Adviser Home
DEVELOPMENT PLATFORM

THE ADVISER HOME GUIDE TO MULTI-ASSETS

AN ADVISER GUIDE

In association with

AEGON

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PICTET Asset Management

Sponsors

We've noticed that the investment industry has a tendency to overcomplicate fund design. At Aegon, we've managed multi-asset strategies for more than 35 years, and the principle of adding value through simplicity is something we wanted to build on with our range of risk-targeted multi-asset funds - the Risk-Managed Portfolios. The funds are designed, built and managed to achieve the best possible outcomes for investors who want a straightforward way to invest. They have everything you need in a multi-asset solution to meet the needs of today's market, and are focused on value for money with a fixed 0.25% OCF. Available to pension, ISA and general savings investors, the 5 Diamond-rated[1] range comes with expert asset allocation, risk management and robust governance built in. Capital at risk.

[1]As at June 2021. The Risk-Managed Portfolios have a 5 Diamond Rating (Risk-Targeted Fund Family) from Defaqto.

Contact

If you'd like to discuss Aegon's simpler approach to multi-asset investing, please contact our multi-asset investment specialist Simon Clark, or get in touch with your usual Aegon contact or visit our investment webpage.

Simon Clark
Investment Specialist

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M&G Investments

Who are M&G Investments?

As founders of our distinctive 'Episode' investment process, which we have applied consistently for over 20 years, we believe we are well-positioned to select attractive investment opportunities globally.

What do we do?

We believe asset allocation is the primary driver of investment returns.

We therefore aim to help clients achieve optimal asset allocation throughout the market cycle using a dynamic approach.

We apply behavioural finance theory to respond to market 'Episodes' – periods when asset prices are overly influenced by investors' emotional behaviour rather than long-term fundamental drivers of returns – to deliver solutions for diversified growth, income, capital preservation and sustainable investing.

How do we deliver?

We combine in-depth research to determine the relative value of assets over the medium to long term, with analysis of investors' emotional reaction to events to identify investment opportunities.

While each manager is responsible for their own portfolio, as a team we continually share, test and access investment ideas.

The value of investments will fluctuate, which will cause prices to fall as well as rise and you may not get back the original amount you invested. Past performance is not a guide to future performance.

Contact

David Halfacre
Sales Director

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The Momentum Multi-Asset Fund Range has been designed to deliver specific target outcomes above inflation over relevant time horizons of 4 years or more.

The funds are highly diversified, investing in a wide range of global asset classes such as equities, both directly and using talented third-party managers globally to access specialist focus and expertise, credit, property and alternative strategies.

We look to innovatively blend investment styles in our asset allocation applied across a wide range of assets. We tend to have a bias towards a refined value approach specifically in our higher risk funds, but with a more blended style approach in lower risk funds where a smoother investment journey is more important to investors with lower risk appetites.

The funds are designed with the aim of achieving the target return through our "outcome-based investment" philosophy whilst staying within their nominated risk and making the investment journey palatable.

Contact

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Head of Business Development

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Continue

Pictet Asset Management

Pictet-Emerging Markets Multi Asset, a single asset allocation solution to emerging markets.

Investors want to access the higher growth potential of emerging markets, but the universe is complex. The volatility of emerging market assets can also be significant. In this market environment we believe in the value of a single asset-allocation solution offering exposure to emerging market growth but managing the risk exposure to minimise major drawn-downs.

The new Pictet-Emerging Markets Multi Asset fund simplifies investing in emerging markets, aiming to provide a single asset allocation solution to the full breadth and complexity of emerging markets (equities, bonds, money market instruments, commodities [including precious metals], real estate and currencies). The fund allows investors to gain exposure to emerging market growth opportunities without the complexity of choosing how, when and where to best allocate within emerging markets. Taking a multi asset approach gives investors the added benefit of diversification across regions, sectors and assets within EM.

Contact

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CPD

30 minutes of unstructured CPD.

Learning Objectives:

1. Gain an understanding of the **options** available to advisers when recommending multi-asset solutions to clients
2. Appreciate the **importance of diversification** within multi-asset portfolios and the types of assets used
3. Understand the **advantages** of using multi-asset solutions during the accumulation and decumulation phases
4. Understand the multi-asset investment **process** and the importance of risk management and regular monitoring of portfolios
5. Understand how emerging market investments and ESG **factors** can be integrated into multi-asset solutions

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Introduction

It is rare that a client's investment objectives can be met using a single asset class such as equities and bonds. A multi-asset approach can enable clients to achieve their long-term objectives whilst smoothing out returns and helping to reduce risk through portfolio diversification. Multi-asset funds are a hugely significant part of the UK asset management and advice landscape not least because of their importance in helping to drive many advice models. They provide investors with a cost-effective way of accessing a professionally managed portfolio of a globally diverse mix of asset classes that can be easily adapted to changing markets through dynamic management.

Section 1
The history of multi-asset investing

Multi-asset investing in the UK has its origins in insurance funds and managed funds particularly the popular balanced funds. Such insurance and managed funds had always offered a mix of asset classes, although historically with a strong UK domestic bias and usually as a 60/40 equities/bonds mix.

During the 2000s, the popularity of multi-asset investing was boosted by a study conducted by Brinson, Hood and Beebower that revealed that more than 90% of the variability of a portfolio's performance could be attributed to asset allocation. The lack of returns in 2008 and the low interest rate environment that ensued added further incentive for investors to look further afield than traditional asset classes when making investment decisions.

The current multi-asset sector draws inspiration from these approaches, but in its modern form offers a wider range of assets often with much less of a domestic UK bias and a huge range of styles.

Momentum portfolio manager **Tom Delic** says:

Tom Delic

Portfolio Manager

momentum

> "One big issue for multi-asset is that the 60:40 has been so successful, it has been accepted that it will be in the future. But it is a leap of faith to suggest it will do so well in coming decades. I would suggest you need alternative forms of assets within a portfolio. The big challenge every multi asset firm has is building a portfolio that can cope with a big paradigm change including perhaps in an inflationary environment.

Multi-asset funds now offer a range of shares, bonds, property and alternative investments that represent a wide range of global asset classes. They may invest directly in securities to access these asset classes or may gain exposure by buying other funds. They tend to be less constrained than other funds that invest in only one asset class, perhaps sub-divided by region or country, and carry more focused definitions of what they do.

Continue

Although multi-asset funds invest in a wide range of assets, they can be grouped according to the percentage of equities held, giving a loose indication of the risks being taken (although the recent history and embrace of more assets has arguably made that a little less salient).

The Investment Association Mixed Asset sector comprises:

Mixed Investment	**Mixed Investment**	**Mixed Investment**	**Flexible Investment**
0-35% Shares	**20-60%** Shares	**40-85%** Shares	potentially **100%** equities

The UK multi-asset funds sector now holds **around £160bn** in client investments.

Section 2
Diversification

One of the crucial elements to successful investing is diversification. If one asset class within a portfolio performs poorly in particular economic conditions, it should be balanced out by investment in other asset classes that perform well in the same circumstances. The key is in the correlation between the asset classes; the lower the correlation between investments, the greater the diversification and the lower the variability of returns. This should, by design, make for a somewhat smoother investment journey although there are no guarantees of course.

Momentum head of business development **Stephen Hunter** says:

Stephen Hunter

Head of Business Development

momentum

> "When we first launched our funds, we called them diversified and they still have that name. If you want to be able to deliver smooth returns over time, you have to look wider than traditional equities and bonds. I would caveat that with the fact there are thousands of alternative investments out there, so you need real expertise and experience on research and investing. Investing with a proven, experienced multi-asset manager should give you equity, bonds and a nice broad approach to alternatives with a steady hand at the tiller. Otherwise, investing in these assets is not without its pitfalls."

Clearly the approach may suit a relatively broad church of investors whether advised or indeed direct.

It should also be noted that the multi-asset approach is now being applied to specific styles of investing and asset classes – funds that may specialise in emerging markets or multi-asset credit for example, so, as always, it is important to understand just what is on offer within any fund.

Section 3

Client needs – how and where multi assets fit into portfolios

The embrace of multi-asset funds has paralleled the increasing sophistication of investment models offered by advisory firms. The winds of change arguably preceded the big RDR reforms of around a decade ago yet have accelerated since then.

Advisers were increasingly required to set out a clearly defined investment proposition with firms usually deciding to meet these requirements either by outsourcing investment management or continuing to manage their own portfolios but within an increasingly formal framework.

Multi-asset funds were able to slot into the mix either as outsourced solutions for clients or, at times, as funds at the heart of broader solutions sometimes as part of a core-satellite approach.

Many advisers' investment solutions have been organised through centralised investment propositions (CIPs). The CIP is a standardised approach to providing investment advice that encompasses a wide range of solutions that can be adapted for different client segments.

The most recent regulatory development is contained within the FCA's Product Intervention and Product Governance Sourcebook (PROD) which shifted the regulatory position to a guidance and rules-based approach in early 2018.

FCA FINANCIAL CONDUCT AUTHORITY

PROD requires that the investment solutions and products being recommended to clients must meet the needs of one or more identifiable target markets; it demands that funds are distributed appropriately and that they deliver good customer outcomes.

Although much of PROD can be said to be primarily aimed at fund managers and providers, it carries responsibilities for advisers too as it requires advisers to identify any groups of clients for which a product or service isn't suitable.

It has led many advisers to review their client segmentation to ensure that appropriate products and services are being delivered to different client groups. More emphasis is now being placed on life stages by many advisers, as well as ensuring that the investment solutions available meet with the clients' risk appetite, preferences and objectives.

This has included a reappraisal of the appropriate investment solutions with multi-asset often being part of the mix.

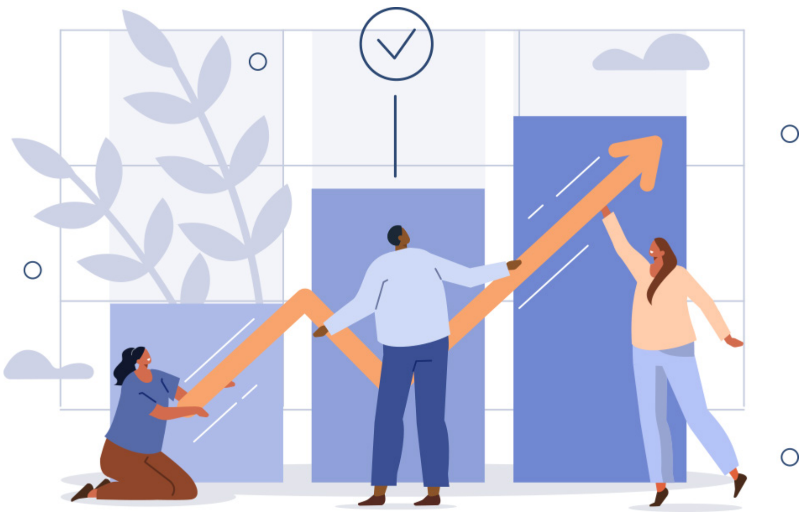
Section 4

Passive versus Active

Advisers and planners have also increasingly based their thinking concerning investment around their attitude to and preference for **passive**, **active** or a **combination** of the two.

The last five years have seen many launches of multi-asset passive funds containing varying degrees of asset allocation and automatic rebalancing to maintain the appropriate levels of risk. Their advantages lie in the significant reduction in fees when compared to similar multi-asset active funds.

Where once multi-asset would have been entrenched within the active camp, it is now fully represented across both styles, sometimes with both approaches contained in the same fund. The blended approach delivers the best of both worlds combining top low-cost passive funds with active funds that can take advantage of market opportunities.



Section 5
Types of asset

The major assets which multi-asset funds generally invest in are the two classic kinds of security - **equities** and **bonds**.

However multi-asset funds also invest in:

Commodities

such as oil and metals.

Currencies

the exchanging of one national currency for another. Using foreign exchange can help hedge the currency exposure inherent in international investments.

Derivatives

financial contracts whose price is derived from the price of another underlying asset, such as a commodity, currency, equity price or index at a specified time in the future. These contracts can offer significant downside protection, although direct use should be reserved for only sophisticated investors who fully understand all the risks associated with them.

Hedge funds

funds that employ more sophisticated strategies that can be highly leveraged and *may* be higher risk. Absolute return strategies, however, employ large-scale derivative use and aim to deliver positive returns in all market conditions -in this way hedge funds, or funds of hedge funds, are a way of enhancing returns whilst lowering risk.

Continue

Private equity

company investments that are not publicly listed or traded i.e., remain private but can be accessed through some listed vehicles such as PE funds. The risks surrounding the large-scale use of private equity in retail and institutional funds has, however, been highlighted by the recent collapse of the Woodford Equity Income Fund in 2019.

Property

generally though not exclusively commercial premises that offer rental income and capital growth and often with a wide geographical distribution. Investment can either be direct (i.e., buying the property and renting it out) but more often indirect using Real Estate Investment Trusts (REITs) or Property Authorised Investment Funds (PAIFs).

Structured products

these are pre-packaged investments that incorporate derivatives and typically have low correlations to traditional asset classes. Structured products can be complex so it is imperative that investors have a full understanding of what their pay-out could be given different investment scenarios.

The advantage of investing in a wider range of assets is that, in theory, the portfolio should benefit from greater diversification. There remains, however, a significant debate around diversification and the correlation of the various assets, in particular, how they behave when central banks are engaged in quantitative easing which has characterised the last decade and is a particular concern for the impact on the behaviour of and returns available from bonds. This period (2020 and the COVID crisis aside) has been characterised by rising stock and bond markets suggesting that their correlation is greater than has been suggested historically, leading to potentially lower diversification within multi-asset portfolios. The inclusion of other "alternative" assets thus becomes the key to greater diversification and lower risk portfolios.

Section 6

Multi-asset investment propositions

The first step in proposing an investment solution is to understand the client's objectives, appetite for taking risk and accounting for any existing arrangements.

Investment propositions can generally be broken down into four approaches, although every adviser firm will likely be different.

1. Advisers can offer an investment choice with multi-asset funds placed squarely at the core of the investment offer potentially with other funds as satellite holdings.

2. Alternatively, the multi-asset portfolio could be one or two selections within a broader selection of funds.

3. Advisers can offer model portfolios created in house or sourced from a platform though the latter may have some investment constraints when compared to multi-asset investing. Portfolios are designed to achieve specific investment objectives and are assigned risk profiles enabling advisers to match the model portfolio with their client's requirements. For example, Aegon have six Risk-Managed Portfolios, each of which is designed to match a different risk preference.

4. Finally, advisers may outsource much or even all of the investment proposition to a discretionary fund manager (DFM). A bespoke portfolio service will be offered which will be carefully constructed to meet the client's specific requirements. The resulting portfolio will likely exhibit elements of a multi-asset approach but does not necessarily fit neatly into the category.

Continue

Generally, all these approaches will be overlain with an advisers' own risk management approach and perhaps overseen by an in-house investment committee.

As noted above, PROD has seen some advisers offering a range of different approaches to different client segments, with for example, DFM often being offered to clients with higher initial investment amounts (often more than £200,000) and multi-asset solutions to those with lower investment amounts.

Section 7

Can multi-asset offer benefits for both accumulation and decumulation?

In general, multi-asset funds can now address and indeed have been designed to cope with all stages of an investor's life. Modigliani and Miller documented the four main lifecycle stages as: accumulation, consolidation, decumulation and gifting.

The traditional approach of investing in equities during the accumulation phase and fixed income in the decumulation phase is now seen as too simplistic in the modern investment world.

Shaniel Ramjee, senior investment manager at Pictet says:

Shaniel Ramjee

Senior Investment Manager

PICTET Asset Management

> "Through the accumulation phase, compounding is critical, remaining invested with the flexibility to avoid deep capital drawdowns makes compounding easier and more consistent.

For these younger investors, however, a portfolio that comprises purely equities will expose them to greater risks than are necessary. Instead, a diversified portfolio that includes exposure to alternative assets such as property, hedge funds, commodities and bonds should be considered as it should still be able to provide the required growth but with significantly lower risk.

Of the decumulation phase, **Ramjee** says:

> "Pension pots still need to grow for the most part to tackle longevity risk, but risk management is equally important as rebuilding lost capital is harder to do during that phase. In the decumulation phase, savers can benefit from the allocation to higher return, higher yield economies with a strong risk management framework focused on drawdown management.

Continue

For the more senior investors, a reliance on fixed-income investments will not only lead to sacrificed returns in the current low-yield environment but also expose them to higher risk. Again, a multi-asset approach that contains not only bonds but equities, hedge funds etc. should ensure that pension pots can continue to grow and deliver superior returns over time.

The important aspect is that as an individual moves through the life stages, the mix of assets should change subtly, rather than a complete shift from one asset class to another, as has historically been the case.

Section 8

How are multi-asset portfolios created and maintained?

Advisers need to have a clear appreciation of how portfolios are constructed and managed over time. As markets shift, portfolios will need rebalancing and so it is essential to understand how often they will be reviewed.

In general, a dedicated investment committee will decide on the strategic asset allocation (SAA) and risk profile for each fund i.e., the exact allocation to each asset class such as the historic 60% equity/ 40% bond mix. Tactical asset allocation (TAA) then provides flexibility around the SAA to allow the fund to "tweak" these allocations to benefit from market opportunities. Both SAA and TAA should be reviewed on a regular basis; for example, the portfolio construction group for the Baillie Gifford multi asset income fund formally reviews the asset allocation every two months, but they continually review the portfolio and are able to make changes at any time.

Mark Foster, investment director for multi-asset investing at Standard Life explains that there are three main components to multi-asset portfolios.

> "The first component is looking at a breadth of ideas, making sure you have lots of strategies and are not constrained by a benchmark.

Ideas will come from a range of experienced investment professionals that sit, for example, in their equity or emerging market debt team. He explains that a cash benchmark is preferable as it enables portfolio managers to focus on ideas that are expected to produce positive returns rather than outperforming a dedicated benchmark. **Ramjee** from Pictet remarks:

Shaniel Ramjee

Senior Investment Manager

PICTET Asset Management

> "Multi-asset investing focuses more on goals-based investment. Understanding that savers require real returns on their investments and framing objectives in those terms is more relevant than any particular benchmark.

Continue

The second element identified by **Foster** is:

> A good balance of risks, so you want good ideas that work well from a diversification point of view.

Foster goes on to say:

> Finally, it is important to take a longer time horizon because that means you extract the maximum value for your investors and you don't have to listen to short-term noise in the markets'.

At Schroders, their investment philosophy doesn't just revolve around simple asset allocation but considers the *"fundamental drivers of risk and return of a given asset class"*. The investment process looks at eight risk premia, their expected performance and variability over time to identify opportunities where they can add value through active management. By looking at the risk premia they are able to appreciate how the holdings interact with each other to maximise diversification at the portfolio level.

Aegon UK's head of investment marketing **Sian Griffiths** says:

Sian Griffiths

Head of Investment Marketing, UK

> The portfolios are run by our Portfolio Management team. They use input from Morningstar to build the asset allocations for the funds. The aim is to achieve the best long-term return possible for customers, while remaining within each fund's risk and asset allocation ranges. The funds use passive components from BlackRock, which helps to keep costs low. They are reviewed on a regular basis to ensure that risk and returns remain in line with expectations, with adjustments made as required.

Continue

Of risk management, she says:

Sian Griffiths

Head of Investment Marketing, UK

“ Risk is managed on an ongoing basis by our Portfolio Management team, working in conjunction with Morningstar, to ensure it remains within pre-defined risk ranges. The team looks at a number of factors when assessing risk, including long-term valuations, medium-term cycle analysis, examining market fundamentals and economic analysis.

M&G partnership development director **David Halfacre** says:

David Halfacre

Partnership Development Director

“ We believe that no one has the edge in attempting to predict market movements; therefore, we avoid forecasting and instead focus on what current asset valuations are signalling about the attractiveness of different assets, and why. In particular, we seek to respond to occasions when asset prices move away from a reasonable sense of ‘fair’ value due to investors over-reacting to events and allowing their emotions to cloud rational judgment. Our fund managers believe such occasions create opportunities because short-term emotional responses should be less important than underlying fundamentals over the medium-to-long term.

Their aim is to *“take advantage of emotionally driven misalignments by establishing asset positions that we believe stand to benefit as prices gravitate back towards their longer-term normalised valuation.”*

Continue

Momentum's **Hunter** adds:

Stephen Hunter

Head of Business Development

momentum

"From our point of view, we don't invest in anything we feel our underlying investors won't understand. We therefore try and avoid opaque instruments such as hedge funds, and even when we go down an alternative route, we always want to be able to explain it to our investors. So that would be the first thing. One example would be music royalties. We feel we can explain how we make capital appreciation and income from royalties, and it might be perhaps two per cent. Multi-asset are not using the big property funds but perhaps specialist REITs, that might be building GP surgeries or mass market rental properties and it allows you to do these things in a way you couldn't do under your own steam.

Going forward it is essential that the portfolio manager is given regular updates to ensure that the underlying funds are being managed according to their investment objectives and remain within the asset allocation parameters and stated risk limits. Risks must be managed at every stage of the investment process and, where necessary, adjustments to the asset allocation made to ensure portfolios keep within their risk levels.

Section 9
An emerging market approach

Emerging markets (EM) would once have been a relatively small proportion of a typical advised portfolio, but there has been increasing international allocation in recent years.

Pictet's **Ramjee** says:

Shaniel Ramjee

Senior Investment Manager

PICTET Asset Management

> The Benchmark agnostic approach looks to find the best combinations of EM markets to build a portfolio that generates capital growth and yield regardless of conventional benchmarks.

He adds:

> Most portfolios and most multi-asset portfolios have a small allocation to EM, given the underlying volatility and the complexity of managing the various asset classes. By using the Pictet framework built specifically for drawdown management in emerging markets, we reduce this volatility to allow for a greater allocation to higher growth economies giving greater access to savers with more peace of mind.

He continues:

> Given the low returns available in developed markets, the attraction to supplement returns from EM are clear. However, the emerging markets asset markets are diverse, complex, and come with healthy dose of volatility. Invariably specialist knowledge is required to manage the allocation.

The multi-asset approach is also increasingly being applied to EM investment categories.

Continue

The Pictet EM Multi Asset Fund, launched in February 2021, invests in a range of global EM assets including sovereign bonds, equities, real estate and commodities. The aim of the fund is to get exposure to the potential high returns whilst minimising the drawdowns frequently seen in emerging markets.

Ramjee explains:

Shaniel Ramjee

Senior Investment Manager

PICTET Asset Management

> Pictet EM multi asset provides the resource to manage the underlying asset classes, but also a framework to decide where to best allocate across equities and bonds. i.e. Mexican consumer equities and Chinese local currency bonds can be an attractive combination. Furthermore, portfolio construction tools to manage the inevitable volatility of emerging markets are embedded into the investment strategy, to aggressively de-risk the exposure when the EM environment becomes turbulent.

Pictet's **Olivier Ginguené** adds:

Olivier Ginguené

Member of the Executive Committee

PICTET Asset Management

> We believe in the long-term, emerging markets offer the best value for investors. However, emerging markets can be subject to higher levels of volatility, making asset allocations difficult for investors.

The rationale behind the fund is, therefore, to remove the stress associated with emerging market investing by taking on the decision-making process for the investor. In this case, the funds use developed market securities to provide diversification.

Ramjee adds:

Shaniel Ramjee

Senior Investment Manager

PICTET Asset Management

> Assets like developed markets bonds, currency, gold and commodities help to mitigate these emerging market risks.

Section 10
Do multi-asset funds work with ESG objectives?

With the increasing popularity of responsible investing, it is of paramount importance that ESG principles can also be applied within a multi-asset strategy.

There are several practical issues that must be considered when implementing ESG into multi-asset portfolios. One is to ensure that an overarching ESG philosophy exists that applies to the whole portfolio. Investors should choose how sustainable they want their portfolios to be – 100% of the portfolio invested in responsible assets may mean a trade-off against diversification which would result in potentially higher risk.

The second issue is to understand how the inclusion or removal of ESG/non-ESG components impacts the portfolio as a whole. Research by Schroders has shown for equities: *"that replacing a non-ESG component with an ESG component can improve diversification and is low-cost in terms of risk"*. Given a reasonable sustainability budget, it appears that incorporating ESG factors into the multi-asset investment process can have major benefits.

M&G's **Halfacre** says:

David Halfacre

Partnership Development Director

M&G Investments

> Economic activity, demographics, monetary and fiscal policies are some of the key drivers but environmental, social and governance factors also have a role to play as over the long term they can alter economic beliefs as well as shape the risk and returns of the investments we make. In particular, we observe how the current economic and social environment is being impacted by sustainability trends and how market prices are starting to incorporate the "externalities" derived from environmental, social and governance factors.

ESG factors are increasingly impacting all markets as it becomes a hot topic for boardrooms who realise that these issues are critical to their business's reputation and financial performance.

Asset allocation, both strategic and tactical is also an issue that needs consideration. Longer-term SAA should incorporate ESG factors where possible, whereas for short-term TAA it may be less relevant.

Continue

Halfacre continues:

David Halfacre

Partnership Development Director

M&G Investments

“ From a philosophical standpoint, while ESG factors do not form the sole basis of an investment decision, their consideration adds an important dimension to our multi-asset investment philosophy.

Our dedicated multi-asset fund range employs a sustainable investment approach that looks to generate returns over the long-term while aiming to maintaining the volatility of those returns to set volatility ceilings. The returns are expected to consist of a combination of income and capital growth through flexible asset allocation, guided by a robust valuation framework, while investing in assets issued by companies or governments that uphold high standards of ESG behaviour. In addition, the funds seek to maintain a dedicated holding of assets that are considered to have a positive societal impact through addressing the world’s major social and environmental challenges.

When using multi-asset funds, it is essential that the fund managers themselves, as well as the assets in which they invest, are seen to be acting in a “socially responsible” manner.

Aegon’s **Griffiths** says:

Sian Griffiths

Head of Investment Marketing, UK

AEGON

“ The Risk-Managed Portfolios adhere to our Responsible Investment framework which, among other things, requires that the fund managers we work with are signed up to the UK Stewardship Code and UN Principles for Responsible Investment.

It is clear from this that not only is it possible for ESG to be successfully integrated into multi-asset portfolio, but it should also in fact be a requirement.

Conclusion

Advisers have an impressive choice of options when it comes to multi-asset investing. The concept has expanded significantly in recent years to encompass not just broad-based portfolios but also what were once more specialist asset classes. Multi-asset funds have played a part in the professionalisation of investment processes seen over the last decade and more; processes that have proved resilient in the face of crises and market turbulence. These years have generally been characterised by asset managers working to meet advisers' increasingly sophisticated demands and selection processes as set out by regulatory developments.

The discussion is now turning increasingly to one about which assets are providing genuine diversification – in other words have low correlations to traditional investments - and the application of the multi-asset approach to more focused areas of investing such as emerging markets and for those seeking sustainable solutions.

Guide author
John Lappin

John Lappin is a financial journalist who reports and sometimes commentates on financial services, financial advice and sustainability. Among other things, he is the former editor of Money Marketing, consumer investment title Mindful Money and specialist investment website Global Investment Megatrends.

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