

# MANAGED PORTFOLIO SERVICE

We offer a broad range of investment portfolios that are managed by highly respected and experienced fund managers. The portfolios are designed to help you reach your financial goals by:

- Providing diversification across a range of different funds, fund managers, geographical regions and asset classes
- Day-to-day investment decisions being made on your behalf
- Enabling you to choose the portfolios that suit your attitude to risk, investment objectives and time horizons
- Allowing you to switch between Growth, Income and Dynamic Beta portfolios as your risk profile and objectives change while you accumulate wealth and then take income in your retirement
- Using a rigorous investment process to seek to deliver the outcome you expect based on your particular appetite for risk

# Reaching your financial goals

We all have financial goals that we want to reach at different stages of our lives. These goals may be buying a new car, our dream home, paying school fees or securing sufficient income to provide us with a comfortable retirement.

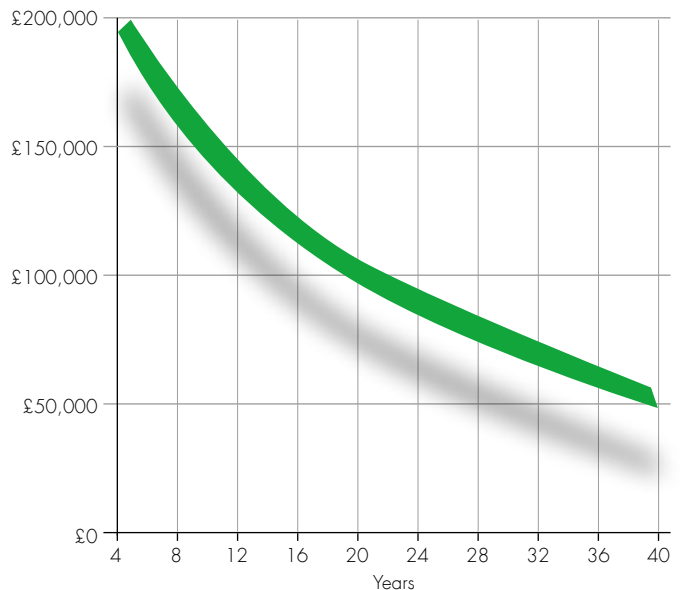
Achieving these objectives usually requires us to make investments, including in stock markets, so that we can try to grow our savings at a faster rate than inflation. Stocks and shares have a good record of generating such real returns over the long term.

While inflation has averaged around 5.5% since 1962, from its inception in the same year the FTSE All-Share index (a good proxy for the UK stock market) has returned an average of 7.0%, **although please note that past performance is not a guide to future performance.**

The investment decisions you make will be determined by a number of factors. Two of the most important are your attitude to risk and the returns you need to generate to reach your goals. We start by looking at risk.

## Impact of inflation

Today's money

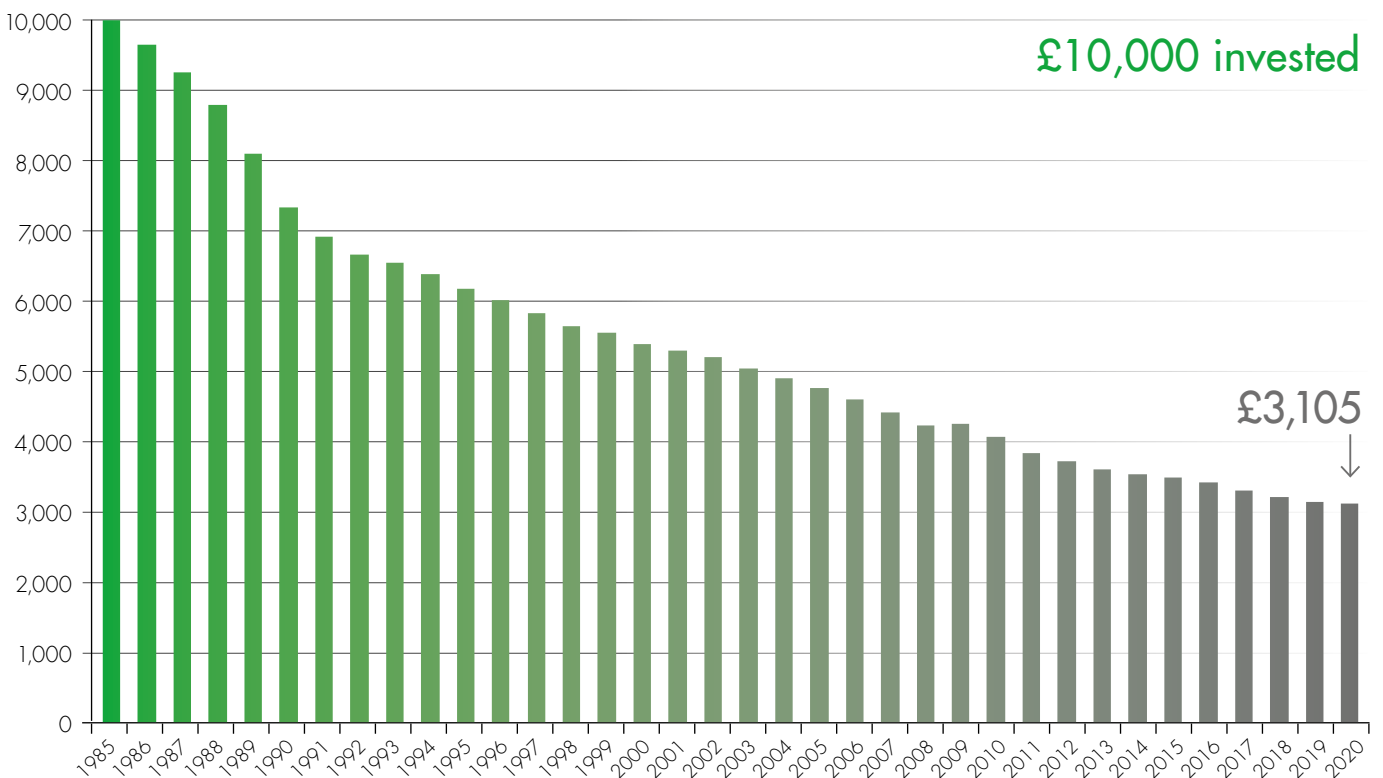


Source: ONS

## Are you taking appropriate risk with your investments?

The real value of your savings can be reduced if you are not generating a return greater than the rate of inflation. This is shown in the following chart:

### UK inflation over 35 years



Source: Morningstar. Annual % change in Retail Price Index 31.12.85 to 31.12.20.

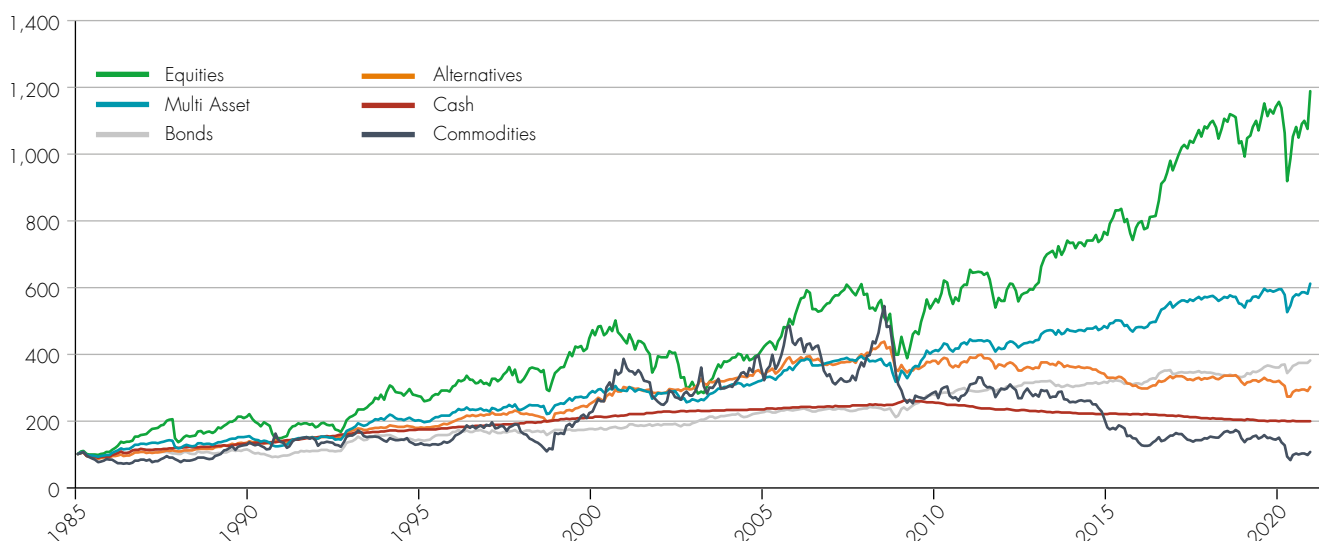
# Over the long term, investing in the stock market and other asset classes can grow your investments above inflation:

## FTSE 100 Total Return versus UK Retail Price Index



Source: Morningstar. FTSE 100 Total Return versus UK Retail Price Index, monthly from 31.01.87 to 31.12.20.

## Multi-Asset returns versus individual asset classes



Source: Morningstar, Liontrust, monthly asset class returns, January 1985 to December 2020.

Past performance is not a guide to future performance, investments can result in total loss of capital. Please refer to the Key Risks section for more information.

## How do you decide on how much risk to take?

It is beneficial to answer a number of key questions before you make an investment. These include what are your investment objectives, what is your time horizon and what is your risk profile?

The first two questions tend to be easier to answer than the last one largely because risk is hard to quantify as it is a subjective measure. Ultimately, the level of risk you are prepared to take often comes down to whether you can sleep at night without worrying about whether your investments are losing money. One way this can be expressed is in terms of how much capital you are prepared to lose during any 12-month period and how much capital you are willing to lose over the length of time you will be

invested, in other words your capacity for loss. The longer the time horizon for investment, the greater the level of risk you can potentially take.

It is equally important to consider the amount of risk you need to take to achieve your investment objectives within your chosen time frame. Take too little risk and you may not reach your goals.

Choosing a risk profile, therefore, involves targeting sufficient risk to achieve your investment goals but also ensuring this level does not exceed your risk tolerance.

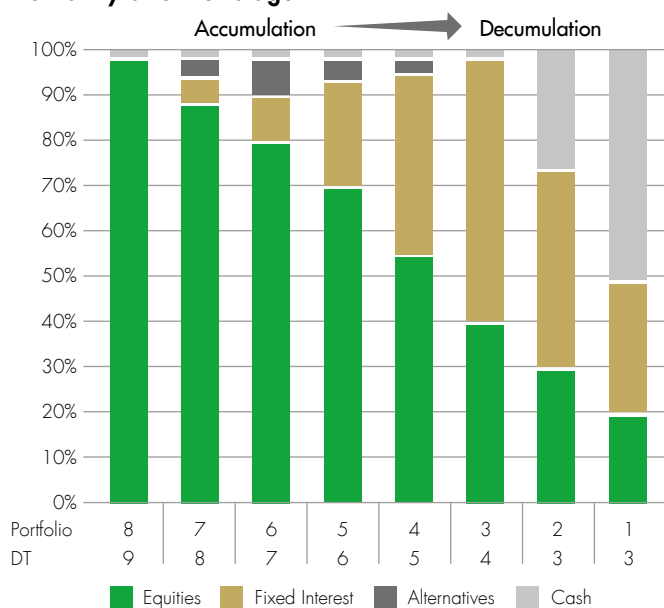
# Risk and MPS Portfolios

Each of the portfolios managed by Liontrust within the Managed Portfolio Service (MPS) has a distinct risk profile that is expressed in terms of target volatility. Simplistically, volatility measures the fluctuations in returns of the underlying assets. If the price of a share or market fluctuates rapidly in a short space of time, they are judged to have a high level of volatility. If the prices fluctuate slowly over a longer time span, they are deemed to have low volatility. The higher the levels of risk or volatility for a portfolio usually imply the potential for a higher return and a higher level of risk to your

capital risk especially over the short term. Our portfolios have two main objectives. The first is to target the outcome you expect in terms of the level of risk taken by each portfolio, as measured by volatility. This enables you to match the appropriate portfolio to your particular risk profile.

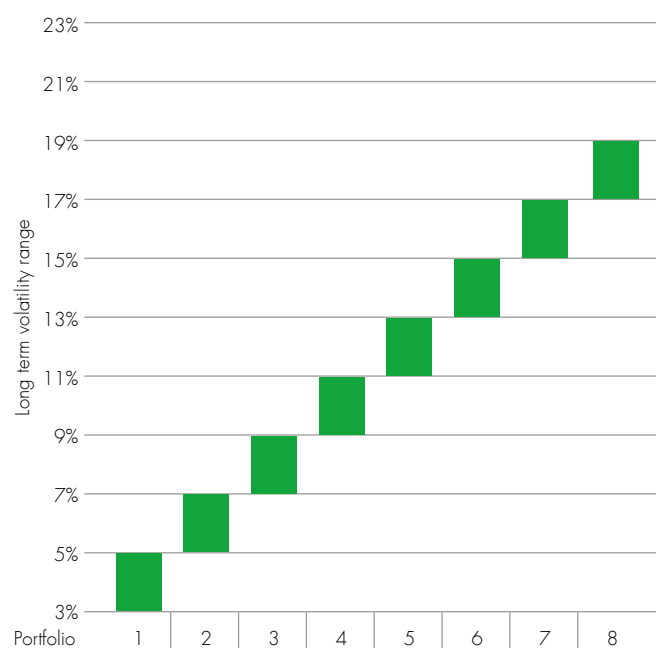
The second objective is to maximise the returns delivered by each portfolio within their targeted risk parameters.

## Flexibility at either stage



Distribution Technology (DT) is an independent risk rating service. The company trades under the name Dynamic Planner and further details can be found on its website, [www.dynamicplanner.com](http://www.dynamicplanner.com). This chart is for illustrative purposes only and does not necessarily reflect the current positioning of the MPS portfolios.

## Risk profiles, or long term portfolio targeted volatility ranges



Source: Liontrust, 31.12.19

## How the MPS Portfolios can help you

The MPS is suitable for different types of investors because it offers a broad range of target risk portfolios providing access to growth and income and a combination of both.

You can switch between Growth, Income and Dynamic Beta portfolios as your risk profile and objectives change. You can stay within our Service as you accumulate wealth during your working life and then when you want to take out income during your retirement.

As multi-asset portfolios, they are diversified across many different funds, fund managers, geographical regions and asset classes (such as equities, fixed income, cash and commodities). Our multi-asset managers choose 20 to 30 funds for each portfolio from the thousands of funds available and then monitor them on an ongoing basis so you do not need to. The portfolios are run by Liontrust's experienced Multi-Asset team, headed up by

John Husselbee. They have a long track record of meeting client expectations through the management of target risk portfolios.

The team's investment philosophy is based on the importance of investing for the long term and staying invested through the ups and downs of markets and political events. They call this winning by not losing and focusing as much on limiting losses as on producing gains across the portfolios. They like to use the example of the tortoise and the hare to describe the investment style – it is all about a patient, steady approach that wins the race rather than chasing short-term performance.

Their experience also enables them to identify and separate investment innovations from fads, evaluate the motivations of fund managers and detect any changes in their contentment and commitment.

## Meet our experienced fund management team

The Liontrust Multi-Asset investment team is one of the most experienced and highly regarded in the UK market. The team comprises John Husselbee (Head of the team), James Klempster (Deputy Head), Paul Kim, Mayank Markanday, Jen Causton and Shayan Ratnasingam.

The team has more than 100 years of investment management experience between them, with extensive knowledge and insights. The whole team are responsible for managing the Portfolios and each manager contributes to every stage of the investment process.



**John Husselbee**  
Head of the Liontrust  
Multi-Asset team



**James Klempster**  
Deputy Head of the  
Liontrust Multi-Asset team



**Paul Kim**



**Mayank  
Markanday**



**Jen Causton**



**Shayan  
Ratnasingam**

## Liontrust investment process

The investment process is designed to achieve two main objectives:

- Target the outcome expected by investors in terms of the level of risk, as measured by volatility, of each model portfolio. This can enable you to match the appropriate portfolio to your desired risk profile
- Maximise the return for each model portfolio while still targeting investors' level of risk

These two objectives are pursued through a quantitative and qualitative approach. The fund managers use a scientific approach to target the risk outcome expected but consider the maximisation of returns to require an additional element of experience, knowledge and qualitative interpretation.

There are five key stages to the investment process:



### Strategic asset allocation

Among the factors they analyse, the fund managers collate and study historical returns and volatilities of a range of asset classes, as well as their correlations with each other, and the pathway of future interest rates to determine the SAA that should meet the volatility target of the fund or portfolio over the long-term. The SAA is essentially the default asset allocation should the fund managers have no views about the relative attractiveness of different asset classes.



### Tactical asset allocation

The primary aim of the tactical asset allocation (TAA) is to increase exposure to an asset class when it looks cheap and reduce exposure when it appears expensive; the fund managers' focus is on valuations rather than market timing. They believe it is important to supplement the long-term benefits of the SAA with the flexibility to take advantage of valuation opportunities in the shorter term.



### Fund selection

The model portfolios hold a range of funds and fund managers, including active, passive and alternative investment strategies. The fund managers believe the key elements that should underpin fund selection are: investment process, fund manager experience, fund manager knowledge and fund manager incentive (including remuneration).



### Portfolio construction

The fund managers want to ensure the underlying funds are exposed to the segment of the market they feel has the most potential for outperformance while reducing unintended risk. Therefore, they consider how each holding interacts with each other in terms of correlation, risk and return to ensure the benefits identified at the holding and sector levels are not diversified away when grouped together at the fund level.



### Monitoring, review and risk management

The Liontrust Multi-Asset team is given regular updates, including in-depth data, on the underlying funds to ensure they are being managed according to their stated objectives and investment processes. This includes attribution analysis to show the underlying funds do not experience style drift and remain within their stated risk parameters. The managers gain access to the underlying fund managers to probe their thinking and evaluate their continued commitment.

# Our range of MPS Portfolios

Our broad range of portfolios is suitable for all types of investors, from basic to experienced. Which portfolios are appropriate for you will depend on your risk profile, objectives and time horizon. Over the following three pages, we list all the portfolios along with their objectives.



# Growth Portfolios

Portfolio	Objective
MPS Growth 1	The portfolio aims to grow capital in line with the rate of inflation (CPI) over the long term (more than five years), with a low level of volatility and limited potential for capital loss. It seeks to achieve this by investing around half the portfolio in cash and money market funds, with the rest usually allocated to fixed interest and equities. The majority of the equity allocation will be invested in developed markets. The portfolio may sometimes also have a small holding in alternative investment funds.
MPS Growth 2	The portfolio aims to grow capital at least in line with the rate of inflation (CPI) over the long term (more than five years) with a low level of volatility and limited potential for capital loss. It seeks to achieve this by investing around a quarter of the portfolio in cash and money market funds, another third in bonds and the remainder largely in equities. The majority of the equity allocation will be invested in developed markets. The portfolio may sometimes also have a small holding in alternative investment funds.
MPS Growth 3	The portfolio aims to generate capital growth greater than the rate of inflation (CPI) over the long term (more than five years), with a low level of volatility. It seeks to achieve this through investing around half or more of the portfolio in fixed interest funds. Most of the rest of the portfolio is invested in equities, with the vast majority of this allocation in UK and European stock markets. There may also be small allocations to cash/money market funds and alternative investment funds.
MPS Growth 4	The portfolio aims to generate capital growth greater than the rate of inflation (CPI) over the long term (more than five years), with a low to medium level of volatility. It seeks to achieve this by investing around half of the portfolio in equity funds and another third in fixed income, with the remainder spread across alternative investment funds and cash/money market funds. Most of the equity allocation is in developed markets, including North America and Japan, although there will also likely be meaningful exposure to higher-risk Asia and Emerging Market funds.
MPS Growth 5	The portfolio aims to generate capital growth greater than the rate of inflation (CPI) over the long term (more than five years), with a medium level of volatility. It seeks to achieve this by investing most (typically around two-thirds) of the portfolio in equity funds. The majority of this equity allocation will be to developed markets, including North America and Japan, although there will also likely be meaningful exposure to higher-risk Asia and Emerging Market funds. There will be small allocations to alternative investment funds, fixed interest and cash/money market funds (typically around a third of the portfolio in aggregate).
MPS Growth 6	The portfolio aims to generate capital growth greater than the rate of inflation (CPI) over the long term (more than five years), with a medium level of volatility. It seeks to achieve this by investing most (typically around 80%) of the portfolio in equity funds. The majority of this equity allocation will be to developed markets, including North America and Japan, although there will also likely be meaningful (around a quarter) exposure to higher-risk Asia and Emerging Market funds. There will be small allocations to alternative investment funds, fixed interest and cash/money market funds (typically around a fifth of the portfolio in aggregate).
MPS Growth 7	The portfolio aims to generate capital growth greater than the rate of inflation (CPI) over the long term (more than five years), with a high level of volatility. It seeks to achieve this by investing most (typically around 90%) of the portfolio in equity funds. The majority of this equity allocation will be to developed markets, including North America and Japan, although there will also likely be meaningful (around 40%) exposure to higher-risk Asia and Emerging Market funds. A very small proportion (5% or less in total) of the portfolio may be invested in alternative investment funds, commodities, cash/money market funds and fixed interest.
MPS Growth 8	The portfolio aims to generate capital growth greater than the rate of inflation (CPI) over the long term (more than five years), with a high level of volatility. It seeks to achieve this by investing close to all of the portfolio in equity funds. Within that, a small majority may be invested in higher-risk Asian and Emerging Markets equities and around a quarter may be allocated to funds investing in smaller companies listed in developed markets. A very small proportion (5% or less in total) of the portfolio may be invested in alternative investment funds, commodities, cash/money market funds and fixed interest.

# Income Portfolios

## Portfolio

## Objective

### MPS Income 1

The portfolio aims to provide an income while looking to grow capital in line with the rate of inflation (CPI) over the long term (more than five years), with a low level of volatility and limited potential for capital loss. It seeks to achieve this by investing around half the portfolio in cash and money market funds, with the rest usually allocated to fixed interest and equities. The majority of the equity allocation will be invested in developed markets. The portfolio may sometimes also have a small holding in alternative investment funds.

### MPS Income 2

The portfolio aims to provide an income while looking to grow capital at least in line with the rate of inflation (CPI) over the long term (more than five years) with a low level of volatility and limited potential for capital loss. It seeks to achieve this by investing around a quarter of the portfolio in cash and money market funds, another third in bonds and the remainder largely in equities. The majority of the equity allocation will be invested in developed markets. The portfolio may sometimes also have a small holding in alternative investment funds.

### MPS Income 3

The portfolio aims to provide an income while looking to generate capital growth greater than the rate of inflation (CPI) over the long term (more than five years), with a low level of volatility. It seeks to achieve this through investing around half or more of the portfolio in fixed interest funds. Most of the rest of the portfolio is invested in equities, with the vast majority of this allocation in UK and European stock markets. There may also be small allocations to cash/money market funds and alternative investment funds.

### MPS Income 4

The portfolio aims to provide an income while looking to generate capital growth greater than the rate of inflation (CPI) over the long term (more than five years), with a low to medium level of volatility. It seeks to achieve this by investing around half of the portfolio in equity funds and another third in fixed income, with the remainder spread across alternative investment funds and cash/money market funds. Most of the equity allocation is in developed markets, including North America and Japan, although there will also likely be meaningful exposure to higher-risk Asia and Emerging Market funds.

### MPS Income 5

The portfolio aims to provide an income while looking to generate capital growth greater than the rate of inflation (CPI) over the long term (more than five years), with a medium level of volatility. It seeks to achieve this by investing most (typically around two-thirds) of the portfolio in equity funds. The majority of this equity allocation will be to developed markets, including North America and Japan, although there will also likely be meaningful exposure to higher-risk Asia and Emerging Market funds. There will be small allocations to alternative investment funds, fixed interest and cash/money market funds (typically around a third of the portfolio in aggregate).

### MPS Income 6

The portfolio aims to provide an income while looking to generate capital growth greater than the rate of inflation (CPI) over the long term (more than five years), with a medium level of volatility. It seeks to achieve this by investing most (typically around 80%) of the portfolio in equity funds. The majority of this equity allocation will be to developed markets, including North America and Japan, although there will also likely be meaningful (around a quarter) exposure to higher-risk Asia and Emerging Market funds. There will be small allocations to alternative investment funds: fixed interest and cash/money market funds (typically around a fifth of the portfolio in aggregate).

Investor profile

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Investor profile

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# Dynamic Beta Portfolios

## Portfolio

## Objective

### MPS Dynamic Beta 1

The portfolio aims to grow capital in line with the rate of inflation (CPI) over the long term (more than five years), with a low level of volatility and limited potential for capital loss. It seeks to achieve this by investing around half the portfolio in cash and money market funds, with the rest usually allocated to fixed interest and equities. The majority of the equity allocation will be invested in developed markets. The portfolio may sometimes also have a small holding in alternative investment funds. The portfolio will predominantly, although not exclusively, use low cost beta strategies to invest. If these low cost beta strategies are unavailable, appropriate exposure will be taken via active management strategies.

### MPS Dynamic Beta 2

The portfolio aims to grow capital at least in line with the rate of inflation (CPI) over the long term (more than five years) with a low level of volatility and limited potential for capital loss. It seeks to achieve this by investing around a quarter of the portfolio in cash and money market funds, another third in bonds and the remainder largely in equities. The majority of the equity allocation will be invested in developed markets. The portfolio may sometimes also have a small holding in alternative investment funds. The portfolio will predominantly, although not exclusively, use low cost beta strategies to invest. If these low cost beta strategies are unavailable, appropriate exposure will be taken via active management strategies.

### MPS Dynamic Beta 3

The portfolio aims to generate capital growth greater than the rate of inflation (CPI) over the long term (more than five years), with a low level of volatility. It seeks to achieve this through investing around half or more of the portfolio in fixed interest funds. Most of the rest of the portfolio is invested in equities, with the vast majority of this allocation in UK and European stock markets. There may also be small allocations to cash/money market funds and alternative investment funds. The portfolio will predominantly, although not exclusively, use low cost beta strategies to invest. If these low cost beta strategies are unavailable, appropriate exposure will be taken via active management strategies.

### MPS Dynamic Beta 4

The portfolio aims to generate capital growth greater than the rate of inflation (CPI) over the long term (more than five years), with a low to medium level of volatility. It seeks to achieve this by investing around half of the portfolio in equity funds and another third in fixed income, with the remainder spread across alternative investment funds and cash/money market funds. Most of the equity allocation is in developed markets, including North America and Japan, although there will also likely be meaningful exposure to higher-risk Asia and Emerging Market funds. The portfolio will predominantly, although not exclusively, use low cost beta strategies to invest. If these low cost beta strategies are unavailable, appropriate exposure will be taken via active management strategies.

### MPS Dynamic Beta 5

The portfolio aims to generate capital growth greater than the rate of inflation (CPI) over the long term (more than five years), with a medium level of volatility. It seeks to achieve this by investing most (typically around two-thirds) of the portfolio in equity funds. The majority of this equity allocation will be to developed markets, including North America and Japan, although there will also likely be meaningful exposure to higher-risk Asia and Emerging Market funds. There will be small allocations to alternative investment funds, fixed interest and cash/money market funds (typically around a third of the portfolio in aggregate). The portfolio will predominantly, although not exclusively, use low cost beta strategies to invest. If these low cost beta strategies are unavailable, appropriate exposure will be taken via active management strategies.

### MPS Dynamic Beta 6

The portfolio aims to generate capital growth greater than the rate of inflation (CPI) over the long term (more than five years), with a medium level of volatility. It seeks to achieve this by investing most (typically around 80%) of the portfolio in equity funds. The majority of this equity allocation will be to developed markets, including North America and Japan, although there will also likely be meaningful (around a quarter) exposure to higher-risk Asia and Emerging Market funds. There will be small allocations to alternative investment funds, fixed interest and cash/money market funds (typically around a fifth of the portfolio in aggregate). The portfolio will predominantly, although not exclusively, use low cost beta strategies to invest. If these low cost beta strategies are unavailable, appropriate exposure will be taken via active management strategies.

### MPS Dynamic Beta 7

The portfolio aims to generate capital growth greater than the rate of inflation (CPI) over the long term (more than five years), with a high level of volatility. It seeks to achieve this by investing most (typically around 90%) of the portfolio in equity funds. The majority of this equity allocation will be to developed markets, including North America and Japan, although there will also likely be meaningful (around 40%) exposure to higher-risk Asia and Emerging Market funds. A very small proportion (5% or less in total) of the portfolio may be invested in alternative investment funds, commodities, cash/money market funds and fixed interest. The portfolio will predominantly, although not exclusively, use low cost beta strategies to invest. If these low cost beta strategies are unavailable, appropriate exposure will be taken via active management strategies.

### MPS Dynamic Beta 8

The portfolio aims to generate capital growth greater than the rate of inflation (CPI) over the long term (more than five years), with a high level of volatility. It seeks to achieve this by investing close to all of the portfolio in equity funds. Within that, a small majority may be invested in higherrisk Asian and Emerging Markets equities and around a quarter may be allocated to funds investing in smaller companies listed in developed markets. A very small proportion (5% or less in total) of the portfolio may be invested in alternative investment funds, commodities, cash/money market funds and fixed interest. The portfolio will predominantly, although not exclusively, use low cost beta strategies to invest. If these low cost beta strategies are unavailable, appropriate exposure will be taken via active management strategies.

## About Liontrust

Liontrust is a specialist fund management company that takes pride in having a distinct culture and approach to running money. Our purpose is to have a positive impact on our investors, stakeholders and society. What makes Liontrust distinct?

- The company launched in 1995 and was listed on the London Stock Exchange in 1999
- We are an independent business with no corporate parent, our head office is on the Strand in London and we have offices in Edinburgh and Luxembourg
- Our fund managers have the freedom to manage their portfolios according to their own investment processes and market views without being distracted by other day-to-day aspects of running a fund management company
- Staying true to their documented investment processes helps to create an in-built risk control for our fund managers, especially in more challenging environments, by preventing them from buying stocks for the wrong reasons
- We aim to treat investors, clients, members, employees, suppliers and other stakeholders fairly and with respect. We are committed to the Principles of Treating Customers Fairly (TCF) and they are central to how we conduct business across all our functions

## Key risks

Past performance is not a guide to future performance. Do remember that the value of an investment and the income generated from them can fall as well as rise and is not guaranteed, therefore, you may not get back the amount originally invested and potentially risk total loss of capital. The portfolios' investments are subject to normal fluctuations and other risks inherent when investing in securities.

Any performance shown represents model portfolios which are periodically restructured and/or rebalanced. Actual returns may vary from the model returns. There is no certainty the investment objectives of the portfolio will actually be achieved and no warranty or representation is given to this effect. The portfolios therefore should be considered as a medium to long-term investment.

## Disclaimer

This document is issued by Liontrust Investment Partners LLP (2 Savoy Court, London WC2R 0EZ), authorised and regulated in the UK by the Financial Conduct Authority (FRN 518552) to undertake regulated investment business.

It should not be construed as advice for investment in any product or security mentioned, an offer to buy or sell investments mentioned, or a solicitation to purchase securities in any company or investment product. Examples of funds are provided for general information only to demonstrate our investment philosophy.

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Always research your own investments and (if you are not a professional or a financial adviser) please consult suitability with a regulated financial adviser before investing. Any decision to invest should be always based on the relevant brochure. It contains important information which should be read before investing in any portfolio and they can be obtained free of charge directly from Liontrust or from [www.liontrust.co.uk](http://www.liontrust.co.uk). 2021.06 [18/412].

## threesixty review

Liontrust engaged threesixty to undertake an onsite risk assessment and review of relevant documentation to verify that the operation of the discretionary management service meets regulatory standards. Among other things, threesixty confirmed that:

- They have reviewed the investment process against regulatory standards, which includes methodology of portfolio construction, risk mapping and benchmarks
- They have reviewed the supervision and monitoring process against regulatory standards, including evidence of internal due diligence on third parties integral to the service
- They have verified the experience and qualifications of key individuals
- On the basis of what was reviewed by threesixty services, promotional materials were a true and fair reflection of the service

Investor profile

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Investor profile

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All our documents are printed on recycled paper or paper from a sustainable source in accordance with either the FSC, PEFC or EU Ecolabel criteria to help keep our environmental impact to a minimum.

  
**LIONTRUST**  
COURAGE · POWER · PRIDE