

LGIM MPS

August 2024
ESG Portfolio rebalancing changes*

Summary of portfolio changes

Equities

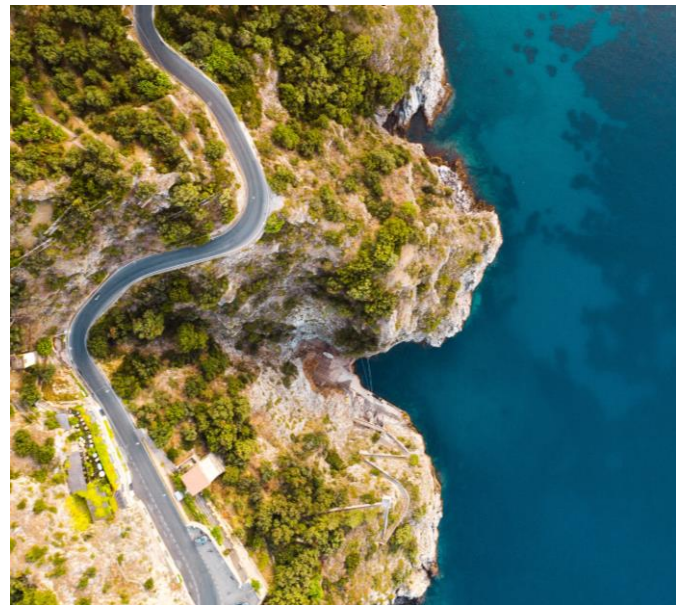
- + Marginally added to equities, while rebalancing regional mix

Fixed income

- Reduced duration
- Reduced exposure to UK credit

Alternatives

- + Marginally increased absolute return




Equities – At this rebalance, we marginally increased our equity exposure, while rebalancing weights between regions. We reduced exposure to US, Japan, Europe and global small-cap equities and increased allocations to UK, emerging markets (EM), Asia Pacific ex Japan, and UK small-cap equities. This rebalancing aligns us more closely with our longer-term asset allocations. Our increased focus on UK and EM equities reflects our view of their attractive valuations and growth prospects relative to other regions.

Manager research – At this rebalance, we made one manager change. We introduced the Wellington Global Credit ESG fund into the portfolios, replacing our exposure in the Robeco Global SDG Credits Fund.

Bonds - At this rebalance, we adjusted our bond allocation by reducing exposure to UK credit, reflecting a change in our outlook on the asset class. This follows on from the previous rebalance where we reduced global credit. In our view, credit spreads remain tight and do not offer sufficient compensation for the potential risks ahead. Additionally, we reduced duration by reducing our exposure to UK, US, and European government bonds. There has been no change to our inflation-linked bond positions during this rebalance.

Alternatives – In light of the adjustments to credit and duration, we have marginally increased our exposure to absolute return strategies, reflecting our cautious stance in the current market environment. These changes are intended to balance the portfolios as we navigate ongoing market uncertainties.

Portfolio	Defensive	Cautious	Cautious Balanced	Balanced	Balanced Growth	Growth	Adventurous
 OCF	0.24%	0.24%	0.24%	0.23%	0.23%	0.21%	0.16%

Source: LGIM, as at 23 August 2024.
Please enquire for the discretionary portfolio management fee.

*We recently made changes to the ESG portfolios. Since launch, these were designed to have a greater allocation to external, ESG focused active managers (in the region of 40%). At the May rebalance, we transitioned the MPS ESG models with the proportion of ESG focused active managers dropping to 10%. This will bring them far closer to a model version of the Future World Multi Index funds which LGIM recognises as their target Multi-Asset ESG approach for the UK wholesale market (and which have recently received a Silver rating from Morningstar on 31 July 2024).

Awards and ratings should not be considered a recommendation. Past performance is not a guide to the future.

Target asset allocation – ESG**

Fund Name	Active /Index	Asset class	Defensive	Cautious	Cautious Balanced	Balanced	Balanced Growth	Growth	Adventurous
Equities			17.80%	34.00%	46.50%	59.60%	62.70%	79.90%	97.00%
L&G Future World ESG UK Index	Index	UK Equities	3.50%	9.00%	10.00%	13.00%	13.00%	16.50%	16.30%
L&G UK Mid Cap Index	Index	UK Small Cap Equities	1.00%	1.00%	1.00%	1.50%	1.50%	2.50%	4.10%
L&G Future World ESG Europe ex UK Index	Index	European Equities	1.80%	3.80%	7.20%	7.20%	7.20%	11.10%	12.80%
L&G Future World ESG North America Index	Index	US Equities	5.40%	9.50%	14.60%	18.20%	19.10%	22.00%	20.80%
L&G Future World ESG Japan Index	Index	Japanese Equities	1.30%	2.30%	3.20%	4.20%	4.20%	7.10%	7.90%
L&G Future World ESG Asia Pacific ex Japan Index	Index	Asia Pacific ex Japan Equity	1.00%	2.00%	3.00%	4.50%	4.50%	5.00%	10.50%
L&G Future World ESG EM Index	Index	Emerging Market Equity	2.80%	4.90%	6.00%	9.00%	11.20%	12.80%	18.60%
L&G Global Thematic	Index	Small-cap Equity	1.00%	1.50%	1.50%	2.00%	2.00%	2.90%	6.00%
Credit and Emerging Market Debt			17.20%	16.50%	18.50%	16.60%	10.60%	6.50%	-
L&G Active Global High Yield Bond Fund	Active	High Yield	2.50%	2.80%	3.10%	2.40%	2.60%	1.80%	-
L&G EM Govt Bond Local Currency Index	Index	EMD Local Currency	2.00%	2.50%	3.00%	3.00%	2.00%	2.00%	-
Amundi EM Green Bond	Active	EMD Hard Currency	3.00%	3.70%	4.40%	3.60%	3.40%	2.70%	-
Liontrust Sustainable Future Corporate Bond	Active	Sterling Credit	5.80%	4.50%	4.50%	4.10%	1.60%	-	-
Wellington Global Credit ESG Fund	Active	Global Credit	3.90%	3.00%	3.50%	3.50%	1.00%	-	-
Government Bonds			40.70%	30.50%	20.80%	14.90%	14.50%	2.50%	-
L&G All Stocks Gilt Index	Index	UK Sovereign	11.50%	8.70%	6.90%	4.00%	4.00%	0.90%	-
Vanguard Euro Govt Bond Index GBP Hedged	Index	EU Sovereign	2.60%	2.10%	1.50%	1.60%	1.60%	0.50%	-
L&G Global Inflation Linked Bond Index	Index	Global Inflation Linked	9.50%	6.50%	3.30%	2.00%	2.50%	-	-
L&G All Stocks Index Linked Gilt Index	Index	UK Sov Inflation-Linked	3.50%	3.50%	0.70%	1.00%	1.00%	-	-
Vanguard US Govt Bond Index GBP Hedged	Index	US Sovereign	13.60%	9.70%	8.40%	6.30%	5.40%	1.10%	-
Alternatives			11.50%	11.50%	9.00%	7.00%	10.50%	10.50%	2.50%
L&G Strategic Bond Fund	Active	Absolute Return	8.00%	6.50%	4.00%	2.00%	2.50%	3.50%	-
Clearbridge Global Infrastructure Income Fund	Active	Global Infrastructure	2.00%	3.00%	3.00%	3.00%	4.50%	4.00%	2.00%
iShares Environment & Low Carbon Tilt REITs	Index	Global Property (REITs)	1.50%	2.00%	2.00%	2.00%	3.50%	3.00%	0.50%
Cash			12.80%	7.50%	5.20%	1.90%	1.70%	0.60%	0.50%
L&G Cash Trust	Index	Cash	12.80%	7.50%	5.20%	1.90%	1.70%	0.60%	0.50%

Source: LGIM, as at 23 August 2024.

**On 12 October 2023, the MPS portfolio naming conventions changed from being numbered 1 – 7 to Defensive, Cautious, Cautious Balanced, Balanced, Balanced Growth, Growth and Adventurous respectively.



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Contact us

For further information about LGIM, please visit lgim.com or contact your usual LGIM representative



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