

HORIZON FUNDS ASSESSMENT OF VALUE

PERIOD FROM 1 JUNE 2024 – 31 JANUARY 2025



INTRODUCTION

This report provides an evaluation of each of the Horizon Multi-Asset funds now managed by Scottish Widows Unit Trust Managers Limited (SWUTM). The report covers the period from 1st June 2024 until 31st January 2025, while the funds were under the management of Embark Investments Limited. Assessing the value delivered by the Horizon Funds is a continuous process with the risk and performance of each fund now formally reviewed by the SWUTM Board. The report is aimed at retail customers and financial advisers to provide them with an easy-to-understand review, based on the areas considered important when assessing value delivered by the funds. We have considered fund performance, charges and all aspects of the services provided to customers.

The Horizon Fund range offers 5 active, volatility managed, risk-profiled multi-asset solutions designed to adapt to changing market conditions, grow investments over the medium to long term (5 years or more), and provide the right balance of risk and reward to support the delivery of our customers' investment objectives.

As a Board, we have taken a rigorous approach when reviewing the Horizon Funds to ensure they are meeting the investment objective disclosed to customers invested. Our approach provides a 'traffic light' rating system in each section of assessment. Customers and advisers are then able to consider whether a fund is providing value based on the criteria which are important to them.

We have assessed fund performance over a 5-year timescale investment term, which is consistent with the period we use to review SWUTM multi-asset funds. Comparing fund performance over this investment timescale results in 3 Red, 1 Amber and 1 Green performance ratings. This reflects poorer performance experienced in recent years.

Action had been taken in 2024 to improve performance by replacing the investment fund managers and switching the funds to BlackRock Investment Managers. Recently SWUTM management reviewed the strategic asset allocation of each fund and where gaps were identified, we instructed BlackRock make changes to assets held by each fund.

The Board continue to monitor risk and return outcomes of the Horizon Funds closely and have initiated a further strategic review of the Horizon Funds range with the aim of improving value for customers. We intend to provide an update on plans for these funds prior to our next report.

Value Assessment Summary

The table below summarises the outcome of our review for the Horizon Fund range for the interim period ending 31 January 2025, using the seven assessment criteria specified by the FCA. More detailed information, analysis and conclusions follow in this report.

	Quality of Service	Performance	Authorised Fund Manager Costs	Economies of Scale	Comparable Market Rates	Comparable Services*	Classes of Units
Embark Horizon Multi-Asset I	●	●	●	●	●	●	●
Embark Horizon Multi-Asset II	●	●	●	●	●	●	●
Embark Horizon Multi-Asset III	●	●	●	●	●	●	●
Embark Horizon Multi-Asset IV	●	●	●	●	●	●	●
Embark Horizon Multi-Asset V	●	●	●	●	●	●	●

* Comparable Services has not been rated as the Horizon funds was the only fund range promoted by Embark Investments.



What this means:

We serve a wide variety of different customers, and we aim to meet their diverse needs and requirements in a timely and efficient way through our range of funds and the quality of service.

Operations

We regularly review the quality of the investment service to ensure the Horizon Funds are being managed in line with the published fund prospectus and the fund objectives. We carry out oversight on the quality of services provided to ensure our Funds are being operated as described to customers. We consider whether all operations of the fund are being executed efficiently, and meeting standards set. We ensure that the Investment Manager is operating within the mandate set for each Horizon Fund.

Customer Experience

We continuously review the effectiveness and quality of our internal and external communication. The marketing and reporting material which supports the Horizon Funds provide our distribution team with a clear and consistent set of messages to discuss with IFAs who can then share relevant information with their clients.

The Horizon Funds are primarily distributed to IFA customers via the Scottish Widows (previously Embark) platform. The platform offered paperless, signature-free processes to simplify managing customer investments. The Horizon Funds are also available via other advisor firms' platforms, providing a broad choice of distribution channels.

Consumer Duty

Embark Investments and Embark Group, while aligning with Lloyds Banking Group, worked closely with internal and external counsel to review all customer information to ensure literature met the high standard set by the FCA's Consumer Duty rules that came into effect in July 2023.

Oversight And Supervisory Activities

The ACD regularly monitors the third-party suppliers who provide services to the funds to ensure we deliver the long-term outcomes expected by our customers.

Investment Process

Embark Investments monitors all outsourced activities of the risk profiler and investment manager to ensure relevant internal policies and procedures are adhered to and their quality of service is of the expected levels and to ensure we deliver the long-term investment outcomes expected by our customers which covers product governance, operations, data oversight, compliance, distribution, and marketing, to help create a high-quality adviser and customer experience.

Assessment Conclusion

Overall, the Board is confident that the quality of services provided by the ACD function, the internal commercial services, internal compliance, and the third-party service providers, continue to deliver value across all five Horizon Funds. Quality of Service has been given a GREEN Rating.



PERFORMANCE

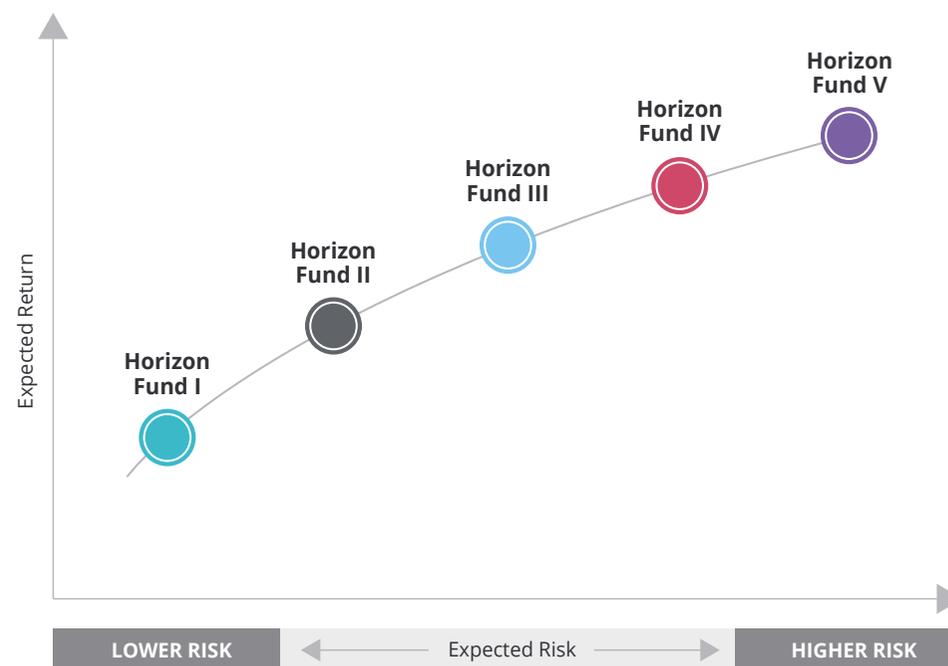
What this means:

The investment objectives of the Horizon Funds are set out in the Prospectus and Key Investor Information Documents (KIIDs). These investment objectives are important as this explains what each Horizon Fund aims to deliver, enabling customers to choose the Horizon Fund that best meets their needs and investment goals.

Our assessment considers the performance of the Horizon Funds according to their investment objectives, policy, and strategy, which are described in the prospectus and Key Investor Information Documents (KIIDs). Each Horizon Fund aims to grow an investment over the medium to long term, 5 or more years, and to stay within its designated risk profile. The diagram below illustrates the risk level of each fund, and the expected investment return.

We assess the Horizon Fund range performance based on our methodology against UK retail open-ended multi asset funds. Our approach compares net performance of each fund compared to the average performance of the relevant Investment Association sector detailed on each fund KIID. The actual asset mix of the Horizon funds can vary according to market conditions.

We primarily assess net performance over a 5-year term, as this is the minimum investment period we recommend. These key metrics enable us to make a judgment on whether or not the investment objectives are being met, and value is being delivered. Sometimes funds will underperform when the types of assets they invest in, or the way their investments are selected (known as investment style), are not suited to the prevailing market conditions.





The investment performance of each share class is assessed to determine the impact of different charges customers can pay. For the assessment of performance, for this report, we focus on the investment returns after deduction of the highest charge for each Horizon Fund, as reflected in the Z acc share class.

Fund	EValue Risk Profile	Objective	5 Year Cumulative Net Performance	5 Year Comparative Net IA Sector Performance	Performance Rating
Horizon Fund 1	1	The Fund aims to deliver income and growth through assets that demonstrate moderate price fluctuations, and with greater emphasis placed on exposure to fixed income securities, and lower relative emphasis placed on exposure to equities.	-0.29%	3.11%	RED
Horizon Fund II	2	The Fund aims to deliver income and growth through assets that demonstrate moderate price fluctuations, and with greater emphasis placed on exposure to fixed income securities, and lower relative emphasis placed on exposure to equities.	1.36%	3.11%	RED
Horizon Fund III	3	The Fund aims to deliver income and growth through assets that may demonstrate moderate to large price fluctuations, with a greater emphasis placed on equities, including emerging market equities, and lower emphasis placed on exposure to fixed income securities.	3.25%	5.10%	RED
Horizon Fund IV	4	The Fund aims to deliver income and growth through assets that may demonstrate moderate to large price fluctuations, with greater emphasis placed on equities, including emerging market equities, and potentially some exposure to fixed income securities.	4.71%	5.10%	AMBER
Horizon Fund V	5	The Fund aims to deliver income and growth through assets that may demonstrate large price fluctuations, with the greatest emphasis placed on equities, including emerging market equities.	7.18%	5.68%	GREEN

Source: FE fund info, as at January 2025. Performance is calculated using bid to bid pricing net of all charges, with net income reinvested, based on Z acc shares, in GBP. Past performance is not a reliable indicator of future results and the value of investments (and any income from them) can go down, so an investor may get back less than the amount invested. No guarantee is given for the performance of the Funds. Embark Horizon Multi-Asset Fund's launched on 27/03/2015 (as "Zurich Horizon Multi-Asset Fund's). Performance before then is based on the Threadneedle Multi-Asset Zurich Fund's, and attributable to Columbia Threadneedle Investments. Since Inception is from 12/12/2013. Horizon I: Investors may wish to consider the performance of the Fund by looking at the performance of the Investment Association Mixed Investment 20-60% Shares Sector. Horizon II: Investors may wish to consider the performance of the Fund by looking at the performance of the Investment Association Mixed Investment 40-85% Shares Sector. Horizon III: Investors may wish to consider the performance of the Fund by looking at the performance of the Investment Association Mixed Investment 20-60% Shares Sector. Horizon IV: Investors may wish to consider the performance of the Fund by looking at the performance of the Investment Association Mixed Investment 40-85% Shares Sector. Horizon V: Investors may wish to consider the performance of the Fund by looking at the performance of the Investment Association Flexible Investment Sector.



Fund performance did not meet our expectations during 2024, apart from Horizon Fund V. The following action is being taken with a view in improving investment returns for customers:-

- **Appointed new Investment Manager**

Transitioned investment management for Horizon Funds from Threadneedle to BlackRock in March 2024.

- **Reviewed investment approach to align with SWUTM approach for multi asset funds**

Our strategic asset allocation review in 2025 identified gaps in the assets held by Horizon Fund, which led to underperformance. These gaps are being addressed to align the Horizon funds with the SWUTM strategic asset allocation approach for each multi asset fund. The Horizon fund changes are being carried out in the early months of 2026.

- **Address underweight US equity exposure**

The underweight position for US equities is being addressed with the aim of improving future fund performance.



AUTHORISED FUND MANAGER COSTS

What this means:

We assess whether the breakdown of costs in the Ongoing Charges Figure (“OCF”) paid by customers of each Horizon Fund, are reasonable and whether they reflect the actual cost of providing services to customers.

We have undertaken a detailed review of operational costs and expenses incurred to maintain the Horizon Funds. This includes the cost of fund operations, fund accounting fees, investment management fees, and specialist third party support services. We compare these costs against the charge that customers pay to invest in the Horizon Funds. This is to ensure that the charge is reasonable and appropriate for the services provided to customers.

All Funds are subject to an Annual Management Charge (“AMC”) which is paid to the ACD. The AMC covers all services organised by the ACD for the Horizon Funds. The AMC includes, but is not limited to, Investment Manager, Custody, and other third-party Administrator fees. In addition, the Board also reviewed the OCF, which is the aggregate of the AMC and any other ongoing costs and charges incurred by investors in each Fund.

Authorised Fund Manager Costs has been given a GREEN rating.

Fund	AMC 31 January 2025	OCF 31 January 2025
Horizon Multi-Asset I - Z Class	0.75%	0.81%
Horizon Multi-Asset I - I Class	0.65%	0.71%
Horizon Multi-Asset II - Z Class	0.75%	0.81%
Horizon Multi-Asset II - I Class	0.65%	0.71%
Horizon Multi-Asset III - Z Class	0.75%	0.81%
Horizon Multi-Asset III - I Class	0.65%	0.71%
Horizon Multi-Asset IV - Z Class	0.75%	0.81%
Horizon Multi-Asset IV - I Class	0.65%	0.71%
Horizon Multi-Asset V - Z Class	0.75%	0.81%
Horizon Multi-Asset V - I Class	0.65%	0.71%



What this means:

Larger financial services providers with significant investment businesses can typically use their size to negotiate competitive terms from suppliers for their services and can spread any fixed costs across a larger number of customers. In the same way, larger individual funds can also spread any fixed costs across a larger number of customers.

Generating economies of scale and the cost savings achieved can be passed on to customers in many different ways – from a reduction in charges, to reinvesting in improvements, to service. We consider economies of scale across our overall business, as well as the size of individual Horizon Funds, the ACD and third-party costs, to understand whether we are passing on the benefits to customers.

The Board monitors fund sizes and service costs closely to ascertain whether greater value can be generated for customers.

All five Horizon Funds were decreasing in size during the review period, limiting the ability to generate further economies of scale after operational costs and the costs of managing the Horizon Funds were taken into consideration. The transfer to the SWUTM ACD, with a significantly higher level of assets under management, enabled a reduction in AMC for all Horizon funds to be implemented when the funds moved on 1st February 2025. Please refer to the individual fund KIIDs for further information.

The Board will continue to monitor the Horizon Funds on an ongoing basis and determine whether efficiencies can be achieved and shared in the future, as we seek to ensure, where relevant, that customers benefit from improvements we make across our business.

This year, Economies of Scale has been given a GREEN Rating.



COMPARABLE MARKET RATES

What this means:

We have assessed whether the charges customers pay for the Horizon Funds represent value for money when compared to what you may expect to pay for funds with comparable investment objectives, investment management styles, and charging structures.

We use fund charge data from Financial Express (an industry provider of data) to calculate the average charge for the IA Sector referenced in each fund KIID as the most appropriate comparator. We then compare the Ongoing Charges Figure (OCF) for each Horizon fund.

All five Horizon Funds had an OCF of 0.81% for the Z share class and 0.71% for the I share class during the review period. We believe these charges are competitive compared with other funds the UK retail market and reflective of the active management approach taken.

The table shows that the overall charge for the Z and I share classes for all funds is lower than the average charge for the comparative IA sectors referenced in the fund KIIDs.

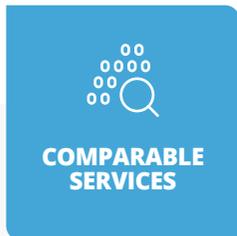
The OCF includes the services provided by the Risk Profiler provider, the Depository, Administrator and Transfer Agent and the Investment Manager.

The Board considers that the OCF of the 'Z' and 'I' share classes in each of the five Horizon Funds offer value to customers.

Comparable Market Rates has been given a GREEN Rating.

The Annual Management Charge was reduced further on transfer from Embark to SWUTM in February 2025.

Fund Class & Sector	OCF
Embark Horizon Multi Asset I Z Class	0.81%
Embark Horizon Multi-Asset I I Class	0.71%
IA Mixed Investment 20-60% Shares Sector	1.07%
Embark Horizon Multi Asset II Z Class	0.81%
Embark Horizon Multi-Asset II I Class	0.71%
IA Mixed Investment 20-60% Shares Sector	1.07%
Embark Horizon Multi-Asset III Z Class	0.81%
Embark Horizon Multi-Asset III I Class	0.71%
IA Mixed Investment 40-85% Shares Sector	1.03%
Embark Horizon Multi-Asset IV Z Class	0.81%
Embark Horizon Multi-Asset IV I Class	0.71%
IA Mixed Investment 40-85% Shares Sector	1.03%
Embark Horizon Multi-Asset V Z Class	0.81%
Embark Horizon Multi-Asset V I Class	0.71%
IA Flexible Investment Sector	1.14%

**What this means:**

The five Horizon Funds were the only Embark Investments funds which were promoted to advisers.

Therefore, the assessment of comparable services is non-applicable.



What this means:

We reviewed the different charges applicable to each share class in the Horizon Funds to ensure they remain appropriate, fair and offer good value.

The Horizon Funds had three share classes on offer at the end of the assessment period – Z accumulation, Z income, and I accumulation.

The accumulation shares accrue all dividends and interest after tax, whereas the income shares pay out a bi-annual distribution to customers. As an alternative to using the income class, customers could seek advice from their IFA on the use of drawdown options offered by their investment platform.

Access to the I Share Class is restricted to intermediaries (investing on behalf of underlying investors) that have entered into arrangements for this Share Class with the ACD and which the ACD expects to invest, including investments made by any other members of the intermediary's group, at least £10,000,000 into the Fund. Any such concession must be duly considered and approved by the ACD, prior to investing in the I Share Class. The I share classes benefit from a lower charge, to reflect the larger sums invested.

The ACD regularly reviews the appropriateness of the I share class eligibility and takes action as required.

Classes of Units has been given a GREEN Rating as charges are deemed appropriate for each customer group.

SWUTM ACD BOARD



Gayle Schumacher

Insurance Board – Independent Non-Executive Director

- Chair of the Authorised Corporate Director Board
- Chair of the Board Investment Committee
- Member of the Insurance Audit Committee
- Member of the Insurance Risk Oversight Committee
- Member of the Insurance People Committee
- Member of the With Profits Committee

Skills and Experience

Mrs Schumacher has over 25 years' experience as an investment specialist with an outstanding track record of driving business growth through the implementation of prudent, customer-focused investment strategies and cost-conscious operational management. Mrs Schumacher is an experienced board Director and change champion who shapes business strategy to respond to changing market environments and new technologies.

External Appointments

Mrs Schumacher is an External Member of the Scott Trust Endowment Investment Committee, Director of Yew Tree Lakes Ltd and Investment Adviser to the Investment Committee of Cadro Technologies Limited.

Former Appointments

Mrs Schumacher was Chief Investment Officer and Head of Investments for the Wealth division of Royal Bank of Scotland/Coutts. Prior to that, Mrs Schumacher was an institutional pension fund manager.



Matthew Cuhls

Insurance Board – Independent Non-Executive Director

- Director of the Authorised Corporate Director Board
- Member of the Insurance Audit Committee
- Chair of the Insurance Risk Oversight Committee
- Member of the Board Investment Committee
- Member of the Insurance People Committee

Skills and Experience

Mr Cuhls brings extensive experience and perspective of financial services leadership, deep operational insight and detailed experience in transformational change and execution. He is highly customer-centric and is actively working with the Pensions Ombudsman, as an advisor for the early resolution service, to support his capacity to stay aligned with customer needs. He brings valuable strategic and operational experience to the committees and steers Boards to achieve ambitious strategic goals. He also brings significant experience in shaping long-term governance and risk management within financial services.

External Appointments

Mr Cuhls currently serves as Chair of the Independent Governance Committee of Fidelity International, and is an Early Resolution Adviser at The Pension Ombudsman. Mr Cuhls is also Chair of International Financial Group Ltd in the Isle of Man, and a director of its insurance subsidiaries.

Former Appointments

From 2013–2023 Mr Cuhls was CEO/Managing Director of ReAssure Ltd. Previous positions have included Chief Risk Officer for ReAssure, and significant member of the Boards of a number of other life companies within the ReAssure and Phoenix Groups.

SWUTM ACD BOARD



Teddy Nyahasha

Insurance Pensions & Investments Finance Director

- Director of the Authorised Corporate Director Board

Skills and Experience

Teddy spent seven years at OneFamily, firstly as Group CFO, and then as Group CEO from January 2020. Teddy is an experienced executive and board member who has worked in the financial services industry for almost 30 years, including a significant amount of time spent leading teams in the finance functions of large, multinational financial institutions and investment products. Teddy has a passion for Financial Inclusion which he links heavily to Helping Britain Prosper.

A qualified accountant, Teddy completed a B Compt Accountancy degree at the University of South Africa, later followed by a post graduate diploma in Statistics at Birkbeck, and an MBA at London Business School.

Former Appointments

Prior to joining the Group, Teddy joins us from OneFamily where he was CEO. Teddy previously held a series of high-profile roles within insurers and global multi-billion-pound household names such as Ernst & Young, Aviva and Royal London as well as working as a specialist adviser at the FSA.



Kevin Doran

Chief Investment Officer, Insurance, Pensions & Investments

Skills and Experience

Kevin joined Lloyds Banking Group as Chief Investment Officer in February 2024. Kevin previously held roles at AJ Bell, where he worked for six years as Managing Director of the D2C platform and investment business – also acting as Group CIO.

Prior to AJ Bell, Kevin was Group Head of Strategy and Investment Research at KBL (now Quintet) Private Bank, having previously held the role of CIO at Brown Shipley.



Scott Guild

Chief Executive ACD business

- Chief Executive Officer of Scottish Widows Unit Trust Managers Limited and member of the ACD Board
- Director – Longstanding Propositions and Heritage Platform (Insurance, Pensions and Investments)

Skills and Experience

Scott has over 30 years' experience in financial services and joined Lloyds Banking Group (LBG) in 2010. A qualified accountant who has held a range of senior leadership positions across a range of disciplines, including Finance, Strategy, Change and Propositions. Scott currently leads Longstanding Propositions and Heritage Platform within LBG's Insurance Pensions and Investments division.

Former Appointments

Outside of Lloyds Banking Group, Scott is a Board member of Inspiring Scotland and St Crispin's Out of School Care Association.



If you require further information on any of the Embark Horizon Multi-Asset Funds, the Key Investor Information Document (KIID) and the Prospectus are both available on the website www.embarkinvestments.co.uk. The Authorised Corporate Director of the Embark Investment Funds ICVC (in this document "Horizon") is Embark Investments Limited (in this document "Embark Investments"), authorised and regulated by the Financial Conduct Authority. Registered in England and Wales under registered number 3383730. Registered Office: 100 Cannon Street, London, EC4N 6EU.

This document is intended to be for information purposes only and is not intended as promotional material or an investment recommendation. The document is not intended as an offer or solicitation for the purchase or sale of any financial instrument. Past performance is not a reliable indicator of future results and the value of investments (and any income from them) can go down, so an investor may get back less than the amount invested. No guarantee is given for the performance of the Horizon Funds.