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# The Aegon Risk-Managed Portfolios

A simpler way to invest



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## Our multi-asset management credentials



As at January 2024

Multi-asset management credentials represent the Aegon UK plc. overall investment proposition. 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 40 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.

**Anthony McDonald**

Head of Portfolio Management

“...value through simplicity will ultimately lead to better outcomes for customers.”

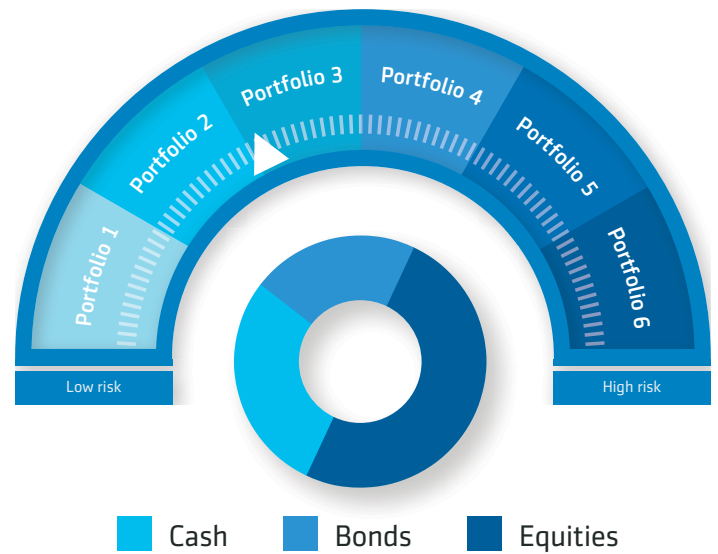
# Introducing the Risk-Managed Portfolios

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%.

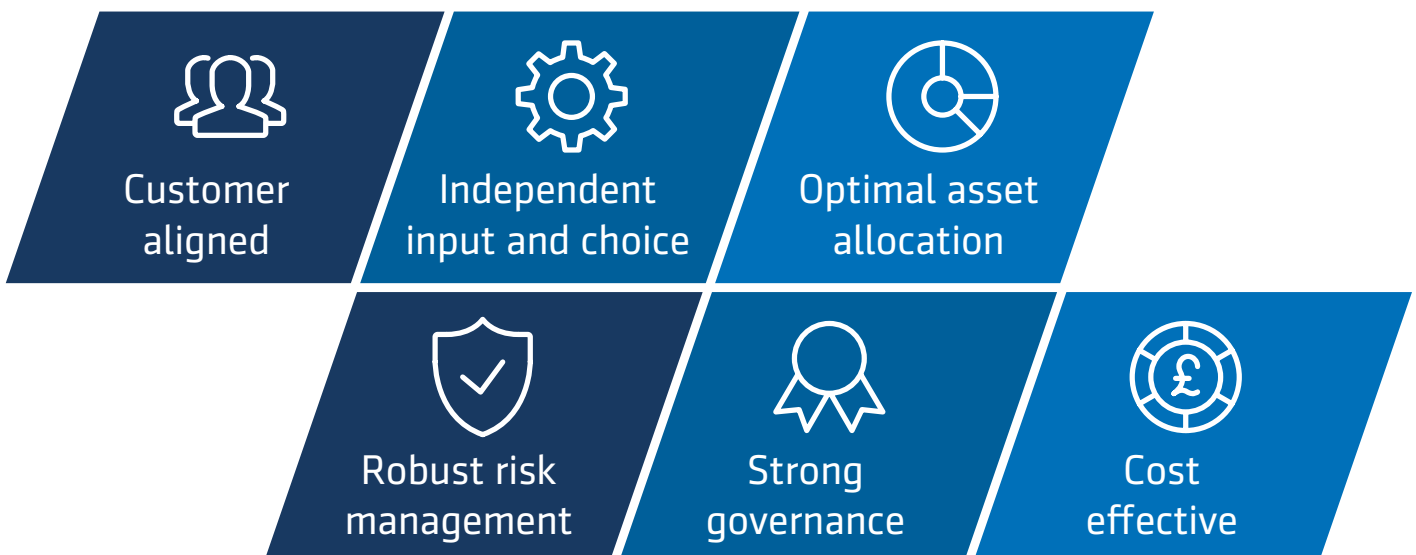
The portfolios are available across pensions, Individual Savings Accounts (ISAs) and General Investment Accounts (GIAs), allowing a consistent investment approach, whichever wrapper is used.



## 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:



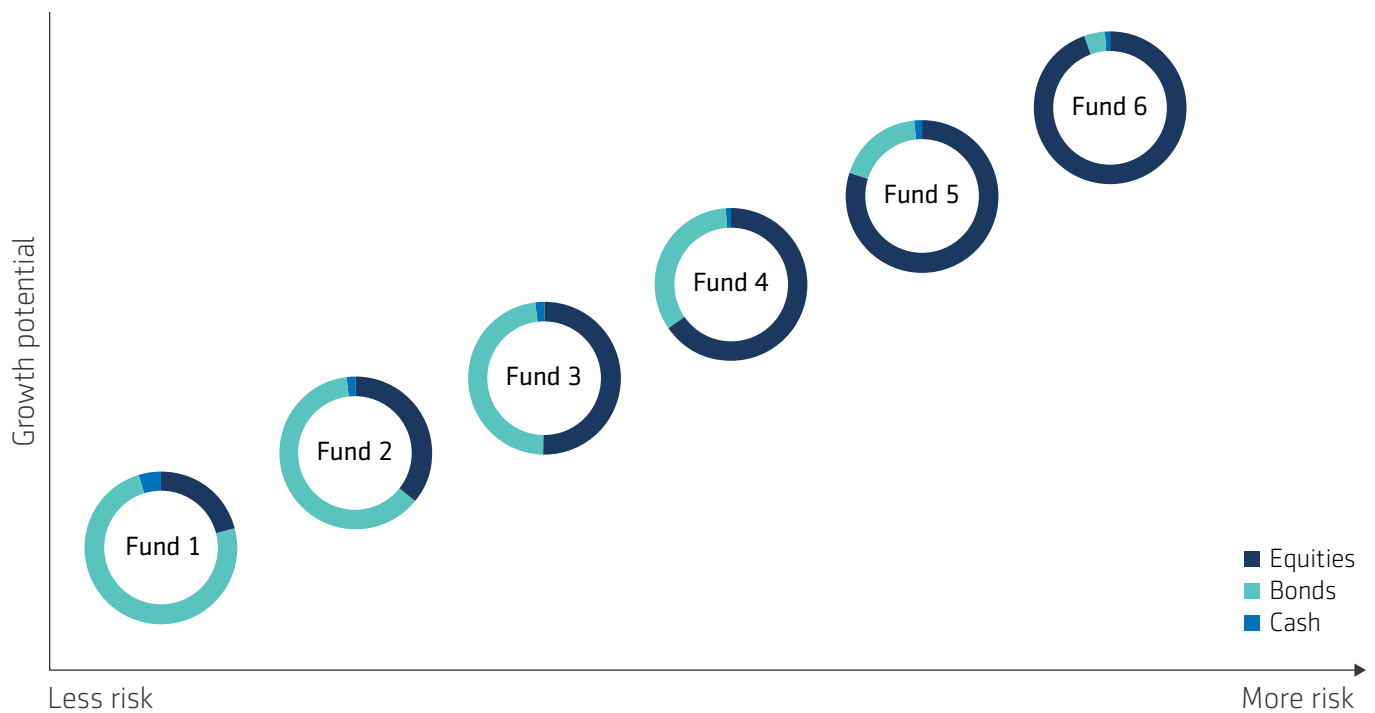
# Customer aligned

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.



Asset allocations as at 31 March 2024. 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 Consumer Duty, 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 EValue, Defaqto, Dynamic Planner, FinaMetrica and Synaptic.

defaqto

 DYNAMIC  
PLANNER



 FinaMetrica  
Risk Tolerance Profiling

 SYNAPTIC<sup>®</sup>  
SOFTWARE

### Important information:

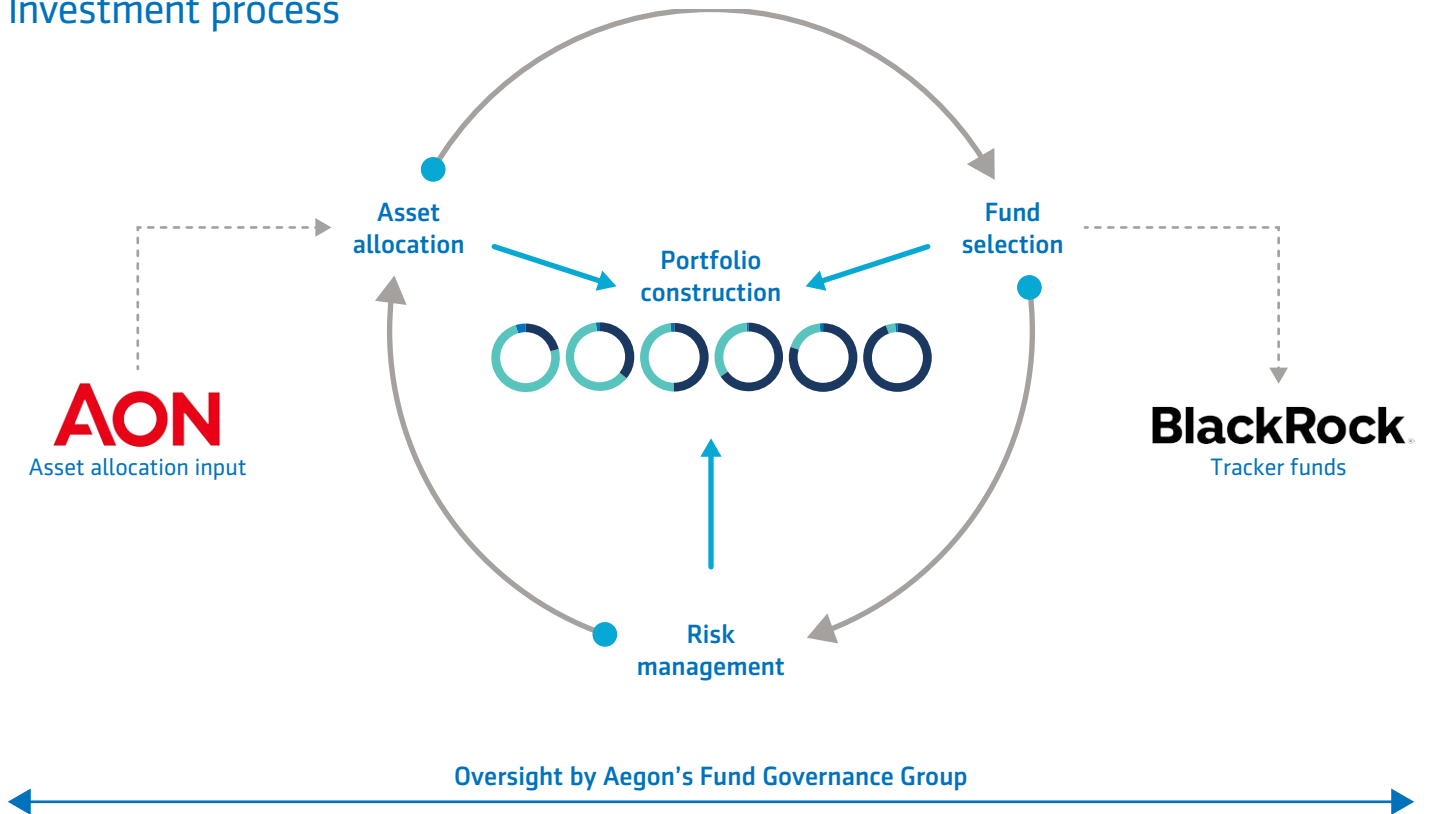
- There's no guarantee the funds will meet their objectives.
- The value of an investment can fall as well as rise and isn't guaranteed. Your client may get back less than they invest.
- These portfolios are designed primarily as long-term investments so may not be suitable for those with less than five 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.
- Waystone Management (UK) Limited is the authorised corporate director of the WS 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. Aon 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.

## A powerful combination

The portfolios combine Aegon's expertise with that of Aon and BlackRock.



- Global savings and investment provider serving over 23 million customers worldwide.
- Holds over €825.7 billion in revenue generating investments.
- Aegon UK has over 40 years' experience providing multi-asset solutions.

Portfolio management



- Over 50 years' experience in investment advice.
- Over 804 investment professionals across the globe.
- More than \$4 trillion in assets under advisement globally.

Independent asset allocation



- Over \$10 trillion in assets under management globally.
- Founded in 1988.
- Offers full spectrum of investment strategies, with scalable services and infrastructure.
- Offices in 36 countries.
- Over 19,000 employees worldwide.

Independent underlying funds

Aegon information as at December 2023. BlackRock information as at March 2024. Aon information as at September 2023 and June 2023. 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 Aon 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.

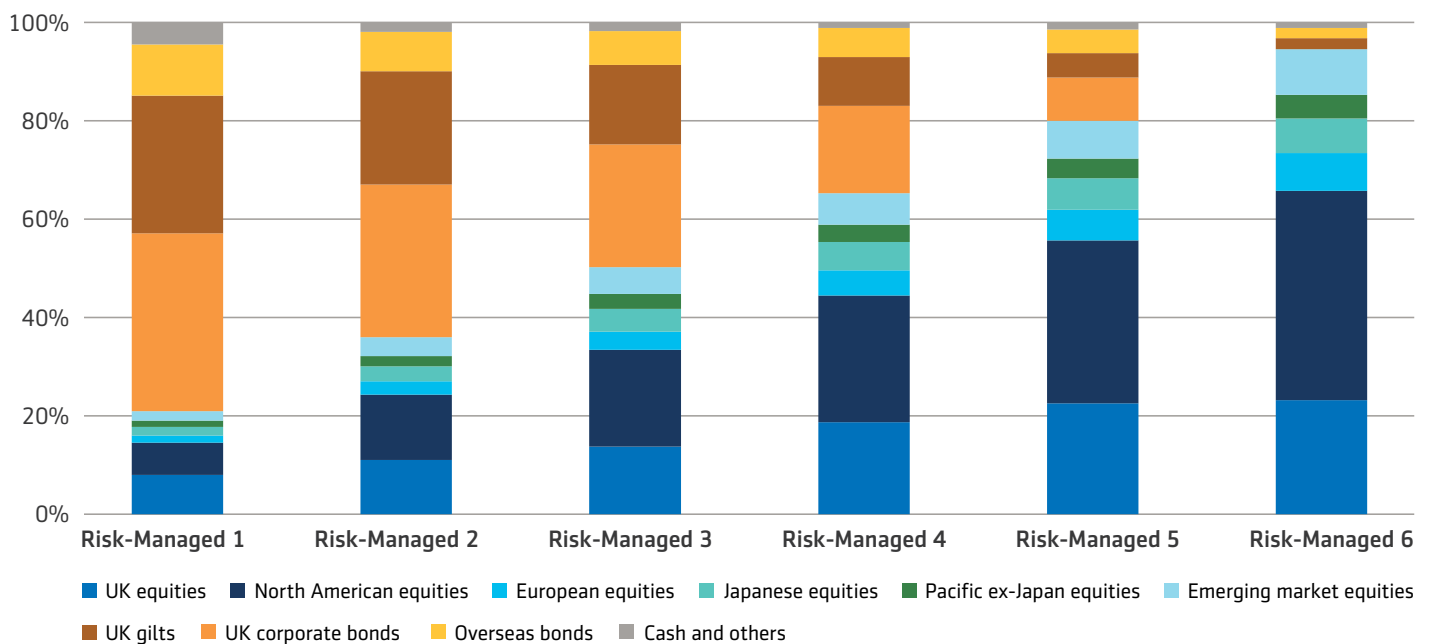
This process focusses on how markets are valued relative to long-term future expectations. This provides greater conviction in the asset allocations created. So while the Portfolio Management team regularly reviews the asset mix, changes are typically only made when there are fundamental shifts in the 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.



Asset allocation as at 31 March 2024. 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 an ongoing 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.

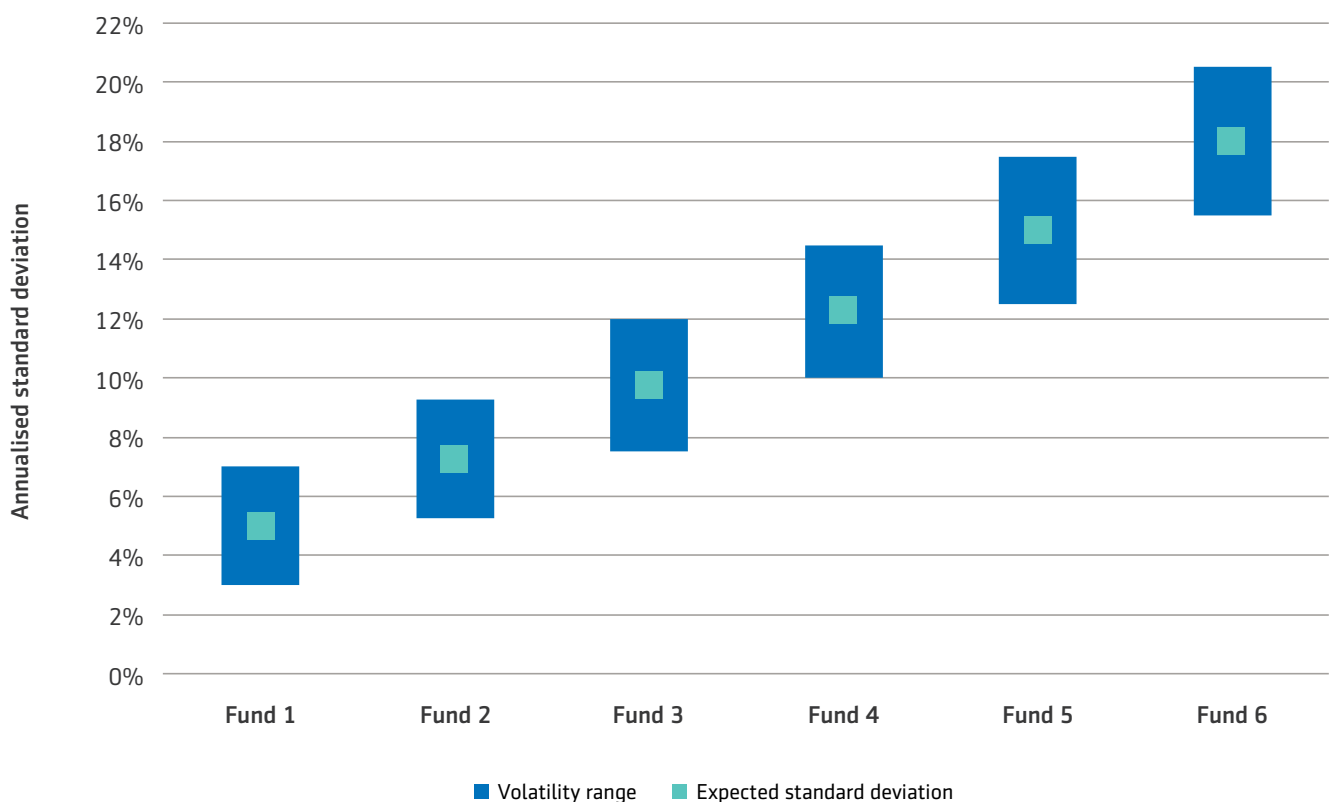
Where deemed to be beneficial, and to keep the funds within their specified risk levels (see below) the asset mix will be adjusted. The portfolios' risk levels are managed by varying weightings of asset classes and geographical regions that are indirectly held.

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



Volatility ranges as at June 2024. There's no guarantee a fund will remain within the forecast volatility range. Please see the latest fund factsheets for further details, which are available on our website.

## Strong governance

There are multiple layers of scrutiny governing our funds. As well as the internal processes undertaken by Aon 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 UK 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.

## 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 Aon, with BlackRock managing the passive fund components.

The team is headed up by Anthony McDonald, who joined Aegon UK in 2018 from City Financial, where he worked on multi-asset mandates and launched and managed a range of risk-targeted multi-asset portfolios. Prior to this Anthony was a Senior Investment Research Analyst at Morningstar OBSR. Anthony began working in the investment industry in 2007, has a degree in Philosophy, Politics and Economics from Oxford and holds the Investment Management Certificate.



**Anthony McDonald**  
Head of Portfolio Management

“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.



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, Anthony McDonald



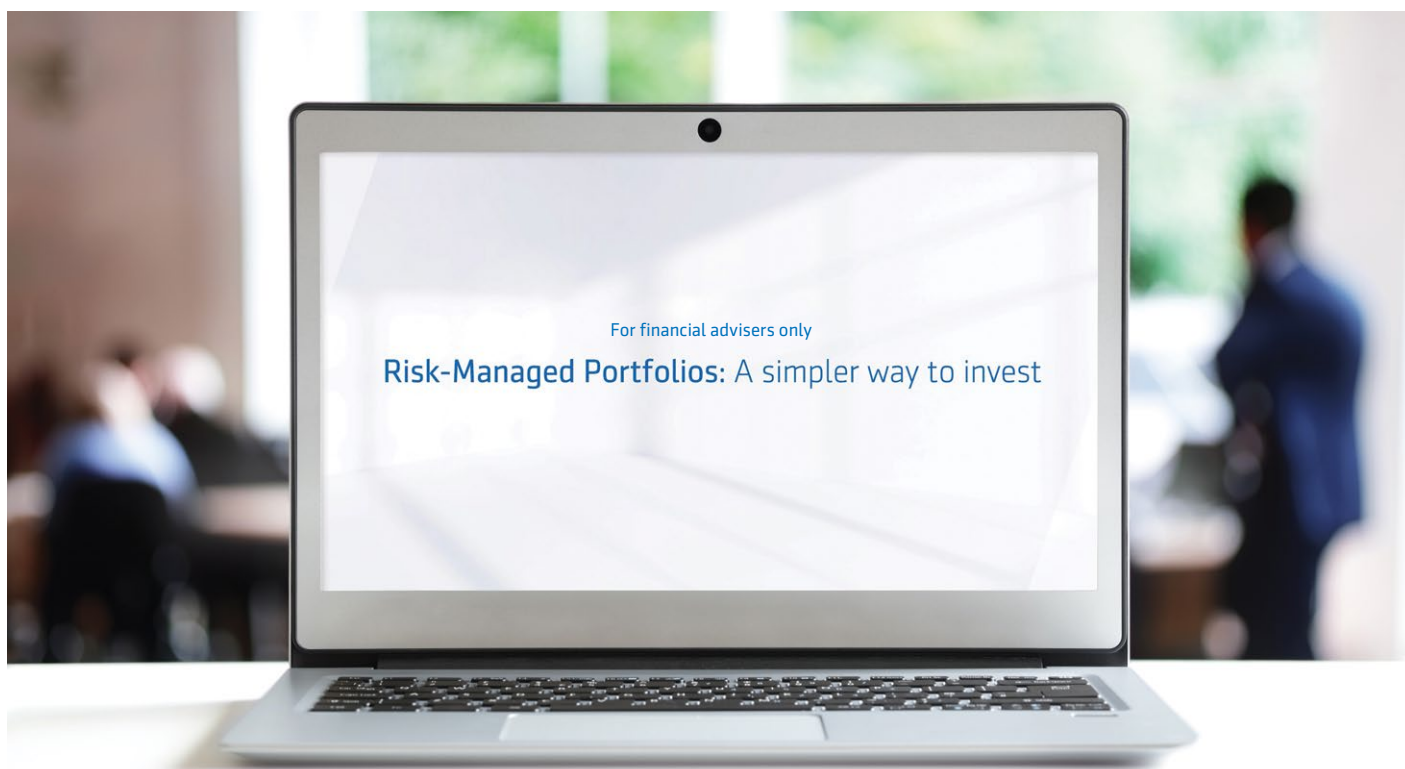
The prospectus, Key Investor Information Documents and the WS Aegon Investments ICVC II Annual Report are also available.

## 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

That's why we expect the companies managing the funds held in each Risk-Managed Portfolio to align their practices with the UK Stewardship Code, and to work towards signatory status.

For more information on our Risk-Managed Portfolios go to –  
[aegon.co.uk/adviser/risk-managed](https://aegon.co.uk/adviser/risk-managed)

Or speak to your usual Aegon contact.



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