. Property remains a key area of weakness. House prices continue to contract, and residential floor space sold remains deep in negative territory on a year-on-year basis. Unlike much of the rest of the world, deflation rather than inflation is the bigger concern. Even with the growth stumble, it's still not a bad bet that GDP in China and the region more widely outpaces that of the rest of the world over the balance of this year and next. Meanwhile, more and more investors are throwing in the towel on China. Despite this attractive combination of decent relative growth prospects and poor investor sentiment, we are not optimistic with regards to Asia ex Japan relative performance. It would be surprising to see much additional downside versus the global market, but equally, risk/reward doesn't appear to be attractive.



Emerging markets ex-Asia Equities

Brazil, Saudi Arabia, South Africa, Mexico, and the United Arab Emirates are the countries with the highest market capitalisation weightings in the EM ex Asia equity index, making it very commodity exposed. We don't expect much upside to commodity prices in an environment where global growth is slowing and China refrains from large-scale stimulus. That said, EM ex Asia remains very cheaply valued.

RBC Brewin Dolphin is the sponsor, investment manager and distributor to certain funds. RBCBD applies robust conflict management practices and disclosures to ensure these funds and relevant services are appropriate to meet client needs. RBC Brewin Dolphin and its employees do not receive additional remuneration or non-monetary benefits when a client invests in these funds or investment solutions.

The Sustainable MPS model portfolios promote investment into firms with positive environmental, social and good governance characteristics, but they do not have sustainable investing targets. Due to the sustainable focus of this portfolio, there are companies and sectors in which we are unable to invest, meaning the portfolio's performance may be lower than that of an unconstrained investment portfolio with the same benchmark.

The value of investments, and any income from them, can fall and you may get back less than you invested.

Neither simulated nor actual past performance are reliable indicators of future performance.

Performance is quoted before charges which will reduce illustrated performance.

Investment values may increase or decrease as a result of currency fluctuations.

Information is provided only as an example and is not a recommendation to pursue a particular strategy.

Information contained in this document is believed to be reliable and accurate, but without further investigation cannot be warranted as to accuracy or completeness.

We or a connected person may have positions in or options on the securities mentioned herein or may buy, sell or offer to make a purchase or sale of such securities from time to time. In addition we reserve the right to act as principal or agent with regard to the sale or purchase of any security mentioned in this document. For further information, please refer to our conflicts policy which is available on request or can be accessed via our website at www.brewin.co.uk

We will only be bound by specific investment restrictions which have been requested by you and agreed by us.

Although RBC Brewin Dolphin information providers, including without limitation, MSCI ESG Research LLC and its affiliates (the "ESG Parties"), obtain information (the "information") from sources they consider reliable, none of the ESG Parties warrants or guarantees the originality, accuracy and/or completeness, of any data herein and expressly disclaim all express or implied warranties, including those of merchantability and fitness for a particular purpose. Further, none of the information can be in and of itself be used to determine which securities to buy or sell or when to buy or sell them. None of the ESG Parties shall have any liability for any errors or omissions in connection with any data herein, or any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.