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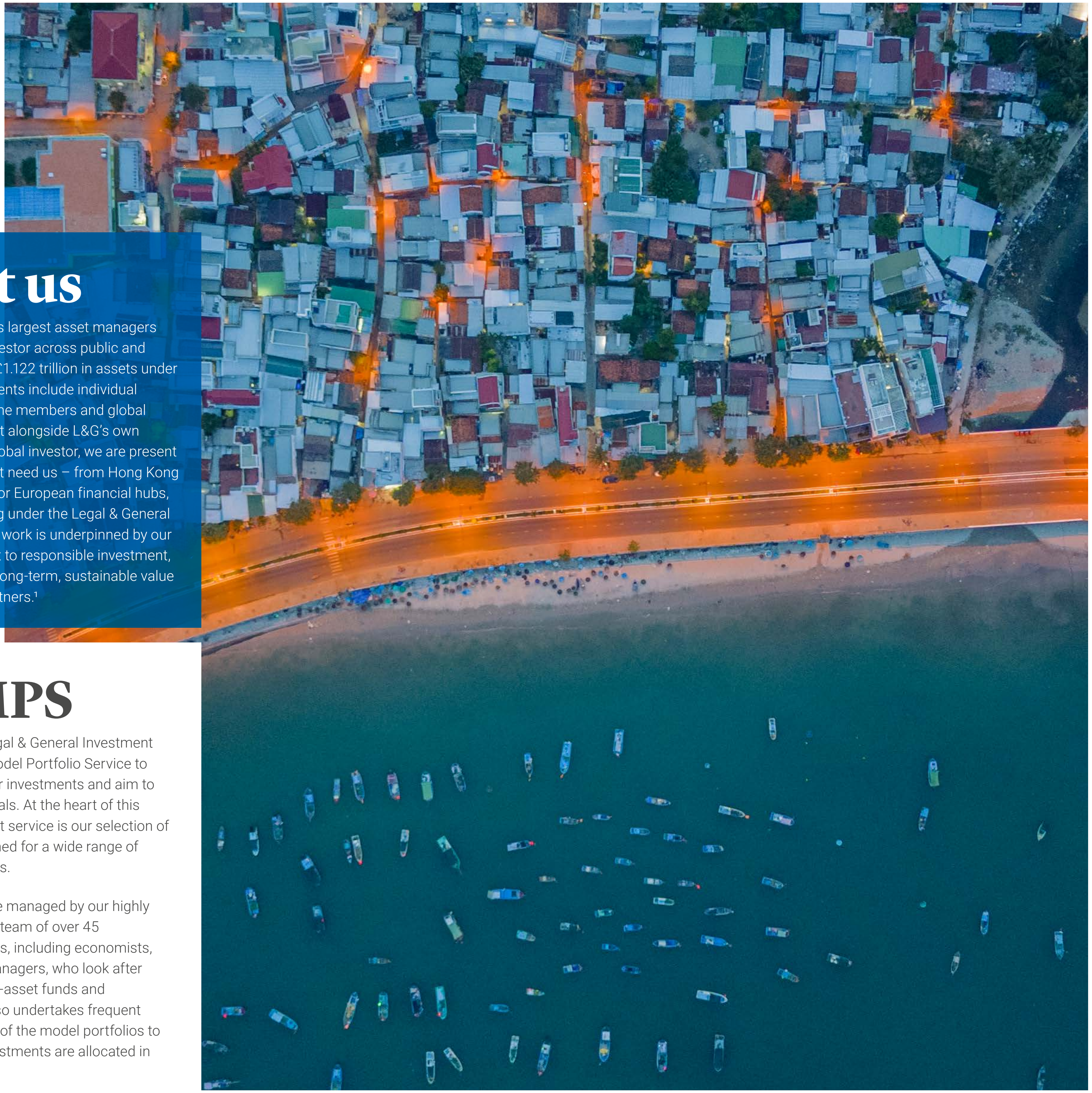
Trust through partnership

LGIM's Model Portfolio Service

LGIM



About us

We are one of Europe's largest asset managers and a major global investor across public and private markets, with £1.122 trillion in assets under management.* Our clients include individual savers, pension scheme members and global institutions, who invest alongside L&G's own balance sheet. As a global investor, we are present where our clients most need us – from Hong Kong and Singapore, to major European financial hubs, to Chicago – operating under the Legal & General and LGIM brands. Our work is underpinned by our enduring commitment to responsible investment, dedicated to creating long-term, sustainable value for our clients and partners.[1]

Our MPS

We have created the Legal & General Investment Management (LGIM) Model Portfolio Service to help investors grow their investments and aim to meet their long-term goals. At the heart of this discretionary investment service is our selection of model portfolios, designed for a wide range of investors and their needs.

Our model portfolios are managed by our highly experienced and expert team of over 45 investment professionals, including economists, strategists, and fund managers, who look after over £89 billion[1] in multi-asset funds and portfolios. This team also undertakes frequent reviews and rebalances of the model portfolios to ensure your clients' investments are allocated in line with expectations.

1. Source: Legal & General internal data as at 30 June 2024. The AUM disclosed aggregates the assets managed by LGIM in the UK, LGIMA in the US, and LGIM Asia in Hong Kong (2018-2019 only) and LGIM Singapore from July 2023. Excludes assets managed by associates (Pemberton, NTR, BTR).
2. Source: According to NextWealth, the average MPS fee in Q1 2024 was 20bps: MPS Proposition Comparison Report Asset update – June 2024, https://www.nextwealth.co.uk/research/mps-asset-update-2024/

Five reasons to partner with us

1. **Asset allocation** – We believe that asset allocation is key to driving long-term returns and that our size and scale is a significant advantage in multi-asset investing as it allows us to access potential opportunities across the full breadth of the investment universe. Fund selection is also integral to our process, and we have a dedicated fund research group who cover both public and private market assets.

2. **Cost-effective without compromise** – Starting from only 6bps DFM fee, we offer competitive pricing for model portfolios without compromising on service or quality.[2] Your clients get access to diversified portfolios, with dynamic asset allocation and active manager selection.

3. **A variety of portfolios for different client needs and risk appetites** – Our model portfolios are managed across seven different risk profiles. The portfolios are mapped to the Dynamic Planner and Defaqto risk profiles. Other risk profilers are available upon request.

4. **A proven track record in multi-asset investing and manager selection** – We manage over £89 billion in multi-asset strategies[2] using tried and tested asset allocation and fund selection processes to select in our view, the very best active managers the very best active managers in areas we see active management to be rewarded. This includes our Multi-Index funds, our flagship multi-asset offering for financial advisers and wealth managers.

5. **ESG** – At LGIM, our purpose is to create a better future through responsible investing. This is why we seek to use our size and influence to bring about real, positive change in companies by seeking to raise standards across entire markets and sectors. In interactions with companies and regulators, we continually push for positive change on a broad sweep of areas including climate change and diversity.

A partnership: how we can support you

We believe financial advisers have unparalleled knowledge of their clients' needs. That is why with our Model Portfolio Service, you retain the relationship with your clients. This means we do not contact them directly, and we only liaise with you when it comes to matters to do with our service. While we think this is in the best interest of you and your clients, it is important to remind you of some of your key responsibilities under this model, as these may change depending on the provider and their processes.

By recommending a client to invest in one of our model portfolios, you become an 'agent as client' and we will view you as our client.

We seek to provide excellent support for your conversations with your clients through regular communications and an interactive digital hub. These include adviser and investor brochures, monthly factsheets, quarterly reports, MPS videos, interactive MPS tools, rebalancing documents, consumer duty information, as well as a weekly email to outline what we are seeing within the market.

This means we will contact you, not the end investor, for updates including regular reports. You will remain responsible for how your clients invest their money and the suitability of any decisions.

Why partner with us now?

- Increasing regulatory pressures with the introduction of consumer duty
- Navigating markets remains complex and ever changing
- Increasing client demand for advice
- Advisers are increasingly under time pressure and in need of efficiency gains

How can we help your business?

We are proud to offer a suite of core model portfolios and award-winning multi-asset funds, but we also understand that a tailored approach is sometimes more suitable for certain clients. In these circumstances, we can partner with you to create a bespoke set of portfolios and support that meet you and your clients' specific needs. We offer a broad range of solutions that can be tailored to suit your unique circumstance, from support around strategic asset allocation and portfolio construction to fund research input, platform implementation, and regulatory guidance.

Testimonials from two bespoke partnerships

Chris Bryans, Senior Partner at Richmond wealth:
"The partnership is good news for our clients, who will benefit from LGIM's scale and model portfolio investment expertise, targeting returns in line with their risk and investment goals. It will also help Richmond Wealth focus on client service by outsourcing reporting and risk functions, while also benefitting from LGIM's data and insight."

Dorian Squires, Investment director at Apollo Investment Management:
"This partnership has real benefits in efficiency making things much more scalable. In addition, the symbiotic relationship with the wider LGIM research capabilities allows for a much wider range of levers that can be pulled within the portfolios to seek to enhance returns for the end investor."

What does a partnership look like in practice?

Each partnership is unique, but we follow a five-step process to launch each new mandate.

Stage 1:
Initial consultation

We want to find out as much about your business as we can. We want to understand any areas of inefficiency and risk within your business and how we can use our capabilities to mitigate these.

This initial process includes a deep dive into the following:

- Your current investment philosophy
    - Passive versus active considerations
    - Home bias preference within equity markets
    - Approach to asset allocation changes
    - Preferred fund managers
    - Any asset class exclusions
    - ESG/Income considerations
- How you practically manage portfolios
- How you risk map clients to portfolios
- The platforms you'd require access to
- Cost ceilings
- Expectations for an ongoing partnership

Stage 2:
Setting the mandate

Once we have understood your existing investment solution and what you are looking to achieve, we will create a mandate document that covers what both parties are expected to contribute to the partnership and how we can support each other. This will define how we both contribute to the investment process and how the portfolios and ongoing support will be structured.

Stage 3:
Portfolio construction

Following the mandate agreement, our team will bring together various aspects of LGIM's business to produce portfolios that fit the solution you are looking to achieve. We are looking to find ways of adding value without eroding what makes your current investment solution unique and resonates with your clients. This is an iterative process, where we constantly work with you to build a set of portfolios that fit with both the ethos of LGIM and your firm.

At this stage, we will also create additional support documentation that can be co-branded with your firm and LGIM as a partnership.

Stage 4:
Launch

After the portfolios are finalised, they will be available on your chosen platforms for your clients to invest in. We can also use this opportunity to showcase and train your broader adviser and support team in the benefits of the partnership portfolio solution for your business.

This will include sharing practical perspectives on the administrative efficiency improvements of moving to a discretionary option and how the rebalancing process works in practice. It can also include further training for your advisers and support team, whether that be from our fund managers who can demonstrate how we have helped put together your portfolios, or a presentation from one of our strategists or fund managers on where we are currently seeing opportunities.

This is intended to create a seamless transition for your business with buy in across all business segments.

The first four stages are just the start of the partnership.

Stage 5:
Ongoing monitoring

We look to build a solid relationship and navigate financial markets together over the long term. This may include evolving and developing elements of the portfolios and support we provide as your business grows and your requirements change.

Our role as the discretionary fund manager includes the following:

- Regular review and portfolio rebalance
- Implementation of medium-term investment views
- Ad-hoc switches should market conditions change
- Fund review and monitoring
- Update on macroeconomic conditions to both your advisers and clients where required
- Frequent update to your investment committee
- Continued literature support including factsheets and other documents as required
- Access to support from our wider business including marketing, solutions, and our wider investment team

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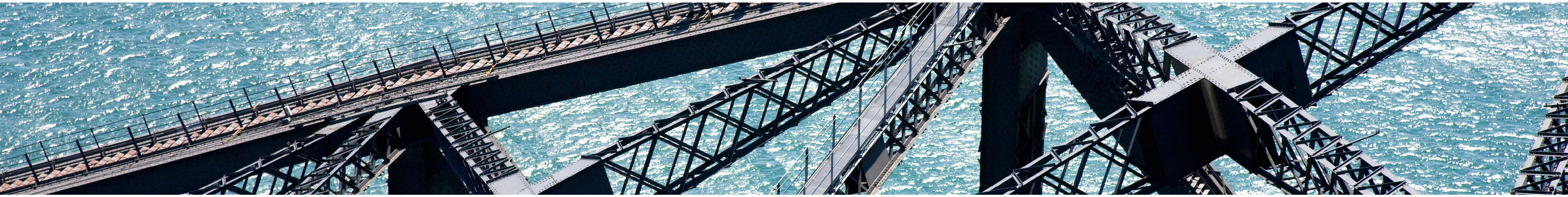
Case studies

	Background	Partnership	Outcome
Example 1 Our asset allocation, your building blocks	This particular financial adviser firm had been thinking about outsourcing their investment proposition, as they looked to grow their firm and focus on what they'd preferred – building strong relationships with the end clients. Their investment philosophy reflected a balance between active and index building blocks, diversified across different asset classes. The adviser had a relationship with LGIM through the index building blocks and approached LGIM to discuss taking on their investment proposition, designing an investment solution that was consistent with their investment philosophy.	As part of the initial stage, we discussed the client's overall investment philosophy and broad parameters. This included the range of risk levels per portfolio all the way to the split between active and index building blocks. The client had a list of building blocks that they wanted to be included in the portfolios. As part of the initial stage, we reviewed these as part of our manager research process and also considered how they would fit in the overall asset allocation, considering the factor biases that the building blocks had. We met with the client to finalise the portfolios before launch. Once the portfolios were launched, the joint investment committee met on a quarterly basis, which discussed potential changes to the portfolios ahead of a rebalance. Following the investment committee, we agreed any follow ups, portfolio switches, and implementation changes across portfolios using our discretionary permissions to simultaneously rebalance all clients. We then issued new factsheets and any other additional literature to use with clients.	This client was able to achieve their stated outcome: outsourcing their investment proposition to a trusted partner that enabled them to focus on scaling their business, while remaining close to the investment decisions. The designed portfolios met their investment principles, which enabled them to explain these portfolios easily to their clients.

	Background	Partnership	Outcome
Example 2 Fully bespoke solution	An adviser firm that had an existing relationship with LGIM was looking to launch their own set of investment portfolios at the new firm they were setting up. They had managed a set of advisory portfolios for their client bank for many years, and felt this was a key component of their offering to their clients. However, they also realised the administrative burden and additional risk taken on from managing these portfolios on an advisory basis. They felt as though the additional oversight and efficiencies from partnering with LGIM would improve client outcomes, while the flexibility offered ensured the unique style of their offering wasn't eroded.	The initial stage was to set out the investment philosophy and what the client was looking to achieve. This included reviewing the selection of funds that the adviser was looking to hold within the portfolios as well as reviewing the overall asset allocation. We then looked to suggest additions to the portfolio that we believed could increase risk-adjusted returns both on an asset class level as well as individual securities. Once the portfolios were launched, the joint investment committee met on a quarterly basis. Ahead of the meeting both parties shared notes on changes in the macro environment, performance commentary, and suggested switches within the portfolios. This provided us with the opportunity to research any new switches and provide informed views with support from our team of strategists, economists, and wider investment team. Following the investment committee, we agreed any follow ups, portfolio switches and implementation changes across portfolios using our discretionary permissions to simultaneously rebalance all clients. We then issued new factsheets and any other additional literature to use with clients.	Our client was able to reduce risk and improve efficiencies without losing the unique aspect of their business.



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	Background	Partnership	Outcome
Example 3 Blending Multi-Asset Funds	The client currently runs a range of portfolios that blended multi-asset funds. The client was looking to retain their current blend of multi-asset funds, which reflected their investment philosophy, and to work with a discretionary fund manager to run the portfolios on a co-manufactured basis. As part of the partnership, the client wanted to retain involvement in the selection of multi-asset funds. The client has an existing relationship with LGIM through their use of the L&G Multi-Index Funds.	As part of the initial stage, we discussed the client's overall investment philosophy and broad parameters. We discussed the blend of multi-asset funds and whether there were any funds that could be replaced if they were found to be similar. We also discussed specific multi-asset beliefs (e.g. market capitalisation, active asset allocation) to ensure that the overall blend reflected these strategies.	Through the design of the blend of multi-asset funds, we were able to offer a range of portfolios that met the client's needs but at a lower overall cost.
		We established a bi-annual investment committee to discuss the portfolios and any potential changes ahead of a rebalance. Following the investment committee, we agreed any follow ups, portfolio switches, and implementation changes across the portfolios using our discretionary permissions to simultaneously rebalance all clients. We then issued new factsheets and any other additional literature to use with clients.	

Case studies shown for illustrative purposes only. The above information does not constitute a recommendation to buy or sell any security.

Contact us

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

Key risks

The value of an investment and any income taken from it is not guaranteed and can go down as well as up, and the investor may get back less than the original amount invested. Past performance is not a guide to the future.

The Portfolios invest directly or indirectly in bonds which are issued by companies or governments. If these companies or governments experience financial difficulty, they may be unable to pay back some or all of the interest, original investment or other payments that they owe. If this happens, the value of the Portfolios may fall. Investing in other funds or portfolios indirectly that hold bonds and property that are traded through agents, brokers or investment banks or directly between buyers and sellers makes them less easy to buy and sell than investments traded on an exchange.

In exceptional circumstances the Portfolios may not be able to sell its holdings in other funds and may defer withdrawals, or suspend dealing. The Directors can only delay paying out if it is in the interests of all investors and with the permission of the Portfolios' depositary.

The Portfolios could lose money if any institution providing services such as acting as counterparty to derivatives or other instruments, becomes unwilling or unable to meet its obligations to the Portfolio. Derivatives are highly sensitive to changes in the value of the asset on which they are based and can increase the size of losses and gains.

The Portfolios may have underlying investments that are valued in currencies that are different from sterling (British pounds). Exchange rate fluctuations will impact the value of your investment. Currency hedging techniques may be applied to reduce this impact but may not entirely eliminate it. Investment returns on bonds are sensitive to trends in interest rate movements. Such changes will affect the value of your investment.

Some Portfolios invest in countries where investment markets are considered to be less developed. This means that investments are generally riskier than those in developed markets because they: (i) may not be as well regulated; (ii) may be more difficult to buy and sell; (iii) may have less reliable arrangements for the safekeeping of investments; or (iv) may be more exposed to political and taxation uncertainties.

The value of the Portfolio can go up or down more often and by larger amounts than funds that invest in developed countries, especially in the short-term.

Important information

The information in this document is for professional investors and their advisers only. This document is for information purposes only and we are not soliciting any action based on it. The information in this document is not an offer or recommendation to buy or sell securities or pursue a particular investment strategy and it does not constitute investment, legal or tax advice. Any investment decisions taken by you should be based on your own analysis and judgment (and/or that of your professional advisors) and not in reliance on us or the Information.

Code D008982

This document does not explain all of the risks involved in investing in the fund or investment strategy. No decision to invest in the fund or investment strategy should be made without first reviewing the prospectus, key investor information document and latest report and accounts for the fund, which can be obtained from https://fundcentres. lgim.com/.

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