The Aegon Risk-Managed Portfolios
A simpler way to invest
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Our multi-asset management credentials

Managing multi-asset strategies since 1983
Assets invested in our multi-asset strategies £19.8bn
Customers invested in our multi-asset strategies 1.1m

All information correct as at July 2020. Multi-asset management credentials represent the Aegon UK plc. overall investment proposition. The value of investments may go down as well as up and investors may get back less than they invest. There’s no guarantee that fund objectives will be met. Asset allocation input provider and underlying fund managers can change.
Foreword

A simpler way to invest.

In my years of experience working in this industry, I’ve noticed there’s a tendency to overcomplicate fund design.

Here at Aegon, we’ve managed multi-asset strategies for more than 35 years, and the principle of adding value through simplicity is something we wanted to build on with the Risk-Managed Portfolios.

We do this in six main ways:

- The funds are designed to meet client needs and are easy to use and explain.
- They’re available across pension, ISA and GIAs – allowing you and your clients to invest in the same great funds, whatever wrapper is required.
- They also help you meet regulatory requirements with robust governance and clearly defined target investors.
- We use a long-term strategic asset allocation approach, reducing portfolio turnover.
- Passive fund components are used to access markets, helping us keep costs low.
- And finally, we avoid complex alternative assets such as commodities and derivatives, which can add risk and cost without necessarily enhancing returns.

Of course the philosophy of keeping it simple doesn’t necessarily mean always opting for the most basic approach, and we embed sophisticated elements where we believe they have a substantial chance of aiding returns – for example in areas such as asset allocation and risk management.

This approach means we can offer a governed range of funds designed to meet different client risk appetites at a competitive cost – something that appeals to a broad set of investors.

In short, we believe keeping to the principle of value through simplicity will ultimately lead to better outcomes for customers.

Richard Whitehall
Head of Portfolio Management

“...value through simplicity will ultimately lead to better outcomes for customers.”
Introducing the Risk-Managed Portfolios

There are six Risk-Managed Portfolios in the range, each targeting a different risk level (on a scale of 1 – 6, where 1 is the lowest risk and 6 is the highest risk) to cater for a broad range of risk appetites.

Each portfolio aims to achieve long-term capital growth, while keeping investment risk at a level appropriate to its risk target. Long term is defined as five years or more.

The ongoing charges figure (OCF) for the portfolios is fixed at 0.25% with transaction costs expected to be low.

The portfolios are available across pensions, Individual Savings Accounts (ISAs) and General Investment Accounts (GIAs), allowing a consistent investment approach, whichever wrapper is used.

Portfolio design

The Risk-Managed Portfolios are designed, built and managed to achieve the best possible outcomes for investors who want a straightforward way to invest. They have everything you need in a multi-asset solution to meet the needs of today’s market, and are focused on value for money.

The portfolios adhere to six key design principles:
Customer aligned

We’ve designed the Risk-Managed Portfolios to provide solutions to a broad range of adviser and investor needs, aiming to provide value-for-money options that you can recommend to clients with confidence.

Aligned to client needs

We believe the portfolios can meet the needs of a broad client base, including:

- Accumulators – clients saving over the long term.
- Decumulators – who may choose to move to lower-risk portfolios as they withdraw their money to create an income.
- Risk-averse through to adventurous investors.
- Investors who prefer the simplicity of a single portfolio that could meet all or most of their needs.
- Less experienced/engaged investors who want experts to take care of investing their money.
- Cost-conscious clients.

For illustrative purposes only. There’s no guarantee that higher-risk funds will outperform lower-risk funds in the range and they could significantly underperform, particularly over shorter time periods. The numbered risk levels indicate how the funds are positioned in relation to each other only. They shouldn’t be used to compare these funds with other Aegon funds or funds from other providers.
Aligned to adviser needs

We’re conscious of your need to meet regulatory requirements, including PROD and MiFID II regulation, and we’ve designed the portfolios to make this as easy as possible.

There are a number of factors that help with this, including:

- **Suitability** – clear target markets help you demonstrate how they meet clients’ needs.
- **Client outcome** – simple, measurable investment and risk objectives.
- **Governed** – rigorous fund governance to monitor that we’re meeting objectives.
- **Engagement** – straightforward to understand and explain to clients.
- **Transparency** – comprehensive reporting keeps you and your clients informed.
- **Value for money** – a risk-managed, governed proposition for a low cost.

To help support advice processes, the portfolios are also mapped to risk ratings from Defaqto, Dynamic Planner, FinaMetrica and Synaptic.

**Important information:**

- There’s no guarantee the funds will meet their objectives.
- Their value can go down as well as up and investors may end up with less than they invest.
- These portfolios are designed primarily as long-term investments so may not be suitable for those with less than five years to invest.
- The portfolios invest overseas so their value will go up and down as exchange rates fluctuate.
- Returns from the portfolios may not keep up with inflation, particularly those investing more in lower risk asset classes like cash and bonds.

- The Risk-Managed Portfolios risk levels of 1 – 6 shouldn’t be compared to other Aegon fund ranges or risk scales, or those of other providers, which may measure risk in different ways.
- Link Fund Solutions Limited (LF) is the authorised corporate director of the LF Aegon Risk-Managed Funds (the Risk-Managed Portfolios). This means they’re responsible for the operation of the funds in accordance with the regulations.

For more information and the fund specific risks, see the fund factsheets and Key Investor Information Documents, available on our website.
Independent input and choice

The portfolios benefit from valuable independent input, and we have the flexibility to choose the providers that offer the best quality and value for investors.

Investment process

This independent approach supports the portfolios across three areas:

1. Award-winning investment house Morningstar provides independent, expert input into our asset allocation process.

2. We use low-cost passive fund components from external providers, currently BlackRock.

3. The portfolios receive independent scrutiny and oversight from Aegon’s Fund Governance Group.

This independent model means we can make changes if fundamental cost, performance or counterparty issues were ever to arise, a valuable tool in today’s uncertain world.

“Morningstar” refers to the Morningstar Investment Management group which includes Morningstar Investment Management Europe Limited, an FCA regulated firm which is the entity providing the advice.
A powerful combination

The portfolios combine Aegon’s expertise with that of Morningstar and BlackRock.

- Global savings and investment provider serving around 30 million customers in over 20 countries.
- Manages over €898 billion in assets on behalf of savers and investors worldwide.
- Aegon UK has over 35 years’ experience providing multi-asset solutions.

Aegon data as at 31 December 2019. Morningstar and BlackRock information as at 31 March 2020. Asset allocation input provider and underlying fund managers can change.
Optimal asset allocation

Asset allocation is a key driver of both risk and return. Our Portfolio Management team receives input from Morningstar to help create a long-term strategic asset allocation for each of the portfolios.

Our aim in doing so is to create an optimal asset allocation that maximises returns for a defined amount of risk.

This process focuses on how markets are valued relative to long-term future expectations. This provides greater conviction in the asset allocations created. So while the Portfolio Management team regularly reviews the asset mix, changes are typically only made when there are fundamental shifts in the markets, or when rebalancing is required. The aim is to take advantage of market gains while keeping transaction costs low.

Strategic asset allocations

The funds focus primarily on equities, bonds and cash although they can invest in property securities. They also choose not to invest in alternative investments, which helps keep costs down.

The asset mix for each of the portfolios is shown below.

The above shows target asset allocations at launch, which are for illustration only. Please see the latest factsheets for the most up-to-date allocations, which are available on our website.
Robust risk management

Risk management is embedded at each stage of the investment process. On a day to day basis, the Portfolio Management team analyses the portfolios using both forward- and backward-looking techniques, such as scenario analysis, to help understand how market factors might impact the portfolios’ behaviours in certain situations.

Where deemed to be beneficial, and to keep the funds within their specified risk levels (see below) the asset mix will be adjusted. The portfolios’ risk levels are managed by varying weightings of asset classes and geographical regions that are indirectly held.

Because we adopt a long-term investment horizon, we wouldn’t anticipate changing asset allocations significantly over shorter time periods. However, it’s important to build challenge into the investment process to guard against any factors that might push the portfolios out of the target risk ranges.

We will however make portfolio adjustments and rebalance regularly to maintain their risk profile.

Forward-looking volatility ranges

There’s no guarantee the portfolios will remain within their target ranges.
Strong governance

There are multiple layers of scrutiny governing our funds. As well as the internal processes undertaken by Morningstar and BlackRock, Aegon has a number of committees engaged at various stages of the build and monitoring of our fund range.

As managers of the portfolios, the Portfolio Management team is responsible for the day-to-day analysis and monitoring of the funds.

The Fund Governance Group is independent of the Portfolio Management team and stands in place of the customer to check long-term performance is in line with objectives and that mandates are run in line with expectations.

Oversight of the overall proposition is provided by the Aegon Investments Limited board.

The Risk-Managed Portfolios are underpinned by our Funds Promise. This is a commitment to our investors that:

- We aim to offer high-quality funds which meet their objectives.
- We monitor funds to check if they perform as expected.
- We take action if funds don’t meet expectations.
- We give you the facts you need to make decisions.

Environmental, Social and Governance (ESG) considerations:

ESG factors, such as clean energy, fair treatment of staff and board diversity, can have an impact on the performance of a company and the environment we live in. That’s why, as part of our selection process for the underlying funds, we ensure the companies managing those funds apply the UK Stewardship Code and are signed up to the UN Principles for Responsible Investment, which work to incorporate ESG factors into investment and ownership decisions.
Cost effective

Cost can have a significant impact on long-term returns. Our priority in building these portfolios was not only to keep costs down but to ensure we give investors value for money.

We do this by:
• using passive components, which allows us to access markets at low cost;
• minimising turnover to avoid unnecessary transaction costs.

As a result we’re able to provide strategic asset allocation, risk-management and governance, all for an ongoing charges figure (OCF) fixed at 0.25%.

Strategic asset allocation, risk-management and governance, all for a fixed OCF of 0.25%.
Portfolio Management team

Aegon’s Portfolio Management team is responsible for managing our Risk-Managed Portfolios. This dedicated team of investment professionals is focused on making sure we have the right component funds in our portfolios, and asset allocations capable of delivering the best return possible within each fund’s mandate.

They’re currently supported in asset allocation decisions by Morningstar, with BlackRock managing the passive fund components.

The team is headed by Richard Whitehall, formerly Portfolio Manager for Morningstar in the EMEA region, where he co-managed the group’s discretionary managed multi-asset income portfolios along with the group’s passive and governed portfolios. He holds the Chartered Financial Analyst® designation.

“We believe a long-term view is key to successful investing and that asset allocation is a crucial driver of the risk and return experienced by investors.”

Investment philosophy

Markets aren’t efficient all of the time, which provides opportunities we can exploit. By being patient and taking a long-term view on our asset allocation decisions, we believe we can add value for our investors as market inefficiencies correct over time. As value investors, we understand that the price paid for an investment is critical to the likely return and risk profile of an asset. In short, we believe:

- markets are not fully efficient;
- a long-term view is crucial to successful investing;
- valuations are a key determinant of long-term returns for equities and bonds; and
- asset allocation is a key driver of portfolio volatility and return.
Supporting your advice process

Reporting

The Aegon Risk-Managed Portfolios are supported by a comprehensive reporting suite. This includes:

- Governance report
- Factsheets
- Market outlook webinar, led by Head of Portfolio Management, Richard Whitehall
- Market snapshot podcast

The prospectus, Key Investor Information Documents and the LF Aegon Investments ICVC II Annual Report are also available.

Understanding and recommending the portfolios

There’s also a range of materials available online to help you understand more about the portfolios and how they work, including a range overview video and a risk mapping tool.

And there are easy-to-use support materials for your clients too.

The aim is to make understanding, recommending and monitoring the portfolios as straightforward as possible.
Investment fundamentals

Our overall investment proposition is based on a fundamental set of beliefs.

◆ We believe choice is important

We aim to complement advisers’ business models by catering for a wide variety of client needs. This means providing a broad choice of investments and the tools needed to build appropriate client portfolios.

◆ Multi-asset solutions are key

While some investors want choice, we believe others prefer the simplicity of ready-made multi-asset solutions, run and governed by experts. We’re committed to providing high quality, value for money solutions for advised, workplace and individual savers and will only add complexity where we believe it benefits investors.

◆ We invest for the long term

We aim to provide a lifetime of financial security for customers, so we have a long-term horizon when it comes to investing. This means we aim to offer growth and income solutions that meet the long-term needs and aspirations of our customers.

◆ We’re responsible investors

We believe that all companies should be run on responsible, sustainable principles, not just to survive but to thrive. We ensure that fund managers apply the UK Stewardship Code and are signed up to the UN Principles for Responsible Investment, which works to incorporate ESG factors into investment and ownership decisions.
For more information on using the Risk-Managed Portfolios with Aegon Retirement Choices clients go to aegon.co.uk/adviser/risk-managed or for Aegon Platform clients go to cofunds.aegon.co.uk/adviser/risk-managed. Or speak to your usual Aegon contact.