

RISK PROFILING UPDATE ON ELEVATE

As per a recent Elevate communication, it was confirmed that there will be changes to the EValue asset allocation model that you currently receive as an output when completing your risk profile questionnaire on the Elevate platform.

The current mappings (as at 30th March 2018) are as below and you can download all the latest Architas mappings at architas.com/information_centre/



ARCHITAS MULTI-ASSET (MA) ACTIVE FUND RANGE

Fund	Architas risk profile (EValue)	EValue 1-7 risk profile (Elevate)
Architas MA Active Reserve	2	2
Architas MA Active Moderate Income	3	2
Architas MA Active Intermediate Income	4	4
Architas MA Active Progressive	5	5
Architas MA Active Growth	6	7
Architas MA Active Dynamic	7	7



ARCHITAS MULTI-ASSET (MA) BLENDED FUND RANGE

Fund	Architas risk profile (EValue)	EValue 1-7 risk profile (Elevate)
Architas MA Blended Reserve	2	2
Architas MA Blended Moderate	3	3
Architas MA Blended Intermediate	4	4
Architas MA Blended Progressive	5	5
Architas MA Blended Growth	6	6



ARCHITAS MULTI-ASSET (MA) PASSIVE FUND RANGE

Fund	Architas risk profile (EValue)	EValue 1-7 risk profile (Elevate)
Architas MA Passive Reserve	2	2
Architas MA Passive Moderate	3	3
Architas MA Passive Intermediate	4	4
Architas MA Passive Progressive	5	5
Architas MA Passive Growth	6	6
Architas MA Passive Dynamic	7	7

Previously on completion of the questionnaire, you would have been presented with the following options based on your risk profile output:

- 1. The EValue 1-7 asset allocation model used by Architas, with bespoke modifications (or ‘constraints’)
- 2. An OBSR model portfolio
- 3. An Architas fund

Architas funds currently mapped to an Elevate risk rating, will still be considered mapped to that risk rating until 1 July 2018. After this date Elevate will realign its risk optimised portfolios from the version of the EValue constrained model that Architas uses, to EValue’s standard model.

Please note that Elevate has adopted the standard EValue model with the exception that risk level 1 will remain 100% cash, therefore non-cash investments will not map to this risk category.

Why do Architas apply constraints to the model?

Architas believe that although the EValue model aims to create efficient portfolios, the results might not always be optimal. For example, a portfolio with no UK equity might be the most optimal outcome from a purely quantitative perspective, but may be unacceptable to a UK client base. Similarly, a portfolio with a large allocation to a single asset class, especially property, may be considered unacceptable due to the lack of diversification or liquidity. To address these issues Architas worked with EValue to create a bespoke model, which overlays constraints that are used during the portfolio optimisation. This has been adopted by Architas risk profiled funds since launch and helps ensure adequate diversification and acknowledges investors who have GBP as their base currency.

What’s new?

From 1 July 2018 the questionnaire output will show only the EValue asset allocation model for each risk profile which has now been adopted by Elevate on an ongoing basis. Elevate are working with Fund groups to provide mappings of funds to this model.

What’s the difference between the two approaches?

Both approaches use the standard deviation of fund returns, as simulated using the EValue Insight model set levels, on a scale ranging roughly from cash to equity. We do not view one as being superior to another, simply different approaches to creating efficient asset allocations for a targeted risk level.

However, despite the similarities there are some differences and these mean they do not produce identical results:

1. Term

The Architas approach is based on outcomes over a 15 year period whilst the standard EValue approach now adopted by Elevate is based on outcomes over 13 years: both approaches are forward looking. This does not create a large difference but there will be some slight shifts in risk levels moving from one to the other. This will vary by asset class so different funds with the same risk at one term may not have the same risk at another. This may cause funds near the threshold between levels at one term to be on the other side at the other term.

2. Relative vs. absolute risk targets

Both approaches mark risk on a scale of cash to equity. However, in the case of Architas, these levels were fixed at the levels of a long-term average of the modelled risk while the EValue levels are based on the current level. This means that the relationship between the two changes over time.

How can I carry on using both the Architas funds and the EValue model as I had in my previous process?

You can continue to be confident that Architas’ fund range will continue to be suitable for your client’s risk profile. However, what you may find occasionally is that the risk ratings of the Architas funds may differ from risk ratings produced by Elevate.

Architas understands that advisers use a number of different risk models and provide risk mappings of Architas funds to a number of popular models. The Elevate EValue model will be added to the mappings and available on a quarterly basis as the asset allocation models are updated.

Important information

Please note that this mapping is based on data as at 30th March 2018. It is possible that this mapping may change as the funds' allocations and the model specification varies over time. The value of investments and any income from them can fall as well as rise and is not guaranteed. Your clients could get back less than they invest. Past performance is not a guide to future performance. Each fund is permitted to invest over 35% of its assets in securities issued by a single local, national or supranational government. Each fund can invest entirely in units of collective investment schemes.

If you require further information on any of our funds, the Key Investor Information Document (KIID) and the prospectus are both available free of charge on request from Architas Multi-Manager Limited.



CONTACT US

For more information, call our dedicated Broker Desk on **020 7562 4900*** or email **broker.desk@architas.com****

* Monday to Friday 9.00am–5.00pm;
calls may be recorded.

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The KIID is designed to help investors to make an informed decision before investing. You can view or download all our funds' KIIDs via our website at **architas.com**, by following the Key Investor Information Documents link from the home page and in the Information Centre.

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