

Changes to the Elevate asset allocation model - Q&A

1. How do the asset allocation outputs from the Architas constrained EValue model and the standard EValue model compare?

The tables at the end of the document compare the asset allocation and annualised volatility of each of the risk profiles for 1 April 2018 update that has just been implemented to help illustrate the differences in the approaches between the Architas constrained and standard EValue approach. Please note that this is for illustrative purposes only. The actual asset allocations that will take effect from 1 July are likely to vary.

2. What are the key differences between the current Architas constrained model and the standard EValue model?

- The optimisation term for the Architas constrained EValue model is 15 years. Elevate will use the standard EValue model designed for a 11-15 year term which is based around a central 13 year term
- The Architas constrained EValue model constrains property holdings to be precisely 10% (except for risk level 1). The standard EValue model has a maximum allocation to property which varies by risk level, with portfolios 3 of 7 and 3 of 10 upwards having a 10% property holding maximum
- The risk targets for the standard EValue model are relative to cash and equity benchmarks. The current Architas constrained model doesn't use benchmarks
- Charges assumptions have been updated to reflect the latest values provided by EValue
- All asset classes in the Architas constrained EValue model are 'tethered'. Tethering helps to reduce the extent of change in allocation after a quarterly update, though in reality it has minimal impact, often comparable to rounding. The standard EValue model only tethers Gilts and Corporate Bonds, whereas the Architas constrained model tethers all asset classes

A revised Risk Assessment Technical Guide will be made available on the Elevate platform in advance of the changes taking place on 1 July 2018.

3. Are Elevate making any changes to the standard EValue model?

Elevate will adopt the standard EValue model as closely as possible. The areas you will see some tailoring to Elevate's current approach will be:

- Risk level 1 on both the 1-7 and 1-10 scale will remain as 100% cash
- The six asset classes used on Elevate remain unchanged
- Asset allocations in the current Architas constrained model are rounded to the nearest 1.0%. The standard EValue model rounds asset allocations to the nearest 0.5%. Elevate will continue to round to the nearest whole percentage point as the platform doesn't allow decimal places

4. Are you making any changes to the Elevate Risk Profiling Tool?

No. The attitude to risk questionnaire, risk scores, risk category names, risk descriptions and six asset classes are not changing. Elevate will also continue to offer the choice of a 1 to 7 or 1 to 10 risk scale. It is only the suggested optimised asset allocations that are changing to remove the Architas constraints.

5. Can I continue to match Architas funds to the Elevate Risk Profiling Tool output?

Architas are not changing how they model their funds and as such they will no longer be risk managed to the suggested asset allocations or risk targets from Elevate's Risk Profiling Tool. We suggest that the appropriateness of any investment solutions mapped to a specific risk rating under the Architas constrained model is reviewed in line with ongoing suitability best practice.

6. Will Architas funds be mapped to the unconstrained Elevate Risk Profiling Tool output from 1 July 2018?

The Architas fund range is not currently risk mapped to the EValue's standard model and so it is not possible to ascertain how they may map to the different risk ratings in future.

7. In future will funds be risk mapped to the Elevate Risk Profiling Tool output?

We are keen to work with fund groups who offer risk based multi-asset funds to explore ways they can map their funds to the risk model provided by Elevate.

Asset allocation and annualised volatility of each of the risk profiles for 1 April 2018

Risk profile 1-7

Risk profile 1-7		Cash	Fixed interest	UK equities	Developed Market Equities	Emerging Market Equities	Property	Annualised Volatility
1	Architas constrained Evaluate model	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%	8.30%
	Standard Evaluate model*	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%	8.30%
	Difference	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2	Architas constrained Evaluate model	0.00%	59.00%	13.00%	18.00%	0.00%	10.00%	7.60%
	Standard Evaluate model	0.00%	52.50%	15.50%	25.50%	0.00%	6.50%	7.60%
	Difference	0.00%	-6.50%	2.50%	7.50%	0.00%	-3.50%	0.00%
3	Architas constrained Evaluate model	0.00%	49.00%	15.00%	25.00%	1.00%	10.00%	9.10%
	Standard Evaluate model	0.00%	42.50%	18.00%	32.50%	0.00%	7.00%	8.90%
	Difference	0.00%	-6.50%	3.00%	7.50%	-1.00%	-3.00%	-0.20%
4	Architas constrained Evaluate model	0.00%	37.00%	20.00%	33.00%	0.00%	10.00%	11.00%
	Standard Evaluate model	0.00%	32.00%	21.00%	40.00%	0.00%	7.00%	10.60%
	Difference	0.00%	-5.00%	1.00%	7.00%	0.00%	-3.00%	-0.40%
5	Architas constrained Evaluate model	0.00%	17.00%	27.00%	46.00%	0.00%	10.00%	13.30%
	Standard Evaluate model	0.00%	21.50%	22.00%	48.50%	0.00%	8.00%	12.50%
	Difference	0.00%	4.50%	-5.00%	2.50%	0.00%	-2.00%	-0.80%
6	Architas constrained Evaluate model	0.00%	0.00%	25.00%	57.00%	8.00%	10.00%	16.10%
	Standard Evaluate model	0.00%	9.00%	25.50%	59.00%	0.00%	6.50%	14.70%
	Difference	0.00%	9.00%	0.50%	2.00%	-8.00%	-3.50%	-1.40%
7	Architas constrained Evaluate model	0.00%	0.00%	19.00%	43.00%	28.00%	10.00%	19.40%
	Standard Evaluate model	0.00%	0.00%	16.00%	80.00%	4.00%	0.00%	17.30%
	Difference	0.00%	0.00%	-3.00%	37.00%	-24.00%	-10.00%	-2.10%

Elevate has chosen to retain Risk level 1 as 100%

	Variation of < 2.5%
	Variation of 2.6% to 5%
	Variation > 5%

Risk profile 1-10

Risk profile 1-10		Cash	Fixed interest	UK equities	Developed Market Equities	Emerging Market Equities	Property	Annualised Volatility
1	Architas constrained Evaluate model	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%	8.30%
	Standard Evaluate model*	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%	8.30%
	Difference	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2	Architas constrained Evaluate model	0.00%	57.00%	14.00%	19.00%	0.00%	10.00%	7.90%
	Standard Evaluate model	0.00%	57.00%	14.50%	23.50%	0.00%	5.00%	7.20%
	Difference	0.00%	0.00%	0.50%	4.50%	0.00%	-5.00%	-0.70%
3	Architas constrained Evaluate model	0.00%	51.00%	16.00%	23.00%	0.00%	10.00%	8.80%
	Standard Evaluate model	0.00%	49.00%	16.50%	28.00%	0.00%	6.50%	8.00%
	Difference	0.00%	-2.00%	0.50%	5.00%	0.00%	-3.50%	-0.80%
4	Architas constrained Evaluate model	0.00%	46.00%	16.00%	28.00%	0.00%	10.00%	9.80%
	Standard Evaluate model	0.00%	42.50%	18.00%	32.50%	0.00%	7.00%	8.90%
	Difference	0.00%	-3.50%	2.00%	4.50%	0.00%	-3.00%	-0.90%
5	Architas constrained Evaluate model	0.00%	37.00%	19.00%	33.00%	1.00%	10.00%	10.90%
	Standard Evaluate model	0.00%	35.50%	20.00%	37.50%	0.00%	7.00%	10.00%
	Difference	0.00%	-1.50%	1.00%	4.50%	-1.00%	-3.00%	-0.90%
6	Architas constrained Evaluate model	0.00%	29.00%	23.00%	38.00%	0.00%	10.00%	12.10%
	Standard Evaluate model	0.00%	28.00%	22.00%	43.00%	0.00%	7.00%	11.20%
	Difference	0.00%	-1.00%	-1.00%	5.00%	0.00%	-3.00%	-0.90%
7	Architas constrained Evaluate model	0.00%	17.00%	27.00%	46.00%	0.00%	10.00%	13.50%
	Standard Evaluate model	0.00%	21.50%	22.00%	48.50%	0.00%	8.00%	12.50%
	Difference	0.00%	4.50%	-5.00%	2.50%	0.00%	-2.00%	-1.00%
8	Architas constrained Evaluate model	0.00%	5.00%	31.00%	53.00%	1.00%	10.00%	15.00%
	Standard Evaluate model	0.00%	14.00%	23.50%	55.00%	0.00%	7.50%	13.90%
	Difference	0.00%	9.00%	-7.50%	2.00%	-1.00%	-2.50%	-1.10%
9	Architas constrained Evaluate model	0.00%	0.00%	24.00%	56.00%	10.00%	10.00%	16.70%
	Standard Evaluate model	0.00%	4.00%	27.50%	64.00%	0.00%	4.50%	15.50%
	Difference	0.00%	4.00%	3.50%	8.00%	-10.00%	-5.50%	-1.20%
10	Architas constrained Evaluate model	0.00%	0.00%	19.00%	43.00%	28.00%	10.00%	20.20%
	Standard Evaluate model	0.00%	0.00%	16.00%	80.00%	4.00%	0.00%	17.30%
	Difference	0.00%	0.00%	-3.00%	37.00%	-24.00%	-10.00%	-2.90%

Elevate has chosen to retain Risk level 1 as 100%

	Variation of < 2.5%
	Variation of 2.6% to 5%
	Variation > 5%

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