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February 2025

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Review prepared by Morningstar Investment Management Europe Ltd  
1 Oliver's Yard, 55-71 City Road, London EC1Y 1HQ

# Balanced Portfolio (Medium and Long Term)

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**MORNINGSTAR**<sup>®</sup>

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# Introduction to Morningstar Investment Management Europe and the Model Portfolios

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## Introduction

Morningstar Investment Management Europe Limited has been engaged by Embark Investment Services Limited (EISL) to advise upon the fund selection for a range of Model Portfolios. The Portfolios are available for use by UK authorised Intermediaries and are designed to suit differing risk appetites.

EV is the asset allocation provider and Morningstar Investment Management Europe advises upon the fund selection for the Model Portfolios, drawing from the Morningstar Rated fund universe. The asset allocation is provided to Morningstar Investment Management Europe by EISL.

While the Model Portfolios are continuously monitored, a formal quarterly review takes place following which updated Portfolios are sent to EISL. Quarterly reports explaining the performance of the Models are made available on a quarterly basis. Any recommendations for fund changes are included and explained in the 'Change Rationale' document.

The model portfolio service is provided by Morningstar Investment Management Europe.

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## About Morningstar Investment Management Europe Limited

Morningstar Investment Management Europe Limited provides comprehensive investment advisory and portfolio management services for financial institutions and financial advisers.

Morningstar Investment Management Europe Limited applies the independent qualitative investment research from Morningstar, Inc. analysts to provide asset allocation, investment selection and portfolio construction services to life, pension and fund-of-funds providers.

Our investment research approach has been in place since 1994 and is forward-looking in nature, which leads to a strong emphasis on the qualitative aspects of research. Morningstar Investment Management Europe's aim is to recommend a relatively small number of funds that are of the highest quality and deliver risk and return outcomes that support various investment objectives.

## Balanced Portfolio (Medium Term) – Overview

### Key Facts

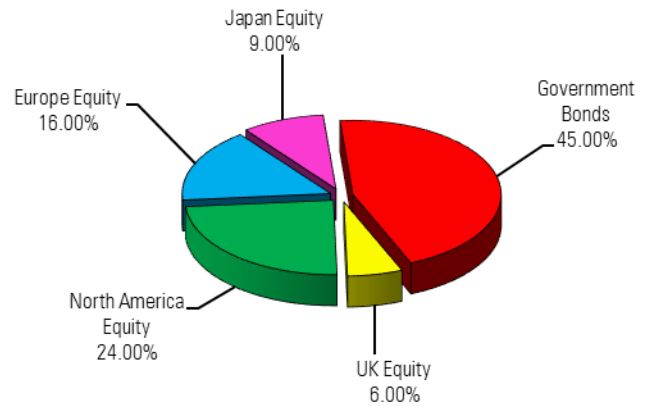
The Model Portfolios were established in September 2012. Asset allocation is provided by EISL and sourced from EV. Morningstar Investment Management Europe populates the asset allocation with funds it considers appropriate and attractive as a result of its in-depth, qualitatively-driven research process. The objective is to deliver a risk and return profile in each of the asset classes that is commensurate with the underlying markets, whilst seeking outperformance over the long-term.

EV describes a potential investor in this Portfolio as follows: “You are prepared to take a measured risk with your investment in return for the prospect of good longer term investment performance.

While investing in company shares and property often gives the best potential for growth, you wish to limit the amount you invest in these areas.

You are looking for an investment with the potential to produce good returns above inflation but with less fluctuation in value compared to company shares alone. You appreciate that over some periods of time the value of your investment will fall and you may get back less than you invest.”

### Asset Allocation (February 2025)



### Model Portfolio - February 2025

Asset Classes	% Asset Allocation	Fund	Suggested Fund Weight (%)	Morningstar Medalist Rating
<b>Fixed Interest</b>				
<b>Government Bonds</b>	<b>45.00</b>	iShares UK Gilts All Stocks Index	15.50	Silver
		Royal London UK Government Bond Index	14.00	Bronze
		L&G All Stocks Gilt Index	15.50	Bronze
<b>Equities</b>				
<b>UK Equity</b>	<b>6.00</b>	Artemis Income	2.40	Silver
		Fidelity Index UK	3.60	Gold
<b>North America Equity</b>	<b>24.00</b>	Dodge & Cox Worldwide US Stock	6.00	Gold
		iShares North American Equity Index	12.00	Gold
		TM Natixis Loomis Sayles US Equity Leaders	6.00	Silver
<b>Europe Equity</b>	<b>16.00</b>	JPM Europe Dynamic (ex UK)	9.60	Bronze
		Fidelity European	6.40	Gold
<b>Japan Equity</b>	<b>9.00</b>	JPM Japan	4.05	Gold
		Man Japan CoreAlpha Prof	4.95	Bronze

## Balanced Portfolio (Medium Term) – Overview

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### Equity

#### UK Equity

For the UK Equity portion, two funds are recommended, Fidelity Index UK, and Artemis Income.

The Fidelity Index UK fund tracks the FTSE All-Share Index which provides the broadest and most representative exposure to UK stocks by capturing 98-99% of UK market capitalisation. Passive funds offer low-cost exposure to UK equities and have a good record versus the average active fund.

The allocation to the Passive fund is complemented by an allocation to the Artemis Income fund, which aims to provide investors with a yield in excess of that of the FTSE All-Share Index, along with growth. The long-term manager, Adrian Frost is supported by two co-managers who are both well regarded. Assessments of free cash flow and company management are key areas of research focus. This is a core mandate with a slight value bias that is managed using a sensible, tried and tested process.

#### North America Equity

For the North America Equity portion, three funds are recommended. The blend is composed of Dodge & Cox Worldwide US Stock, iShares North American Equity Index and Natixis Loomis Sayles US Equity Leaders.

The iShares North American Equity Tracker fund is held within the blend to provide index-like returns. This holding is supplemented by the two actively managed funds. The Dodge & Cox Worldwide US Stock fund is predominately a large-cap oriented mandate which is managed on a bottom-up basis. The fund is led by a team-based approach that plays to the group's strength, in terms of size of resources, experience and stability. Their valuation discipline often leads them to invest in contrarian ideas and the portfolio is constructed with little reference to the benchmark.

Natixis Loomis Sayles US Equity Leaders fund is suggested as a complement to the Dodge & Cox fund as it invests with a growth focus. The managers are looking for three major characteristics in a company: quality, growth, and attractive valuation. Overall, the team members are trying to identify companies that have difficult-to-replicate business models and competitive advantages such as a network effect, low-cost advantage, or a strong brand. As a result, the portfolio has one of the highest Morningstar Moat scores we have seen.

#### Europe Equity

In the European Equity portion of the Portfolio, we have recommended JPM Europe Dynamic (ex-UK) and Fidelity European.

Within the Europe Equity blend, we are seeking to provide exposure to a combination of funds with value and growth styles, with JPM offering the former and Fidelity the latter.

JPM Europe Dynamic (ex-UK) offers exposure to an established quantitative process that uses various factors to identify stocks with attractive quality, value and/or momentum characteristics. The fund typically provides us with exposure to stocks with a value style bias. This fund has been blended with Fidelity European where manager Sam Morse focuses on a company's ability to grow its dividends, which is viewed as an indicator of the potential to provide steady cash flow growth over the long term, thereby given the fund more of a growth style bias.

#### Japan Equity

In the Japan Equity portion of the Portfolio, we have recommended JPM Japan and Man Japan Core Alpha.

Within the Japan Equity blend, we are seeking to provide exposure to a combination of funds with value and growth styles, with Man offering the former and JPM the latter.

The managers of the Man fund adopt a distinct value and contrarian bottom-up investment approach that is driven by the belief that cyclicality is a strong influence in virtually every sector of the market and that periods of underperformance are often followed by periods of outperformance. The team looks for those companies that appear to be undervalued compared with rivals, and favour quality companies with strong management that are dominant in their sectors. Valuations are however the overriding factor, with an emphasis on low price/book.

The JPM fund follows a time-tested quality-growth approach with the team classifying companies as premium, quality, trading or structurally challenged, depending on their economics, duration of value creation, and governance quality. The analysts then determine the stocks' five-year expected return and use a 98-question checklist to identify the key risks. The portfolio's average expected growth, ROE and valuation have consistently been markedly higher than those of the benchmark, reflecting the investment process.

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### Fixed Income

We have recommended three funds for the UK government bond portion of the Portfolio, the iShares UK Gilts All Stocks Index fund, the L&G All Stocks Gilt Index fund and the Royal London UK Government Bond fund.

Both the iShares and L&G funds are passively managed and seek to track closely the performance of UK Gilts, while the Royal London fund is an actively managed fund that seeks to generate attractive relative performance through duration, yield curve positioning and bond selection.

## Balanced Portfolio (Long Term) – Overview

### Key Facts

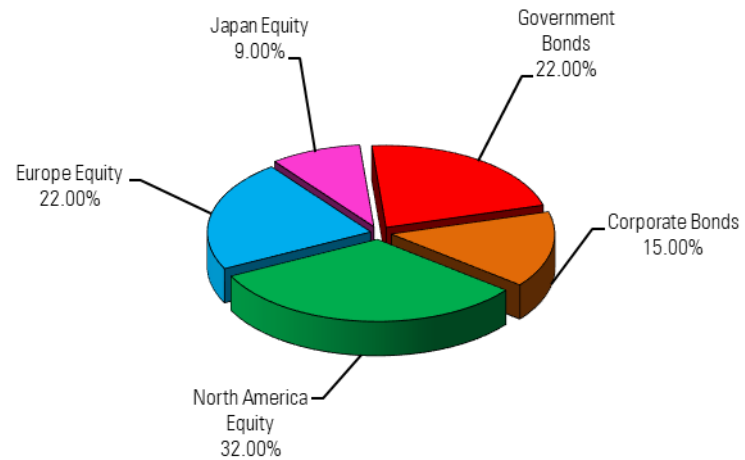
The Model Portfolios were established in September 2012. Asset allocation is provided by EISL and sourced from EV. Morningstar Investment Management Europe populates the asset allocation with funds it considers appropriate and attractive as a result of its in-depth, qualitatively-driven research process. The objective is to deliver a risk and return profile in each of the asset classes that is commensurate with the underlying markets, whilst seeking outperformance over the long-term.

EV describes a potential investor in this Portfolio as follows. “You are prepared to take a measured risk with your investment in return for the prospect of good longer term investment performance.

While investing in company shares and property often gives the best potential for growth, you wish to limit the amount you invest in these areas.

You are looking for an investment with the potential to produce good returns above inflation but with less fluctuation in value compared to company shares alone. You appreciate that over some periods of time the value of your investment will fall and you may get back less than you invest.”

### Asset Allocation (February 2025)



### Model Portfolio - February 2025

Asset Classes	% Asset Allocation	Fund	Suggested Fund Weight (%)	Morningstar Medalist Rating
<b>Fixed Interest</b>				
<b>Government Bonds</b>	<b>22.00</b>	iShares UK Gilts All Stocks Index	14.50	Silver
		Royal London UK Government Bond	7.50	Bronze
<b>Corporate Bonds</b>	<b>15.00</b>	iShares Corporate Bond Index	9.00	Bronze
		Royal London Corporate Bond	6.00	Bronze
<b>Equities</b>				
<b>North America Equity</b>	<b>32.00</b>	Dodge & Cox Worldwide US Stock	8.00	Gold
		iShares North American Equity Index	8.00	Gold
		TM Natixis Loomis Sayles US Equity Leaders	8.00	Silver
		HSBC American Index	8.00	Gold
<b>Europe Equity</b>	<b>22.00</b>	JPM Europe Dynamic (ex UK)	6.60	Bronze
		Fidelity European	8.80	Gold
		Janus Henderson European Sel Opps	6.60	Silver
<b>Japan Equity</b>	<b>9.00</b>	JPM Japan	4.05	Gold
		Man Japan CoreAlpha Profil	4.95	Bronze

## Balanced Portfolio (Long Term) – Overview

### Equity

#### North America Equity

For the North America Equity portion, four funds are recommended. The blend is composed of HSBC American Index, iShares North American Equity Index, Dodge & Cox Worldwide US Stock and Natixis Loomis Sayles US Equity Leaders.

The iShares North American Equity Tracker and HSBC American funds are held within the blend to provide index-like returns. These holdings are supplemented by two actively managed funds.

The Dodge & Cox Worldwide US Stock fund is predominately a large-cap oriented mandate which is managed on a bottom-up basis. The fund is led by a team-based approach that plays to the group's strength, in terms of size of resources, experience and stability. Their valuation discipline often leads them to invest in contrarian ideas and the portfolio is constructed with little reference to the benchmark.

Natixis Loomis Sayles US Equity Leaders fund is suggested as a complement to the Dodge & Cox fund as it invests with a growth focus. The managers are looking for three major characteristics in a company: quality, growth, and attractive valuation. Overall, the team members are trying to identify companies that have difficult-to-replicate business models and competitive advantages such as a network effect, low-cost advantage, or a strong brand. As a result, the portfolio has one of the highest Morningstar Moat scores we have seen.

#### Europe Equity

In the European Equity portion of the Portfolio, we have recommended JPM Europe Dynamic (ex-UK), Fidelity European and Janus Henderson European Sel Opps.

Within the Europe Equity blend, we are seeking to provide exposure to a combination of funds with value and growth styles with JPM offering the former and Fidelity the latter. In order to reduce individual fund risk we have also included and allocation to the Janus Henderson European Sel Opps fund, which has a flexible investment approach.

JPM Europe Dynamic (ex-UK) offers exposure to an established quantitative process that uses various factors to identify stocks with attractive quality, value and/or momentum characteristics. The fund typically provides us with exposure to stocks with a value style bias. This fund has been blended with Fidelity European where manager Sam Morse focuses on a company's ability to grow its dividends, which is viewed as an indicator of the potential to provide steady cash flow growth over the long term, thereby given the fund more of a growth style bias.

Tom O'Hara and Tom Lemaigra assumed responsibility for the fund in August 2024 following the retirement of the fund's long-standing manager John Bennett. Bennett managed European equities for more than two decades, including 17 years at GAM and until his retirement worked closely with O'Hara and Lemaigra, who were hand-picked by him in 2018 with succession planning in mind. O'Hara and Lemaigra have more than 15- and eight-years' experience, respectively.

The managers combine bottom-up and top-down research to build a portfolio that can outperform the FTSE World Europe ex UK Index through the market cycle. They pay close attention to global macro and sector trends as these provide valuable insights into the prospects of European companies. Aware of the potential for mean reversion in stock markets, they also look for contrarian trades. From a stock selection the managers focus on identifying companies with attractive cash flow return on investment, or CFROI, that are undervalued, or those that are at inflection points where profit margins and/or CFROI are either improving or have the potential to do so in the future.

#### Japan Equity

In the Japan Equity portion of the Portfolio, we have recommended JPM Japan and Man Japan Core Alpha.

Within the Japan Equity blend, we are seeking to provide exposure to a combination of funds with value and growth styles, with Man offering the former and JPM the latter.

The managers of the Man fund adopt a distinct value and contrarian bottom-up investment approach that is driven by the belief that cyclicality is a strong influence in virtually every sector of the market and that periods of underperformance are often followed by periods of outperformance. The team looks for those companies that appear to be undervalued compared with rivals, and favour quality companies with strong management that are dominant in their sectors. Valuations are however the overriding factor, with an emphasis on low price/book.

The JPM fund follows a time-tested quality-growth approach with the team classifying companies as premium, quality, trading or structurally challenged, depending on their economics, duration of value creation, and governance quality. The analysts then determine the stocks' five-year expected return and use a 98-question checklist to identify the key risks. The portfolio's average expected growth, ROE and valuation have consistently been markedly higher than those of the benchmark, reflecting the investment process.

### Fixed Income

We have recommended two funds for the UK government bond portion of the Portfolio, the iShares UK Gilts All Stocks Index fund and the Royal London UK Government Bond fund. The iShares fund is a passively managed fund that seeks to track closely the performance of the FTSE-A UK Gilts All Stock index while the Royal London UK Government Bond fund is an actively managed fund that seeks to generate attractive relative performance through duration, yield curve positioning and bond selection.

For the allocation to UK corporate bonds, we have recommended two funds, namely the iShares Corporate Bond Index fund and the Royal London Corporate Bond fund.

The iShares Corporate Bond Index fund is a passively managed fund that seeks to track closely the performance of the Markit iBoxx GBP Non-Gilts overall index. This is complemented by an allocation to the Royal London Corporate Bond fund. The investment process starts with a review of the macro environment to identify the most attractive credit markets. This is followed by in-depth bottom-up credit research, with a heavy emphasis on bond covenants and structure, which forms the core of the strategy.

## Model Portfolios – Fund Descriptions

The below provides further information about the funds that have been selected for the Model Portfolios.

### Fixed Interest

#### Government Bonds

##### iShares UK Gilts All Stocks Index

###### Key Pillars

Tracks the FTSE Gilts All Stocks Index, an index which provides exposure to a broad range of conventional bonds issued by the UK government.

A low fee and a soundly constructed and reasonably representative portfolio leave the fund well positioned to continue its long streak of superior risk-adjusted returns relative to its peers over the long haul.

###### Opinion

This inexpensive fund tracks a broadly representative and well diversified benchmark.

##### L&G All Stocks Gilt Index

###### Key Pillars

The fund tracks the FTSE Actuaries UK Conventional Gilts All Stock Index which is a market weighted index consisting of all UK government fixed interest securities quoted on the London Stock Exchange that do not have a variable interest rate, such as floating rate or index-linked gilts nor gilts issued with special repo arrangements. In addition, UK treasury bills are excluded from the index.

A soundly constructed and reasonably representative portfolio with a competitive fee.

###### Opinion

This fund tracks a broadly representative and well diversified benchmark at a competitive cost.

##### Royal London UK Government Bond Index

###### Key Pillars

Craig Inches has been a lead manager on this strategy since 2009, having joined from Scottish Widows. Ben Nicholl was promoted to co-manager from assistant manager in 2021, having already spent three years as co-manager on the short duration strategy. Paul Rayner, who heads up the group's alpha strategies and has over 30 years' experience in fixed income markets remains fully involved in the process but has primary responsibility for inflation-linked bond funds, global government bond portfolios, and the absolute return government bond strategy.

The fund aims to achieve modest outperformance of the benchmark through a combination of duration and yield curve positions held directly within the UK gilt market. The manager will also apply more sophisticated relative value strategies within the broader global fixed income markets, including off-benchmark exposure in overseas government bonds and UK government guaranteed corporate bonds, with the latter limited to 5%. The fund's interest rate sensitivity (duration) is unlikely to deviate significantly from the benchmark.

The strategy's underweight duration stance for much of the decade through to 2020 was a detractor to performance versus the index, however this was offset to some extent by tactical positioning, including yield curve flatteners. In recent years performance has improved and the fund has outpaced both its category index and peers since 2022. The team entered 2022 with a short duration stance driven by lower exposure to gilts, which proved additive to returns, and then moved to a strategically long stance in mid-2023. The manager has delivered returns by tactically trading around this core strategic position since, also profiting from off-benchmark positions including US and Australian government bonds.

###### Opinion

The fund is managed by experienced managers who have worked together successfully and demonstrated the ability to combine macroeconomic analysis with an understanding of the dynamics of the UK government bond market.

Bond selection and allocation decisions are both important parts of alpha generation.

#### Corporate Bonds

##### iShares Corporate Bond Index

###### Key Pillars

Tracks the Markit iBoxx GBP Non-Gilts Overall Index and invests in fixed income securities that, at the time of purchase, comply with the credit rating requirements of the benchmark.

A low fee and a soundly constructed and reasonably representative portfolio leave the fund well positioned to continue its long streak of superior risk-adjusted returns relative to its peers over the long haul.

###### Opinion

This inexpensive fund tracks a broadly representative and well diversified benchmark.

##### Royal London Corporate Bond Index

###### Key Pillars

The fund's two named managers are Shalin Shah and Matt Franklin. Shah joined the team in mid-2008 and has been a co-manager on the strategy since October 2016, taking on responsibility following the departure of long-standing manager Sajiv Vaid. Franklin was added as co-manager in January 2022 having been a member of the sterling credit team for eight years. Head of fixed income Jonathan Platt is set to retire at the end of 2024 but this does not impact our view on the team.

The investment process starts with a review of the macro environment to identify the most-attractive credit markets. This is followed by in-depth bottom-up credit research, with a heavy emphasis on bond covenants and structure, which forms the core of the strategy. This has led to a bias towards secured bonds historically in sectors such as social housing, investment trusts, and asset-backed securities.

While more than 80% of the fund typically consists of agency-rated "high-profile" bonds, the team members actively look for under-researched "low-profile" bonds (including unrated bonds) that offer higher return potential, in their view. The strategy's long-term horizon allows it to exploit the illiquidity premium built into these bonds, but diversification across 250-350 holdings helps reduce specific issuer risk.

Returns since inception are comfortably ahead of category peers on an absolute and risk-adjusted basis and have been consistent over multiple years.

###### Opinion

The fund benefits from a time-tested, team-based approach with portfolio managers that have been working together for a long time, successfully managing funds over different stages of the cycle.

The strong performance reflects a focus on under-researched bonds and a long-term approach.

## Model Portfolios – Fund Descriptions

### Equities

#### UK All Companies

##### Artemis Income

###### Key Pillars

Adrian Frost is an experienced investor and has managed the fund since January 2002. He is supported by Nick Shenton who joined the team in mid-2012, initially providing analytical support before becoming a co-manager on the fund in July 2014. The pair hired Andy Marsh as a third co-manager in February 2018.

The strategy aims to outperform the FTSE All-Share benchmark over the long term, while providing a growing income and a dividend yield at a premium to that of the index. Free cash flow is the cornerstone of the process. The co-managers primarily hunt for companies with attractive free cash flow yields, with the goal of constructing a portfolio that generates cash flow in excess of the market.

The team spend a significant amount of time appraising company management and believe that management's ability to allocate capital efficiently is crucial.

The strategy, in part because of its focus on cash flow, has a value bias compared with the FTSE All Share Index. However, this slight value bias it is not more pronounced than that of the average UK Equity Income peer. The fund is managed as a core mandate and, with its considerable size, does not have the flexibility to invest significantly down the market-cap scale, but that has not hindered performance relative to the index over the medium term.

###### Opinion

The strategy benefits from a highly experienced management team that has consistently applied a sensible, tried-and-tested approach. The core-like nature of the approach means it is unlikely to significantly under- or outperform, over shorter-term time periods, however the consistency of approach has delivered strong returns over the long term.

#### Fidelity Index UK

##### Key Pillars

The fund tracks the FTSE All-Share Index which provides the broadest and most representative exposure to UK stocks by capturing 98-99% of UK market capitalisation.

A soundly constructed and reasonably representative portfolio with a low fee leaves the fund well positioned to continue its long streak of superior risk-adjusted returns relative to its Morningstar Category peers over the long term.

###### Opinion

This inexpensive fund tracks a broadly representative and well diversified benchmark.

#### North America

##### Dodge & Cox Worldwide US Stock

###### Key Pillars

This fund benefits from a considerable depth of management experience and continuity of management with most of the investment professionals becoming partners in the firm.

The fund invests in mostly large-cap stocks that look cheap on a range of valuation measures. Management relies on bottom-up, fundamental research of companies and industries and favours business with good management, competitive advantages, and good growth potential. These may also be businesses that are under a cloud at the time of purchase.

The managers are benchmark agnostic and returns can show large divergence from the S&P 500 on a calendar year basis. However, taking a long-term view has allowed them to outperform over the long term.

###### Opinion

Genuine team-based approach with members of the portfolio committee having long tenures but not close to retirement. Quality of support analysts is high and team risks are low.

A collaborative approach minimises key-person risk yet has produced thoughtful, original research.

#### HSBC American Index

##### Key Pillars

Tracks the S&P 500, a renowned market-cap weighted US large-cap equity index.

A low fee and a soundly constructed and reasonably representative portfolio leave the fund well positioned to continue its long streak of superior risk-adjusted returns relative to its peers over the long haul.

###### Opinion

This inexpensive fund tracks a broadly representative and well diversified benchmark.

#### TM Natixis Loomis Sayles US Equity Leaders

##### Key Pillars

Lead manager Aziz Hamzaogullari founded this US large-cap growth strategy in 2006 and has successfully managed it first at Evergreen and then at Loomis Sayles since 2010. He has built and trained a dedicated team of seven sector analysts, three of whom have worked with him since 2006.

Their proprietary seven-step framework is the cornerstone of the process. Overall, the team members are trying to identify companies that have difficult-to-replicate business models and competitive advantages. The fund provides investors with a relatively concentrated portfolio of "high-quality" US stocks with long-term sustainable growth drivers trading at a discount to intrinsic value.

The fund has delivered strong long-term outperformance and the team has shown astute stock-picking over the fund's tenure, especially in the more growth-orientated sectors such as technology and consumer discretionary.

###### Opinion

A bold and focused offering, we continue to like the research-intensive approach used by Aziz Hamzaogullari's team at Loomis Sayles.

The contrarian nature of the approach means there is little overlap with the index. Although this is a compact portfolio of pricey growth stocks, the focus on wide moats and diversification by different business drivers have kept volatility in check.

#### iShares North American Equity Index

##### Key Pillars

Tracks the S&P 500, a renowned market-cap weighted US large-cap equity index.

A low fee and a soundly constructed and reasonably representative portfolio leave the fund well positioned to continue its long streak of superior risk-adjusted returns relative to its peers over the long haul.

###### Opinion

This inexpensive fund tracks a broadly representative and well diversified benchmark.

## Model Portfolios – Fund Descriptions

### Europe

#### Fidelity European

##### Key Pillars

This fund benefits from a highly experienced manager in Sam Morse. Morse has been managing money in a similar style since 1994 and has been at the helm of this strategy since December 2009. In August 2020, Marcel Stötzel was promoted to co-portfolio manager, although Morse remains the final decision maker. The managers draw heavily on the work of the Fidelity analyst team for idea generation and monitoring, and as an input into the research process.

Morse has developed his own stock selection criteria focusing on a company's ability to grow its dividends, which is viewed as an indicator of the potential to provide steady cash flow growth over the long term. Management's ability to effectively allocate capital, balance sheet strength, high barriers to entry and proven, cash-generative business models are also key. Valuation is used to adjust position sizes, with outright sales generally triggered by fundamental change.

Factor risks are monitored, and sector deviations limited to +/-5% versus the MSCI Europe ex-UK Index. Biases include a large-cap focus versus peers, higher P/E and ROE than the index and a beta below one.

Returns have been strong over time, with downside protection often being a feature, but the fund is likely to struggle when value stocks lead the market.

##### Opinion

The experience of the manager, the extensive analytical support and the proven nature of the investment process employed on this fund result in it being an attractive product for those wanting quality-growth exposure to Europe ex-UK equities.

#### Janus Henderson European Select Opps

##### Key Pillars

The fund is managed by Tom O'Hara and Tom Lemaigra who assumed sole responsibility for the fund in August 2024 following the retirement of the fund's long-standing manager Jonn Bennett. Bennett managed European equities for more than two decades, including 17 years at GAM and until his retirement worked closely with O'Hara and Lemaigra, who were hand-picked by him in 2018 with succession planning in mind. O'Hara and Lemaigra have more than 15- and eight-years' experience, respectively. O'Hara was named comanager in January 2020 and Lemaigra in 2022.

The managers combine bottom-up and top-down research to build a portfolio that can outperform the FTSE World Europe ex UK Index through the market cycle. They pay close attention to global macro and sector trends as these provide valuable insights into the prospects of European companies. Aware of the potential for mean reversion stock markets, they also look for contrarian trades. Over the years Bennett added considerable value through stock selection while also proving adept at steering the portfolio in line with his macroeconomic views. For the former, he focused on identifying companies with attractive cash flow return on investment, or CFROI, that was undervalued, or those that were at inflection points where profit margins and/or CFROI are either improving or had the potential to do so in the future.

##### Opinion

While Bennett's retirement is a loss for the team, we believe that the fund will retain its flexible approach and that we have evidence of O'Hara and Lemaigra demonstrating their ability to implement this process effectively and in keeping with the fund's remit.

#### JPM Europe Dynamic (ex UK)

##### Key Pillars

This fund is run by a team of four that draw upon the quantitative and qualitative resources of the wider group. The team is led by Jon Ingram, a position he has held since 2007.

An established quantitative model forms the core of the stock selection approach and uses various factors to identify stocks with attractive quality, value and/or momentum characteristics. The output from the model is assessed and potentially amended by the team, drawing on the research of the well-resourced International Equity Group and external sources. The aim is to add a forward looking element to the process.

The portfolio is constructed from the bottom-up, and although there will be some flexibility in the strength of exposure to the three broad factors, they are expected to be at a premium to the market at the fund level. The stock selection process can lead to a small and mid-cap bias versus the index at times.

Returns have been good over the long term, but the fund can struggle when value and especially momentum are out of favour.

##### Opinion

This fund is managed using an established quantitative process that is combined with qualitative oversights from the direct fund management team and the wider research teams at JPM. This wider resourcing and the experience within the team are key positives, while the established alpha model provides a level of structure to the stock selection process.

### Japan

#### JPM Japan

##### Key Pillars

Nicholas Weindling has managed this strategy since December 2007 and is supported by a well-resourced investment team which includes 11 portfolio managers and 15 sector analysts.

The team covers about 400 Japanese stocks, which are classified as premium, quality, trading or structurally challenged, depending on their economics, duration of value creation, and governance quality. The analysts then determine the stocks' five-year expected return and use a 98-question survey to identify the key risks.

The portfolio's average expected growth and ROE, as well as the portfolio's valuation, have consistently been markedly higher than those of the benchmark. The fund is concentrated with 50-60 holdings, and this high-conviction approach has added value over the long run, although it may also result in lumpy and volatile results in the short run.

Since 2007, Weindling has adhered to the strategy's long-standing approach in various market environments, unfazed by shorter-term headwinds, to produce an impressive longer-term track record.

##### Opinion

The fund is led by a talented manager who benefits from the support of a well-resourced, experienced Japanese equity team that has been very stable over the years. The time-tested investment approach, with its focus on quality-growth firms, is also a positive.

**Man Japan CoreAlpha Profil****Key Pillars**

Jeff Atherton took over as lead manager for the fund in January 2021 following the retirement of the fund's long-standing manager Stephen Harker. Atherton is however well versed in the fund's investment philosophy and process having worked with Harker on this team since 2011 and previously at TCW from 2001. He is supported by portfolio manager Adrian Edwards and two analysts.

The managers adopt a distinct value and contrarian bottom-up investment approach that is driven by the belief that cyclicalities are a strong influence in virtually every sector of the market and that periods of underperformance are often followed by periods of outperformance. This means that they tend to buy stocks when they are unloved and increase their weighting as the stock price falls further while remaining patient until the value is realised.

There have been some refinements to the investment process under Atherton, who is perhaps more pragmatic than former manager Stephen Harker. Atherton gives more prominence to catalysts, and to some quality metrics, such as return on equity and quality of earnings which are essentially risk controls against value traps. This is accompanied by a slight reduction in risk, with the manager now aiming for a slightly larger number of holdings, and a modestly reduced concentration in the top 10 holdings. The process enhancements should lead to a slightly higher-quality portfolio without sacrificing the contrarian-value nature of the guiding investment philosophy.

The fund's value bias will clearly influence returns over the shorter term, but the strategy has shown longer-term success.

**Opinion**

We view the process enhancements positively and feel the fund is a compelling choice for investors seeking exposure to value stocks in Japan.

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