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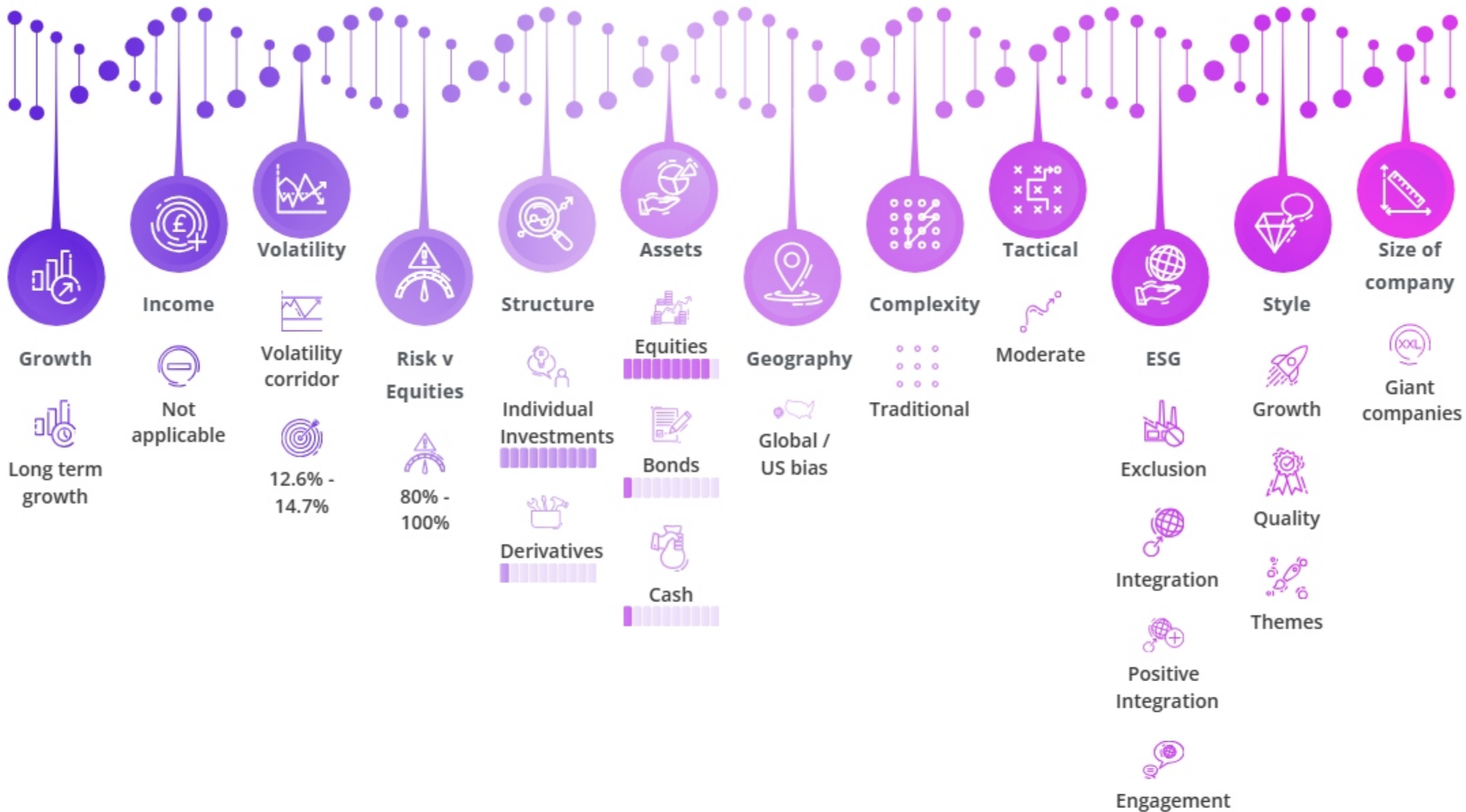
# BNY Mellon FutureLegacy 7

## Multi Asset DNA Report

Report updated: November 27, 2023 11:21 AM

[Multi Asset Universe DNA](#)

[Icon Glossary](#)



The above depiction of the portfolio's DNA is based upon its embedded biases as identified by Scopic Research. It isn't meant to reflect the portfolio's current positioning, but rather what we might expect on average over the long term.



# Outcome



## Key notes

- One of five global, thematically driven portfolios of equities and bonds where the majority of underlying companies either exhibit sustainable characteristics or have concrete plans to transition towards having more sustainable practices in future.
- Each portfolio targets a different corridor of volatility risk and aims to achieve better risk adjusted returns when compared to its strategic asset allocation (SAA).
- For this portfolio, volatility risk is managed to Dynamic Planner risk level 7.
- In extreme circumstances the team is tolerant of volatility briefly falling outside of the intended corridor with a view to defending capital. However, the emphasis is firmly on maintaining returns within the volatility corridor over the longer term and these instances are likely to be rare.
- The performance comparator is: 10% BAML Global Broad Index GBP Hedged and 90% MSCI ACWI GBP NR.
- The time frame for achieving the strategy is over an investment cycle.



## Details

This is one of five global, thematically driven portfolios of equities and bonds where the majority of underlying companies either exhibit sustainable characteristics or have concrete plans to transition towards having more sustainable practices in future.

Each portfolio targets a different corridor of volatility risk.

Investments are framed by a series of asset sleeves each of which largely replicates the direct securities held in a selected in-house sustainably managed fund. Derivatives are employed for tactical asset allocation purposes and to control risk.


The aim is for each portfolio to deliver good risk adjusted returns – above that achieved by its strategic asset allocation (SAA) – whilst also keeping its expected volatility within a volatility corridor suggested by an optimised model managed by Distribution Technology's Dynamic Planner. For this portfolio, volatility risk is managed to Dynamic Planner risk level 7.

Unlike some peers, in extreme circumstances the team is tolerant of volatility briefly falling outside of the intended corridor with a view to defending capital. However, the emphasis is firmly on maintaining returns within the volatility corridor over the longer term and these instances are likely to be rare.

Whilst the composite index shown below is used for performance comparison purposes, in practice, other than the requirement to maintain returns within the volatility corridor, there are no constraints governing portfolio construction.

The performance comparator is: 10% BAML Global Broad Index GBP Hedged and 90% MSCI ACWI GBP NR.

The time frame for achieving the strategy is over an investment cycle.

 **Targets**

**Growth**



Long term growth



**Income**



Not applicable



**Volatility**




Volatility corridor



Target

**12.6% - 14.7%**

 **Costs**

Ongoing charges 0.49%

Transactional costs 0.10%

Total costs 0.59%





# Investment Journey



## Key notes

- With tactical positioning dependent upon the view of the wider economic backdrop, mistiming tactical changes poses the greatest potential risk to the portfolio in relative terms.
- Avoids short term fashions and is unlikely to get caught up in speculative themed bubbles - especially those that are led by a small cohort of companies. It's likely to lag under these conditions.
- The chances of success improve during periods when there is a greater dispersion of returns between individual stocks and between different industrial sectors.
- When an asset bubble bursts, we might expect a deeper drawdown versus more value-style oriented peers - and potentially those that have a focus on income - but a shallower drawdown when compared to those that have a far more pronounced growth bias - which includes some sustainably managed peers.
- Unlike some sustainably managed peers, the portfolio can invest in US Treasuries, which some view as being able to provide a relatively safe haven when asset markets slide.
- May not keep up in the initial phase of a market recovery following the bursting of an asset bubble but should still have the potential to beat those that exhibit stronger growth styles.
- Likely to do increasingly better as the investment cycle matures - up until the point that speculative bubbles emerge.
- Low levels of exposure to commodities, basic materials, and traditional energy-related companies mean that there is less protection against the impact on markets from a more inflationary environment when compared to those peers who don't follow a sustainable investment approach.
- The likelihood of a US equity and US dollar bias creates a tailwind to returns when both these factors are outperforming their equivalents in other markets. Periods when UK equities and GBP sterling outperform are likely to prove less favourable - relatively speaking.

- We should measure success in terms of each portfolio in the suite maintaining its own distinct volatility profile relative to the others, and in generating good risk-reward characteristics in relation to both its own strategic asset allocation and those in the peer group that aim to adhere to a similar volatility temperature.



## Risks

### Risk v Equities

80% - 100%

### Counterparty Risk



Low

High

### Liquidity Risk



Low

High



# Suitability



## Key notes

For someone who:

- **Would like their investments to be managed sustainably from an ESG point of view – including having a proportion of their money invested in companies that offer products and services that have a beneficial impact upon society and the planet.**
- **Would like all their money to be invested in companies that meet the UN Global Compact Principles.**
- **Would like a more qualitative-based and thematic approach to selecting sustainable investments that offers greater insight and is more forward looking when compared to using a purely passive investment approach.**
- **Is prepared to compromise on having strict adherence to sustainable principles by potentially having exposure to US treasuries, US TIPS, some companies that are still transitioning to a more sustainable model, and to the portfolio manager using exchange traded derivatives on indices.**
- **Would prefer to avoid exposure to investment trusts (although there is no exposure to these currently, investment trusts may be included in future).**
- **Is comfortable with the likely investment journey as set out in this report.**

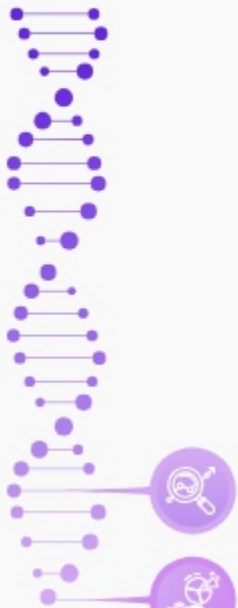
These are only potential suitability suggestions for financial intermediaries to consider alongside other factors. They are not personalised and sole responsibility for client suitability rests with the financial intermediary.

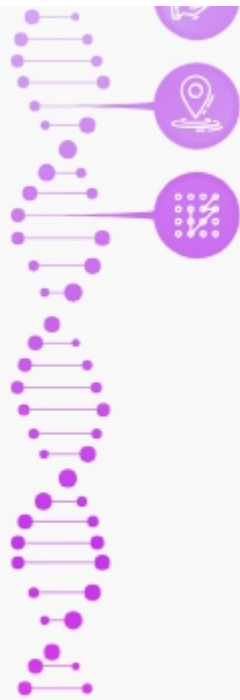
# Investment Scope



## Key notes

- This is a global, thematically driven portfolio of equities and bonds where the majority of underlying companies either exhibit sustainable characteristics or have concrete plans to transition towards having more sustainable practices in future.
- Investments are framed by a series of asset sleeves each of which largely replicates the direct securities held in a chosen in-house sustainably managed fund.
- The team creates and manages a blend of these sleeves with a view to the portfolio meeting its volatility risk objectives and overlays exchange traded derivatives - both to implement its tactical decisions and to control risk.
- Unlike some, holdings directly linked to the United Nations Sustainable Development Goals (UNSDGs) aren't specifically targeted. Instead, the approach is arguably more flexible, judgemental, and thematic.
- Stocks and corporate bonds are excluded where companies are deemed to have violated one or more of the United Nations Global Compact (UNGC) principles. Manufacturers of alcoholic drinks are also excluded.
- A series of company revenue related exclusions are also applied.
- Companies (equities and corporate bonds) also need to match the characteristics of one of three sustainable categories - solution providers, balanced stakeholders, and transition.
- Some companies that currently have less than desirable ESG related characteristics can still be included.





- For sovereign bonds, countries are assessed against a proprietary matrix that shows a country's sustainability score together with whether the score is stable or has gained positive or negative momentum over the past 5 years. However, unlike some sustainably managed peers, US Treasuries aren't automatically excluded.
- Holdings in other funds, investment trusts, and alternative-type investments are all currently avoided, in part, to help contain portfolio costs.
- The current strategic asset allocation (SAA) is 90% in equities and 10% in bonds. However, there are no formal asset allocation constraints.

constraints.



## Details

This is a global, thematically driven portfolio of equities and bonds where the majority of underlying companies either exhibit sustainable characteristics or have concrete plans to transition towards having more sustainable practices in future.

Unlike some peers, holdings in other funds, investment trusts, and alternative-type investments are all currently avoided, in part, to help contain portfolio costs.

Investments are framed by a series of asset sleeves each of which largely replicates the direct securities held in a chosen in-house sustainably managed fund.

The responsibility for stock selection lies with managers of the in-house sustainably managed funds and the role of the FutureLegacy team is to select which of these funds to replicate in the asset sleeves before deciding how to blend them together to achieve the portfolio's volatility risk objectives. The Future Legacy team then overlays exchange traded derivatives to implement tactical decisions and to control risk whilst avoiding the need to disrupt the underlying securities.

Unlike some, the team doesn't specifically target companies and institutions based upon their activities being directly linked to one or more of the United Nations Sustainable Development Goals (UNSDGs). Instead, the approach is arguably more flexible, judgemental, and thematic.

As with all Newton funds – the company within the BNY Mellon stable in which the FutureLegacy suite and the sustainably managed funds are run – all underlying investments are generally required to adhere to the global themes identified and continuously reviewed by the global analyst team. Thereafter, holdings in sustainably managed funds are also subjected to a series of stricter ESG related exclusions and sustainable category filters.

As a starting point, stocks and corporate bonds are excluded where companies are deemed to have violated one or more of the United Nations Global Compact (UNGC) principles that govern human rights, labour, the environment, and corruption. Manufacturers of alcoholic drinks are also excluded.

A series of company revenue related exclusions then apply. We provide a summary of them below:

- Revenue of > 0% from manufacturing tobacco products.
- Revenue of > 0% from manufacturing controversial weapons such as, anti-personnel mines, cluster munitions, and chemical, biological, nuclear, incendiary, non-detectable fragment, laser, white phosphorus, and depleted uranium weapons.
- Manufacture of alcoholic drinks.
- Revenue of >= 10% from selling tobacco products and products that support the tobacco industry.
- Revenue >= 10% derived from producing adult content or owning or operating adult entertainment venues.
- Revenue >= 10% derived from extracting thermal coal.

Companies (equities and corporate bonds) then also need to match the characteristics of one of three sustainable categories – solution providers, balanced stakeholders, and transition.

Solution providers may already be captured by the long-term growth themes identified by Newton's global analyst team and the products and services of some may also be aligned with the United Nations Sustainable Development Goals (UNSDGs). Examples include, food security, renewables, education, green infrastructure, and the circular economy. At the time of compiling our report c.55% of the portfolio's equities and corporate bonds were assigned to this category. We define these as impact holdings because they're activities are expected to have a material and measurable impact upon society and the planet.



Balanced stakeholders broadly refers to those businesses that can demonstrate good integration of best ESG related practices within their direct operations, supply chains, and overall business strategy. Qualities might therefore include strong management and good governance. Such companies are likely to achieve high ESG scores from external ratings agencies. At the time of compiling our report c.39% of the portfolio's equities and corporate bonds were assigned to this category. We define the process of including these companies as positive ESG integration – where companies displaying positive ESG characteristics are deliberately targeted.

Transition companies are those that can demonstrate their commitment to improving their environmental and social impacts. As such, they're unlikely to be businesses that currently have the most desirable ESG characteristics. In many cases their current valuations might not reflect their plans to transition towards more sustainable practices. At the time of compiling our report c.6.5% of the portfolio's equities and corporate bonds were assigned to this category. We define the process of including these companies as ESG integration – where ESG risks – which in this case includes their likely future trajectory – are understood and integrated alongside an appraisal of financial considerations.

Companies that aren't automatically covered by the above exclusions and that might still prove controversial when passing a sustainability test are then assigned to a precautionary pool for further analysis. Again, we discuss this later in our report. Suffice for now to say that some companies in this category can have less than desirable ESG related characteristics currently but can still be included. Again, we define this as ESG integration.

When it comes to sovereign bonds the sustainability criteria differs from the above. Countries are assessed against a proprietary matrix that shows a sustainability score and whether this is stable or has gained positive or negative momentum over the past 5 years. Original sources for the matrix include the World Bank Worldwide Governance Indicators, Yale University Environmental Protection Index, Transparency International Corruption Index, and MSCI ESG scores. Unlike some sustainably managed peers, US Treasuries aren't automatically excluded – and this has implications for the likely investment journey as we explain later.

For most of the time, currency exposure is likely to reflect the portfolio's asset and geographical composition – with the default position being to hedge all bond exposure back to GBP sterling and to leave the equity exposure unhedged. When looking through to the portfolio's equity holdings this is likely to lead to a relatively large exposure to the US dollar. However, the FutureLegacy team can still adjust the currency exposure by overlaying FX forward contracts when it has strong currency views, but this is likely to prove relatively rare.

Finally, the current strategic asset allocation (SAA) for this portfolio comprises 90% in equities and 10% in bonds. However, there are no formal asset allocation constraints.





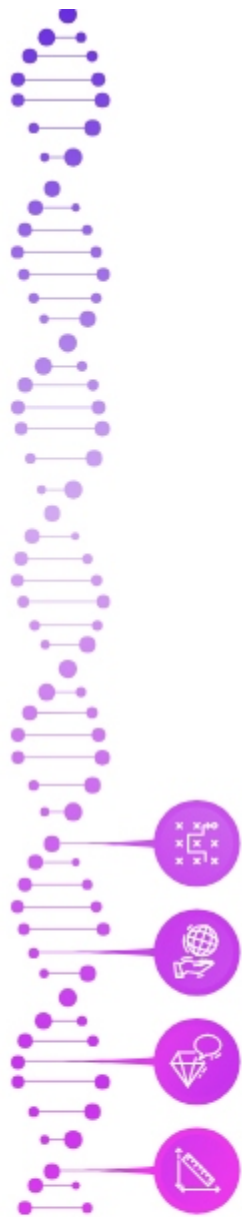
# Approach



## Key notes

- The perspective is global, thematic, collaborative, and unconstrained, with the security selection initially driven by researching the global themes likely to drive markets, industries, and companies over the long term, before being further refined by applying additional sustainability filters.
- Like many peers who aim to maintain returns within different volatility corridors, the strategic asset allocation (SAA) is a key driver of expected volatility – with the SAA designed to target rolling volatility at the mid-point of the relevant Dynamic Planner volatility corridor.
- That said, underlying security selection is deemed to be more important for overall performance – with each asset sleeve aiming to outperform its own benchmark.
- Investing in asset sleeves that are managed in-house provides the team with immediate look-through to the underlying securities – providing greater insight into positioning and underlying risks. This isn't typically the case for those peers who use a fund of funds approach instead.
- The default position is for each asset sleeve to fully replicate the securities held in the relevant in-house sustainably managed fund. However, this won't always be the case.
- Managers of the asset sleeves leverage from a recommended global stock list of around one thousand companies that have been identified by the company's global analyst team and have undergone a four-pillar research process that embraces influencing themes, business models, intrinsic valuations, and ESG issues.
- The depth of research support for responsible investing within the business is encouraging. There is no substitute for doing the hard yards by conducting ESG related research in-house in our view.





- Like many peers, the composition of the SAA is informed by a mean variance optimisation process together with stress testing during historic periods of extreme market stress. However, unlike some, Newton remains in control of the SAA process – thereby avoiding the potential for disagreements over changes being made to the SAA when outsourcing this to a third party.
- Tactical decisions at the sub asset class level are executed somewhat systematically by using exchange traded derivatives and are confined to maintaining, increasing, or decreasing the portfolio’s sensitivity to global equity market returns (its beta) depending on the outlook.
- More intricate tactical decisions at the security level are then undertaken by the managers of the asset sleeves.
- Overall exposure to commodities, basic materials, and traditional energy-related companies is likely to be very low.
- Embedded biases tilt the portfolio in favour of giant and larger sized companies, and a slight tilt towards growth and quality factors. US companies also generally comprise a significant weight within the equity allocation – perhaps 50% or so.



## Details

The perspective is global, thematic, collaborative, and unconstrained, with the security selection for the portfolio’s asset sleeves initially driven by researching the global themes likely to drive markets, industries, and companies over the long term, before being further refined by applying additional sustainability filters.

Like many peers who aim to maintain their portfolios’ returns within different volatility corridors, the strategic asset allocation (SAA) is a key driver of expected volatility – with the SAA designed to target rolling volatility at the mid-point of the relevant Dynamic Planner volatility corridor. However, when it comes to performance, underlying security selection is deemed to be more important – with each asset sleeve aiming to outperform its own benchmark.

Investing in asset sleeves that are managed in-house provides the team with immediate look-through to the underlying securities – providing greater insight into positioning and underlying risks. This isn't typically the case for those peers who use a fund of funds approach. In any case, in our view articulating a consistent sustainable investment philosophy by investing in anything other than a directly invested portfolio is somewhat problematic.

The default position is for each asset sleeve to fully replicate the securities held in the relevant sustainably managed fund – although, holdings that might otherwise be duplicated across sleeves can be aggregated and others can be excluded altogether or reweighted to improve the portfolio's alignment with the volatility corridor.

Newton is well known for its centralised investment research function and its keen focus on identifying themes to help drive security selection. Micro themes might comprise technological, social, or environmental trends for example, whilst macro themes tend to be more geopolitical or related to the broader economy. For context, in 2022 micro themes included the Internet of things, smart everything, tectonic shifts, picture of health and natural capital, whilst macro themes included, China influence, financialisation, and great power competition.

In addition, Newton's sustainably managed portfolios are also subjected to the ESG related exclusions and sustainability filters that we outlined in the previous section.

One key to understanding some of the main differences between Newton and its peers, and therefore this portfolio and its peers, is to appreciate how research is organised and accessed across the business, because it is this that offers its portfolio managers some interesting potential advantages.

Research carried out by the global analyst team is pooled and distilled into a recommended list of around one thousand global companies. The list is hosted on an internal platform to which all portfolio managers have access and can select from to build their portfolios.

All companies undergo a four-pillar research approach with the aim of uncovering the themes that influence them, their business models, their intrinsic valuations, and their environmental, social and governance issues – with the results then translated onto one-pager company research notes. The research is filterable and includes other materials that can influence stock selection decisions and position-sizing, including, scores that aim to reflect the extent to which company business models resonate with the identified global themes, internally assessed ESG scores, potential upside performance to price target information, factor analysis, performance characteristics, how long it might take to build a meaningful stock position, as well as the usual stock performance metrics. Further sources to assist portfolio managers when making 'suitable for sustainability' decisions include a responsible investment App that combines externally sourced and in-house ESG related data into one place, an ESG materiality matrix that highlights how impactful ESG different related risks are across 85 industry types, and the availability of a responsible investment adviser who can assist with decision making.

Whilst identifying ESG related risks in companies already forms part of the four-pillar research process, the sustainable characteristics of the FutureLegacy Funds are further enforced by applying the criteria we discussed in the previous section, namely the exclusionary criteria, referencing the sustainability matrix for sovereign bond exposure, and by matching securities against the solution providers, balanced stakeholders, and transition, sustainable categories. We translate all of this to mean that the portfolio blends the following types of companies: Those that deliver products and services that have a positive and material impact upon society and the environment, those that generally have well rounded, positive ESG related risk characteristics including good governance procedures, for example, and those that are on a pathway towards having more sustainable practices but aren't quite there yet. Finally, companies that do the most harm in ESG terms are automatically excluded. However, there is still scope to include companies that might currently have less desirable ESG characteristics.

The depth of research support for responsible investing within the business is encouraging. There is no substitute for doing the hard yards of conducting ESG related research in-house in our view. Relying too heavily upon external ESG ratings agencies as some others do raises a number of issues – not least the timeliness of the data used to produce the ratings and the fact that rating reviews on a given company can differ wildly.

The approach is more collaborative than having a centralised research platform might suggest, with individual portfolio managers – such as those responsible for the company's sustainably managed funds (and therefore the asset sleeves in the FutureLegacy Funds) liaising directly with the global analyst and bond teams, as well as conducting their own independent fundamental research. All decision-making on investment selection, portfolio construction and position sizing, then rests with the relevant portfolio managers having considered, amongst other things, the views of the strategic asset allocation group. The role of the FutureLegacy team is then to select which of these funds to replicate in the asset sleeves before deciding how to blend them together to achieve the portfolio's volatility risk objectives – again having taken reference from the views of strategic asset allocation group. The process is primarily a qualitative based one. The interaction between the strategic asset allocation asset allocation group, the managers of the asset sleeves, and the FutureLegacy team is therefore circular – with each party pulling in the same direction.

The method of arriving at the SAA is like that used by some peers, but with nuances. A mean variance optimisation tool is fed by 10-years of volatility and correlation data covering a suite of asset classes to arrive at their covariances of returns. Inputting the future return assumptions for each asset class then helps to point the optimiser towards the optimum mix of asset classes required to achieve the portfolio's desired level of volatility. The model's output is then stress tested to cross-validate the make-up of the initial SAA by using stochastic modelling to test approximately 100 different portfolios over a 10-year history – and more specifically during historic periods of extreme market stress. The process is intended to help ensure that each portfolio in the suite offers a volatility profile that is consistent with its intended volatility corridor.



The key takeaway for us is that Newton remains in control of the SAA process. As those of you who read our research will know, we're not fans of fund managers who effectively outsource the composition of their SAAs to a third party. It can cause problems when managers are forced into making changes that they might disagree with when a third party reviews and then alters the SAA.

We're also supportive of a potential future tweak to the existing SAA process outlined above. Newton is examining the possibility of extending the dataset used in the mean variance optimisation process beyond the 10 years mentioned earlier, and selectively reweighting the importance of some of the data to emphasise those periods that most resemble its current macroeconomic outlook. Whilst this might sound complex to some, the bottom line is that this ought to lead to the actual (realised) volatilities of the FutureLegacy portfolios being more in line with their intended volatility corridors. We note that this hasn't always been the case for some peers.

Having taken its cue from the macro insights gleaned by the Newton Tactical Asset Allocation Group whilst managing its own centralised model portfolio, the FutureLegacy team then applies tactical tilts either side of the SAA to help steer the portfolio through the investment cycle. Tactical decisions at the sub asset class level are then executed somewhat systematically by using exchange traded derivatives and are confined to aiming to maintain, increase, or decrease the portfolio's sensitivity to global equity market returns (its beta) depending on the outlook. Exchange traded futures on key regional equity market indices are executed in proportion to their compositions within the MSCI World Index. Put simply, by buying futures the team aims to participate in any upside in global equity markets, and by selling futures it aims to provide protection in the event that global equity markets fall.

Deploying derivatives to manage beta does sit outside of what is strictly sustainable in ESG terms in our view. However, their use does improve the efficiency of making tactical changes at the top level when compared to the alternative of continuously altering the target allocations to the underlying asset sleeves. They also help to keep trading costs low.

Tactical deviations from the SAA of up to +/-5% might normally be expected to keep the portfolio's return comfortably within the volatility corridor – although there will be exceptions. During periods of extreme market stress, the team might decide to defend against downside risk by deliberately steering the portfolio's volatility below that of the volatility corridor's lower threshold. However, this is likely to prove exceptional and temporary – with the key focus being on maintaining the portfolio's longer-term volatility within the corridor.

More intricate tactical decisions at the security level are of course undertaken by the managers of the asset sleeves.

Overall, the sustainable focus means that the portfolio's exposure to commodities, basic materials, and traditional energy-related companies is likely to be very low.

In terms of style, capitalisation size, and geography, the tendency is to invest higher up the capitalisation scale when compared to some peers by holding giant and larger sized companies, and for there to be a slight tilt towards growth and quality factors. US companies are also likely to comprise a significant weight – perhaps 50% of the equity allocation – with the likelihood of a relatively low single digit exposure to the UK. All of this has implications for the investment journey, as we explain later.



# Investment Journey in detail



## Details

With tactical positioning using derivatives to enhance or lower the portfolio's sensitivity to global equity markets dependent upon the view of the wider economic backdrop, mistiming these tactical changes poses the greatest potential risk to the portfolio in relative terms.

Whilst themes like the ones identified by the global analyst team can sometimes have a tailwind of momentum behind them, the portfolio avoids short term fashions and is unlikely to get caught up in speculative themed bubbles – especially those that are led by a small cohort of companies. It's therefore likely to lag those passive peers that are less conscious of valuations during periods like these when market momentum is strong.

The focus on fundamentals means that the portfolio's chances of success relative to those volatility corridor peers that are predominantly passive improve during periods where there is greater dispersion in the returns between individual stocks and between different industrial sectors. These conditions tend to favour skillful stock pickers, rather than passive investors.

The research process leads to a combination of both growth and value style characteristics, but the sustainable focus should in our view tilt the balance marginally in favour of the growth style and towards businesses with quality characteristics. Other embedded biases include a leaning towards giant and larger sized companies, the likelihood of a greater exposure to US companies when compared to some and an accompanying bias towards the US dollar.

So, what does all this mean?

Whilst the combination of a quality bias and exposure to giant and larger sized companies should help to provide some resilience during poor market conditions, a growth style bias can lead to a deeper drawdown when an asset bubble bursts because 'growth' companies are deemed to be generally more expensive, and therefore have farther to fall. We might therefore expect these two 'opposing' forces to balance themselves out, but for the portfolio still to lag its more value-style oriented peers – and potentially those that have a focus on income – when an asset bubble bursts. However, the portfolio's drawdown is still likely to prove shallower when compared to those peers that have a far more pronounced growth style bias. Some sustainably managed multi asset peers might fall into this camp. And, unlike some of these peers the portfolio can invest in US Treasuries, which some view as being able to provide a relatively safe haven when asset markets slide.



Initially, as markets regain their poise after an asset bubble bursts, we might expect portfolios that exhibit the value style, and those that place greater emphasis on income and smaller sized companies to take the lead in performance terms. The portfolio may not keep up with them during this phase, but it still ought to have a stronger tailwind behind it than those that have a more pronounced growth style.

We might point to a potentially similar outcome to the above in the event that expectations for rising levels of inflation ignite. The portfolio is likely to have low levels of exposure to commodities, basic materials, and traditional energy-related companies – all businesses where the impact from inflated costs can contribute towards and therefore provide some level of protection to investors in a more inflationary environment. A more value-driven style tends to do better under these conditions and those peers that don't follow a sustainable investment approach are less likely to face the same headwinds.

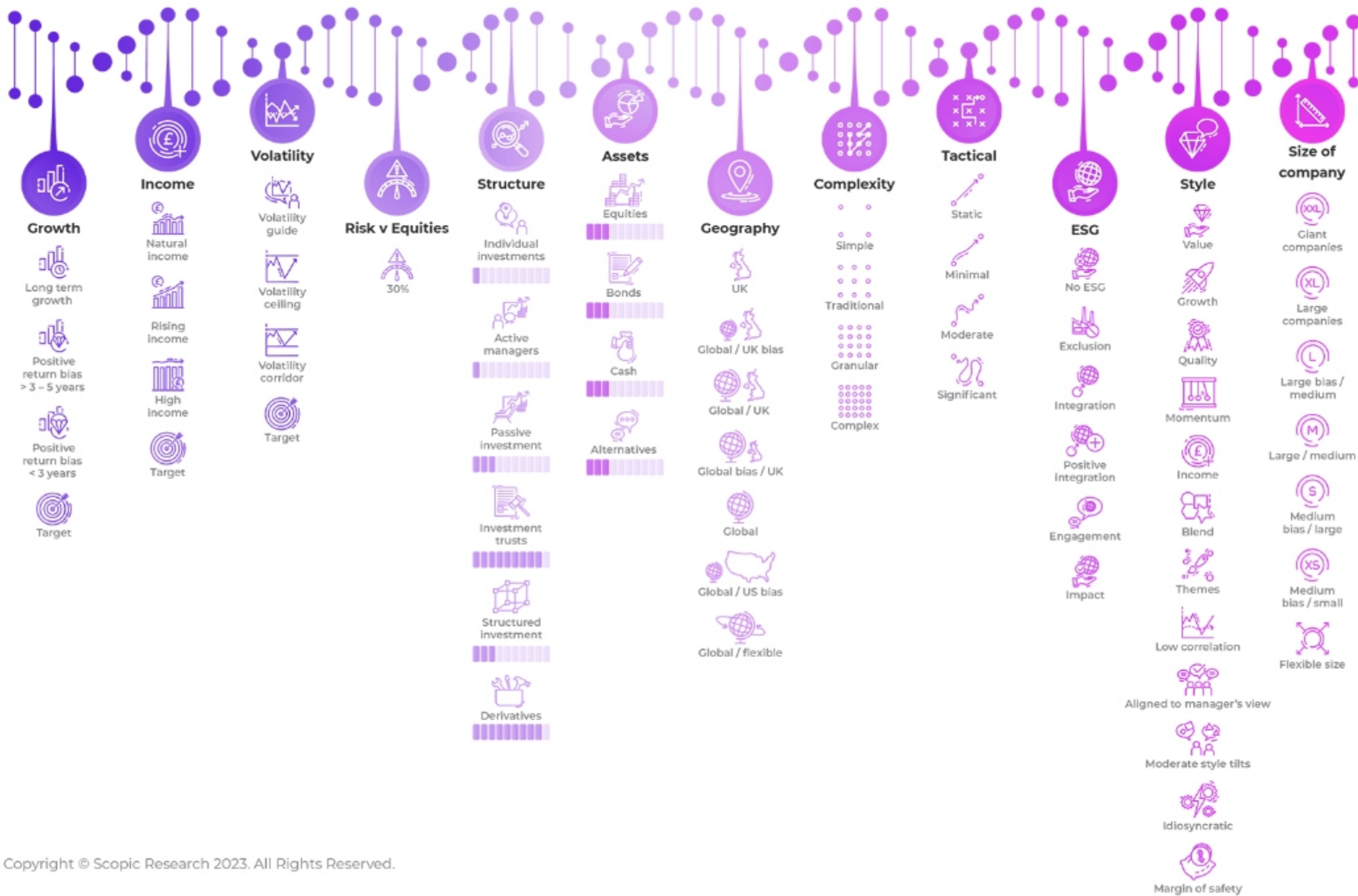
As the investment cycle moves on and expectations for economic growth slow, or when the final stage in the economic cycle begins to become elongated, investors tend to seek out companies that are likely to grow their earnings more quickly than others. Under these conditions the portfolio is likely to do relatively well. This is likely to continue up until the point when markets become over exuberant and more speculative. As we pointed out earlier. The portfolio is unlikely to participate in speculative bubbles.

In terms of geography, the likelihood of a US equity and US dollar bias means that the portfolio will have a tailwind behind it when both these factors are outperforming their equivalents in other markets. Periods characterised by UK equities and GBP sterling outperforming are likely to prove less favourable.

Finally, we should measure success in terms of each portfolio in the suite maintaining its own distinct volatility profile relative to the others, and in generating good risk-reward characteristics in relation to both its own strategic asset allocation and those in the peer group that aim to adhere to a similar volatility temperature.

# Multi Asset Universe DNA

This represents the full pallet of DNA options for portfolios in the multi asset universe.



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Multi Asset DNA Reports from Scopic Research like this one aim to help professional intermediaries with own their investment due diligence when researching and recommending multi asset investment solutions to their clients. They should therefore only be relied upon by professional intermediaries.

The opinions expressed in this report are those formed by Scopic Research and don't represent investment advice or a recommendation to invest in a particular multi-asset portfolio. Scopic Research doesn't give investment advice. Past performance isn't a guarantee of the returns that might be achieved in the future and investment returns can be negative as well as positive.

The depiction of the portfolio's unique DNA is based upon the portfolio's embedded biases as identified by Scopic Research. The DNA isn't meant to reflect the portfolio's current positioning, but rather what we might expect on average over the long term.

The DNA can have implications for client suitability and the likely investment journey. However, users of the report should be aware that portfolio managers can sometimes seek to negate or reduce the impact of embedded biases. If this happens then performance can be different from what we might otherwise expect.

The depiction of the DNA and the likely investment journey text in this report constitutes the best efforts of Scopic Research to guide intermediaries on what they might expect from a portfolio's performance in broad relative terms under different market conditions. However, it isn't a prediction of the strength of performance and can't be guaranteed.

The key notes shown in the suitability section of the report are merely for professional intermediaries to consider alongside other factors. They are not personalised and client suitability rests solely with the professional intermediary.

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Multi Asset DNA Reports on a large number of portfolios from different fund groups, together with a unique Portfolio Blending Tool, can be found by professional intermediaries logging on to the Scopic Research website at [www.scopicresearch.co.uk](http://www.scopicresearch.co.uk).