

Sarasin Investment Funds Risk Profile Report

May, 2021



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Executive summary

Dynamic Planner has reviewed and profiled the Tomorrow's World Multi Asset Fund from Sarasin Investment Funds within the risk profiles used on Dynamic Planner.

The main objective of the Dynamic Planner risk profiles, and fund risk profiling service is to provide financial advisers and their clients with a meaningful measure of the long-term investment risk of fund strategies and a mechanism for selecting solutions appropriate for investor risk appetites and capacity for risk.

The profile which Dynamic Planner has assigned to the fund is set out in Table 1.

Fund	Assigned risk profile
Sarasin Tomorrow's World Multi Asset Fund	5

Table 1: Risk profile

The information contained in this report supplements methodologies used on the Platform. The report should be used in the context of these methodologies and advice provided on the Platform and not in isolation.

1 Introduction

This report was commissioned by Sarasin, who contracted Dynamic Planner to assess the appropriate risk profile for the fund within the risk profiles used in Dynamic Planner.

The profiles provided in this report are based on Dynamic Planner's Q1 2020 capital market assumptions, which are discussed in appendix A. The risk bands based on Dynamic Planner's assumptions are set out in appendix B.

Dynamic Planner provides this analysis on the understanding that investors will access the fund through a regulated advice process. The recommendation on whether or not to include these fund in an investor's portfolio and the amount to include should be made by advisers with the necessary Financial Conduct Authority permission to give advice on investments. Dynamic Planner accepts no liability in respect of any advice given to investors relating to investment strategy or the purchase of specific products.

The analysis in this report has been based on data and information provided by Sarasin and other third parties as set out in the appendices. Data received has been assumed by Dynamic Planner to be correct as of the date of this report.

The following section sets out the results of our analysis and subsequent sections set out the methodology and assumptions in more detail.

2 Investment objectives

Sarasin Tomorrow's World Multi Asset Fund

- The Fund seek to grow through increases in investment value and income over a rolling five year period after deducting fees and costs.
- The Fund will invest 40% to 85% of the Fund in the shares of companies from around the world, although this allocation will most typically be around 65%. It will also typically invest 25% of the Fund in bonds issued by companies and governments, with the remaining 10% invested in alternatives (including, but not limited to infrastructure, commodities, and private equity/venture capital) and cash. Exposure to any of the above asset classes may be obtained through investment in funds (including funds managed by Sarasin). The Fund may use instruments whose value is determined by changes in the value of the underlying assets they represent (derivatives). The Fund may do so for investment purposes or in order to manage the Fund more efficiently (e.g., reducing risks or costs or generating additional growth or income).
- The fund is actively managed, and we have the freedom to deviate away from the typical asset mix.
- The Fund has free choice to select companies to invest in from any country/region, sector or industry. As part of the investment process, the manager will identify the long-term investment trends that drive growth and will shape the world in which we live and invest.
- The Fund has an environmental, social & governance strategy. In particular, the Fund will invest in companies that purposefully set out to solve the problems of people and the planet profitably. It will also actively avoid investing in companies that cause significant environmental or social harm.
- The Fund will only use derivatives to maintain the Fund's value, manage investment risk and to gain cost-effective access to investments. Derivatives are financial contracts whose value is linked to the price of another asset (e.g., indices, rates, share prices, currencies).
- This Fund may not be appropriate for investors who plan to withdraw their money within 5 years.

3 Analysis and methodology

One of the key tasks for an investor is to determine how much investment risk to take on. This decision will depend on psychological, financial and other factors. The investor will want to maximise the reward for taking on this risk through the selection of optimal weights for each asset category included in the investment portfolio.

Dynamic Planner's asset allocation methodology is based on the principles of modern portfolio theory. The risk profiles provided by Dynamic Planner are risk profiles of the long-term asset allocations adopted for a solution. The actual riskiness over the long term will depend on, among other things, the level of flexibility in the manager's mandate and how far any deviations from the long term position are and for how long.

The measure of risk Dynamic Planner has used for each fund is the estimated volatility as determined using the fund's internal asset allocations along with the estimates of the returns, volatilities and correlations of the Dynamic Planner primary asset classes. The analysis assumes that the actual holdings in each asset class can be broadly represented by the benchmark adopted for that asset.

The investment assumptions used in this review are those set by Dynamic Planner at the start of the first financial quarter of 2021. Risk bands based on Dynamic Planner's assumptions (as set out in appendix B) were used to ensure that the profiles assigned to each fund are consistent with profiles and practices adopted within the implementation of Dynamic Planner. This ensures that the profiles can be used with outputs from psychometric risk profiling instruments used within Dynamic Planner.

For the purposes of constructing the efficient frontier, estimating return distributions and profiling solutions, Dynamic Planner splits the investment universe into a range of asset classes.

For each of these asset classes, Dynamic Planner periodically reviews the appropriate set of investment assumptions for forecasting future returns and risk distributions. The assumptions are derived from historical and market data at each review date. Appendix A provides a summary of the methodology used to derive the investment planning assumptions used on Dynamic Planner. Further details can be found in DT's Capital Market Assumptions report.

4 Results

The risk profile assigned to the fund is based on the historical asset allocations as provided by the manager.

4.1 Analysis of asset allocations

This is a new launch. As a result, Sarasin provided us with a model portfolio, which is similar to the one which will be at launch. We have mapped these to our asset classes and calculated the expected volatilities using the Dynamic Planner assumptions. These are summarised in the table below.

Fund	Risk profile based on historical allocations
Sarasin Tomorrow's World Multi Asset Fund	6

Table 2: Historical asset allocation positions

Figure 1 shows the position of the allocations of the portfolio vis-à-vis the Dynamic Planner frontier. The Fund is a new launch, and we were provided one set of holdings to assess the Risk Profile. The solution is placed just outside the Risk Profile 5 boundaries, and to the lower end of the Risk Profile 6 boundaries. Given that we have access to only one set of allocations, we would tend to be prudent and assign the solution a Risk Profile 6.

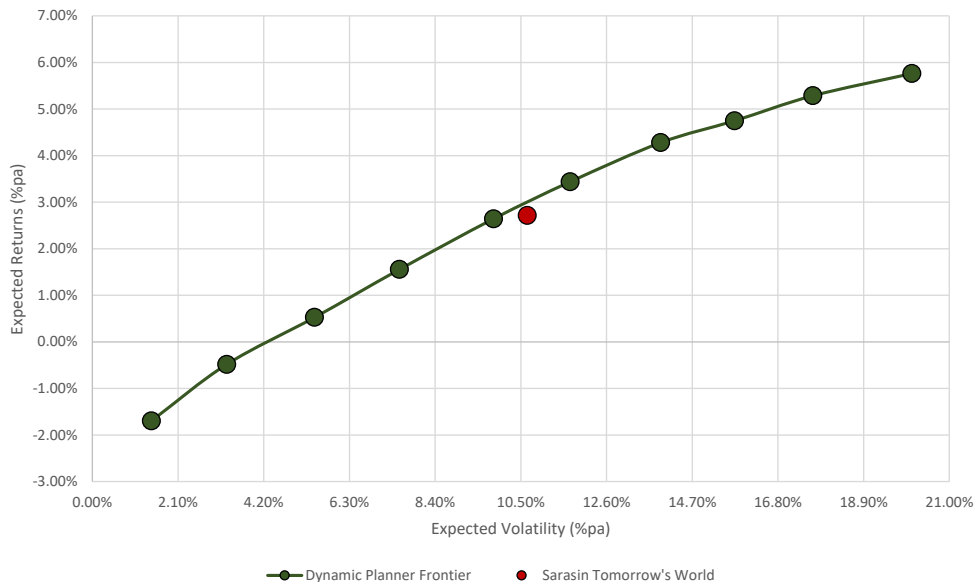


Figure 1: Tomorrow's World Multi Asset Fund vis-à-vis the Dynamic Planner frontier

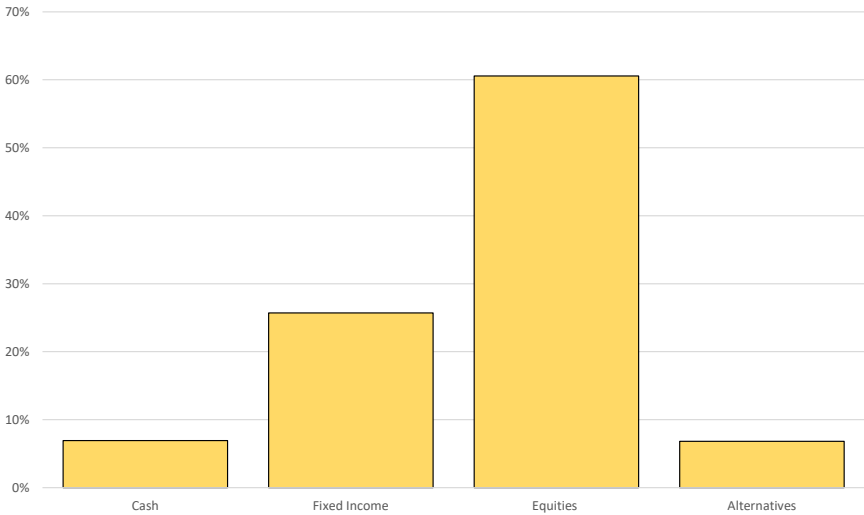


Figure 2: Broad Asset Allocation of the Tomorrow's World Multi Asset Fund

Figure 2 shows the allocation to the broad asset classes. The largest allocation is to equities, which are direct equity holdings. This accounts for almost 60% of the allocations. The next largest allocation is to fixed income. The alternative allocations are from REITS and infrastructure holdings, which contribute through different asset classes like fixed income and alternatives. In speaking to the manager, we were given to understand that given the solution is a new launch, and given market conditions, the solution is overweight equities. The manager intends to reduce the equity allocations over time, which would cause the solution to be with the Risk Profile 5 boundaries.

In looking at the Risk contribution, the majority of the risk is contributed by Equities as expected. Equities contribute approximately 80% of the risk in the portfolio, with the rest being split between fixed income and Alternatives. This can be seen in Figure 3.

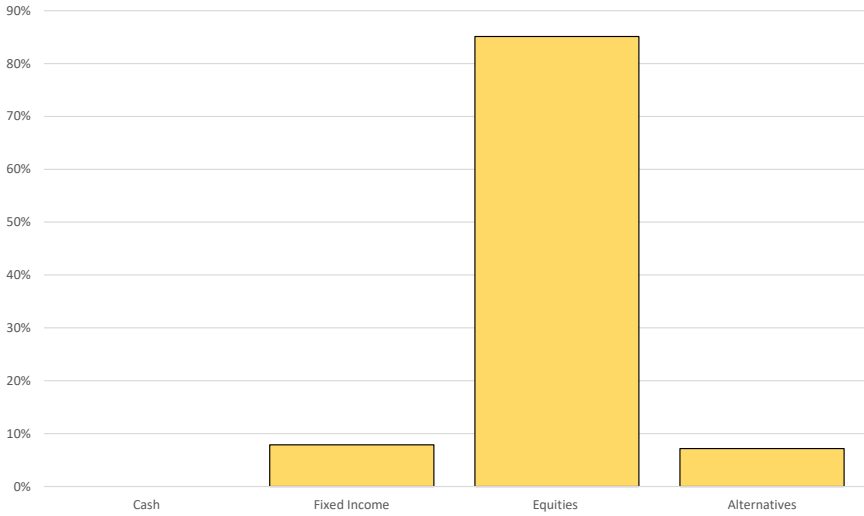


Figure 3: Risk contribution from broad asset classes for Tomorrow's World Multi Asset Fund

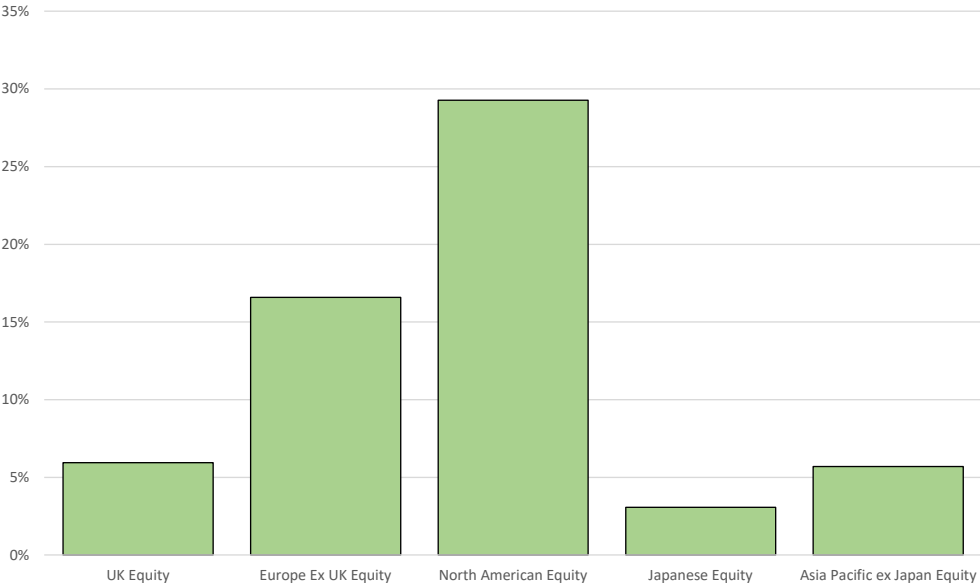


Figure 4: Breakdown in Equities by Region in Tomorrow's World Multi Asset Fund

Figure 4 shows the regional breakdown of equities, which are all direct holdings. The Fund is biased towards North American Equities, followed by European equities. This is understandable as given that the fund is investing in sustainable companies, these tend to be located in North America and Europe. Majority of the equity are all large cap liquid holdings, with a bias towards Technology and Consumer Discretionary names.

The Fixed Income allocations is around 15%, with a bias towards Investment Grade Corporate allocations. All the Investment Grade Corporate Fixed Income is in Sterling Corporate bonds of various maturities. This can be seen in Figure 5.

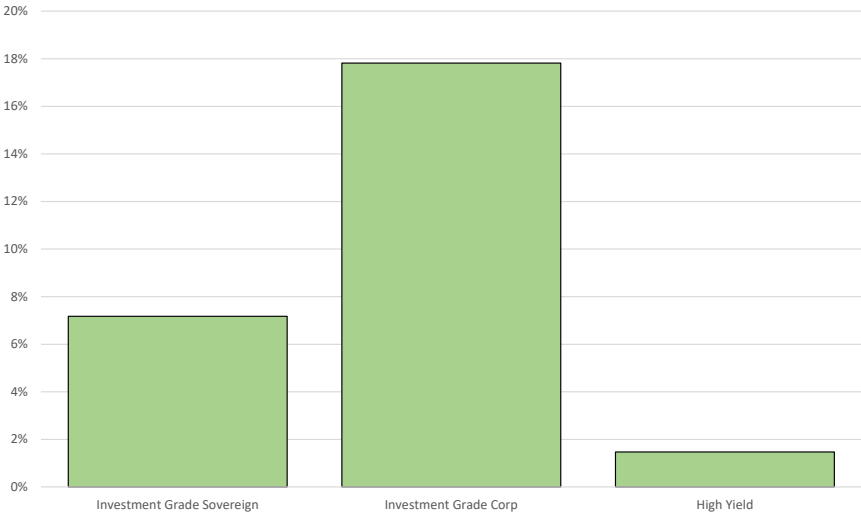


Figure 5: Fixed Income Allocations of Tomorrow's World Multi Asset Fund

Thus, while based on the allocations and the underlying holdings, we conclude that the solution be assigned a Risk Profile 6, but on discussing with the fund managers, we understand that the solution is over-weight equities through a tactical play, which will be reduced to more central levels. This will cause the solution to be in a lower Risk Profile. To achieve this, we will grant a period of two quarters from the issue of this report to bring the solution in line, pending which we will review the solution again.

5 Summary

In Table 3 below, we summarise the risk profile of the fund based on the different measures set out above.

Fund	Tactical asset allocation	Assigned Profile
Sarasin Tomorrow's World Multi Asset Fund	6	5

Table 3: Summary of risk profile

- We have assigned Risk Profile 5 in line with our assessment of the holdings provided and the discussions with the fund manager.
- We will monitor the suitability of the assigned risk profile of the fund on an on-going basis through our quarterly review process.

Appendix A: Investment assumptions

This appendix sets out the method used to generate the planning assumptions used on the DT platform.

The estimate of returns for equities, property and corporate bonds are calculated as a premium over gilts and then expressed as real returns (i.e. returns in excess of inflation). In addition to analysing historical index data, DT also use the following market data to arrive at expected return assumptions:

- Yields on UK Gilts; conventional and index-linked,
- UK corporate bond yields,
- Yields on global bonds,
- Equity earnings and dividend yields,
- Economic growth forecasts.

Details of the DT estimation methodology can be found in DT's Capital Market Assumptions report, available on Dynamic Planner, and Investment Process report, available on request.

Appendix B: Risk profile boundaries

The following table sets out the lower and upper volatility boundary for each risk profile used in the implementation of DT's Dynamic Planner application.

Risk Profile	Volatility of asset allocation	Lower boundary	Upper boundary
1	0.01%	0.0%	2.1%
2	3.19%	2.1%	4.2%
3	5.31%	4.2%	6.3%
4	7.41%	6.3%	8.4%
5	9.55%	8.4%	10.5%
6	11.64%	10.5%	12.6%
7	13.84%	12.6%	14.7%
8	15.83%	14.7%	16.8%
9	17.99%	16.8%	18.9%
10	20.09%	18.9%	21.0%

Table 4: DT Risk Profile boundaries

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Publication date

21/08/2019

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