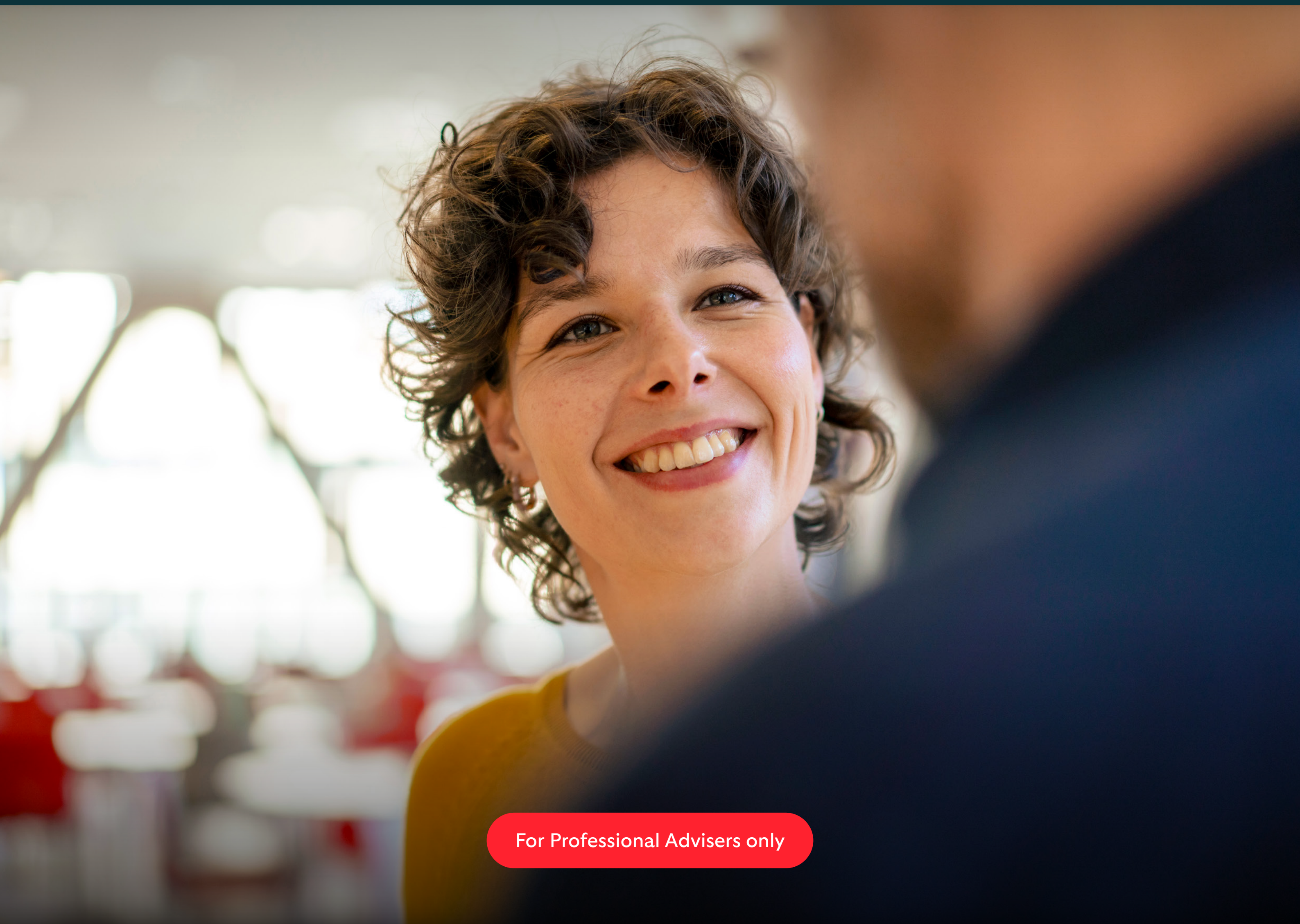
Scottish Widows Horizon Multi-Asset Funds

Guide for Investors



For Professional Advisers only

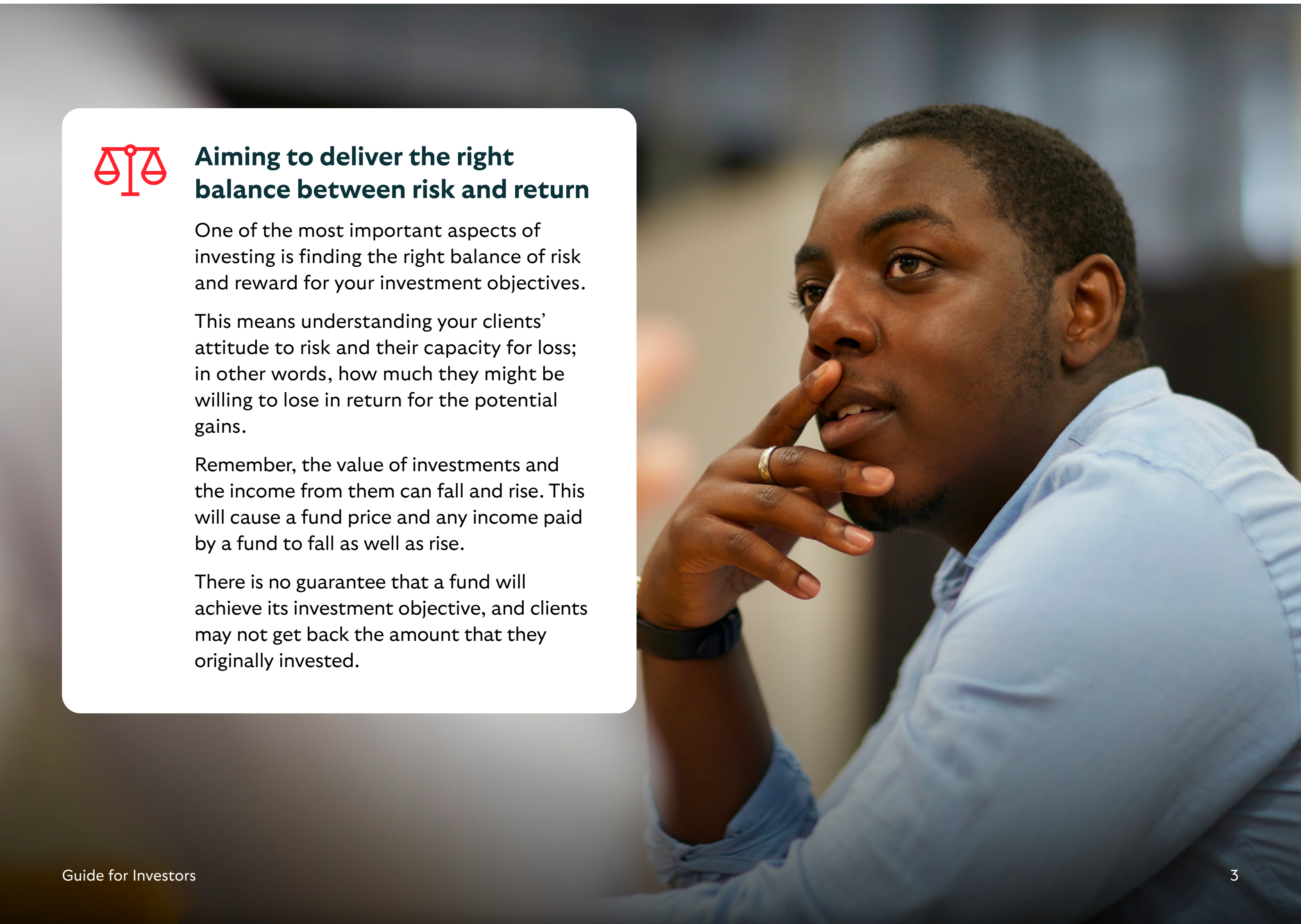
Contents

Investment planning

Your clients may have many different reasons for investing for the future. It could be building a pension fund for retirement, investing for school tuition or university fees, or simply looking for medium to long-term returns on investments.

No matter how much or how little your clients wish to invest, you are always taking some degree of risk. In general terms, the more risk they are willing to take with their investment choices, the higher their potential returns.

However, this also means there is a greater chance of losing some or all their money. Lower-risk investments, meanwhile, can provide them with more security, but they also have lower potential returns over the longer-term.



Aiming to deliver the right balance between risk and return

One of the most important aspects of investing is finding the right balance of risk and reward for your investment objectives.

This means understanding your clients' attitude to risk and their capacity for loss; in other words, how much they might be willing to lose in return for the potential gains.

Remember, the value of investments and the income from them can fall and rise. This will cause a fund price and any income paid by a fund to fall as well as rise.

There is no guarantee that a fund will achieve its investment objective, and clients may not get back the amount that they originally invested.

What are the benefits of Multi-Asset Funds?

Managing investments in any market conditions can be challenging, so selecting the right mix of investments is crucial to meet your clients' risk profile requirements and investment goals.

We know it is challenging to provide advice models at competitive charges, so it is no surprise that multi-asset investment solutions continue to be popular with advisers and clients. It is a concept that clients find easy to understand, as it is almost instinctive to avoid putting all your eggs in one basket.

This is especially so when markets are uncertain and the future's hard to predict. This all means that risk-rated multi-asset funds that are suitable for the different stages of your clients' life could be just what you and they need. Funds designed for helping them grow their capital, or for when they want to start drawing income, aiming to deliver the right results at the right price.

With increased regulatory scrutiny, and clients now paying a fee for advice, it is essential that costs are transparent. Uncertain markets have increased demand for packaged solutions, as investors value diversified asset allocation during challenging economic times and increased volatility.

Multi-asset funds are attractive as they offer you and your clients a low cost and convenient way to access professional portfolio management techniques, like rebalancing, and aim to balance investment returns with the level of risk a client is prepared to take.

Why Scottish Widows Horizon Multi-Asset Funds?

After determining your client's attitude to risk, you may wish to recommend the Scottish Widows Horizon Multi-Asset Funds range. Highly diversified yet simple and easy to understand, they have been built specifically for investors with different risk appetites. Each portfolio is matched and aligned to one of five risk profiles ranging from lower-risk to higher-risk, which means one of the Scottish Widows Horizon Multi-Asset Funds could suit your client' needs.

The Scottish Widows Horizon Multi-Asset Fund range offers five 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 help deliver your clients' retirement and investment goals.

- Risk profiled to easily choose the right option for your clients' needs
- Managed by industry experts through a distinctive and robust investment process
- Globally diversified across different assets, geographical regions, and styles
- Established long-term performance track record since 2013

The Scottish Widows Horizon Multi-Asset Funds have pre-defined risk and return objectives and are managed with the aim of remaining within their respective risk profiles. They are aligned with the EValue (EV) five-point risk scale of 1 to 5, with a focus on delivering investment outcomes to meet specific risk appetite needs over the medium to long term.

Horizon Multi-Asset 1	Horizon Multi-Asset 2	Horizon Multi-Asset 3	Horizon Multi-Asset 4	Horizon Multi-Asset 5

Lower Risk ⟷ Higher Risk

The Scottish Widows Horizon Multi-Asset Funds are independently risk-rated by a number of market leading risk profiling companies to help you choose the right options for your clients' needs. To see the latest update, please visit our **risk profile mapping page**.

Distinctive Investment Process

To design, monitor and manage the Scottish Widows Horizon Multi-Asset Fund range, a distinctive investment process is applied. This process is based on the proven long-term benefits of remaining invested where the outcome is likely to be more positive.

Bringing together three layers of industry experts, each Scottish Widows Horizon Multi-Asset Fund is governed by a consistent and robust framework, including independent oversight and risk management to protect your investment interests. A forward-looking approach to asset allocation aims to deliver optimised investment performance over the long term, with regular rebalancing of asset types to stay aligned to the chosen risk profile.

01

SCOTTISH WIDOWS

Authorised Corporate Director (ACD)

Independent Governance and Oversight

Designs – Governs – Monitors

- Dedicated and experienced multi-asset investment oversight team.
- Designs investment guidelines and objectives.
- Appoints and governs the depository, risk profiler, and investment manager.
- Independently monitors outsourced activities in accordance with their investment strategy and guidelines.performance over the long term, with regular rebalancing of asset types to stay aligned to the chosen risk profile.

02

Strategic Asset Allocation (SAA)

Risk Profiler – Forecasting – Portfolio Optimisation

- A leading asset allocation specialist with over 20 years of experience in modelling investment markets.
- Forward-looking strategic asset allocation through Stochastic Modelling and scenario analysis.
- Applies pioneering asset modelling techniques to provide risk profiling and expected volatility bands.
- Funds aligned to EV's five-point risk scale aiming to achieve optimum portfolio risk adjusted returns over the medium to long term.

03

BlackRock.

Tactical Asset Allocation (TAA)

Investment Manager – Fund Selection – Tactical Decision Making

- A leading global investment manager with over 30 years of experience in investing.
- The BlackRock Multi Asset Strategies & Solutions Team (MASS) work with EV to generate globally diversified portfolios that align with EV's risk profiles.
- Builds the portfolios from a mix of investment funds from a select list of in-house passive and active funds and third-party active funds.
- Adjusts the portfolios by implementing tactical views based on short-term market dynamics with an aim to deliver additional performance and diversification.

Distinctive Investment Process (continued)

The Strategic Asset Allocation (SAA), as determined by EV, is rebalanced quarterly, and aims to deliver optimised risk adjusted performance over the long term.

The Investment Manager, BlackRock, responsible for the Tactical Asset Allocation (TAA), tactically adjusts the SAA based on short-term market dynamics with an aim to deliver additional performance and diversification based upon prevailing market conditions. In doing so, they build the portfolios from a mix of investment funds, each from a select list of BlackRock active and passively managed funds and actively managed third-party funds. The aim is to strengthen the depth and breadth of the fund selection universe.

Even though the Scottish Widows Horizon Multi-Asset Funds are distinct in their risk profiles and asset allocations, the investment process provides a consistent and robust governance framework, giving you and your clients confidence that their investments remain well-placed to meet their needs.

Your clients benefit from our distinct approach to multi-asset portfolio design, and also from the investment expertise of the specialist industry experts we partner with.

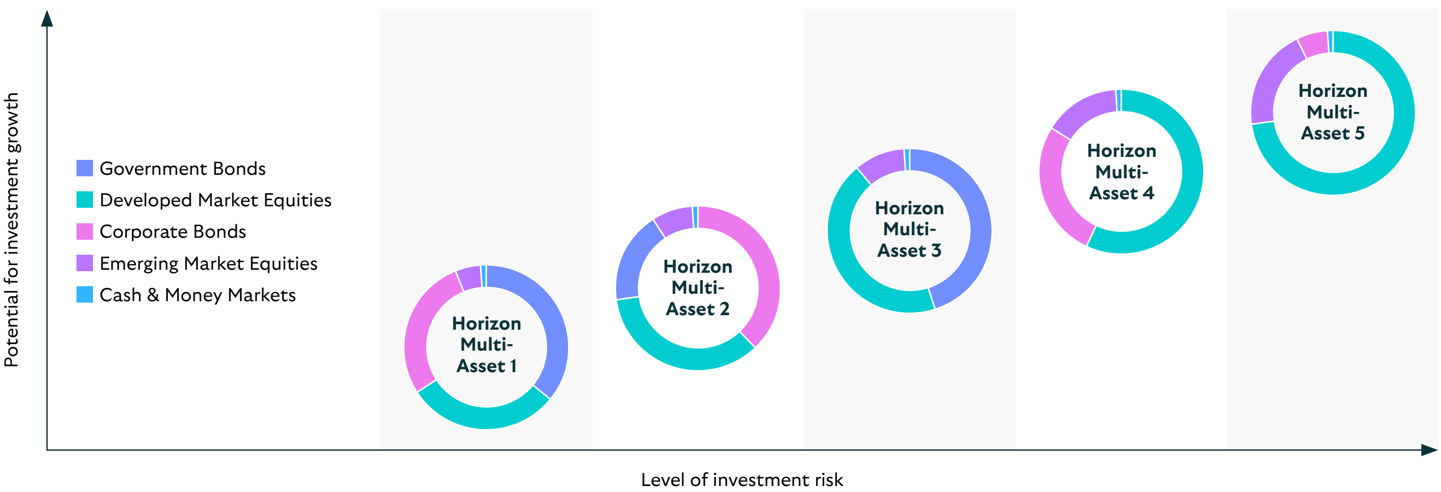
Scottish Widows Horizon Multi-Asset Portfolios – Asset Allocation Guidelines & Parameters

	Horizon Multi-Asset Fund 1	Horizon Multi-Asset Fund 2	Horizon Multi-Asset Fund 3	Horizon Multi-Asset Fund 4	Horizon Multi-Asset Fund 5
Total Global Equities	15%-50%	20%-55%	50%-75%	50%-95%	60%-100%
Emerging Market Equities (included in Total Equities)	0%-7%	0%-10%	SAA +/- 10% (max 12%)	SAA +/- 10% (max 17%)	SAA +/- 10% (max 22%)
Total Fixed Interest	SAA +/- 20%	SAA +/- 20%	SAA +/- 20%	SAA +/- 20%	SAA +/- 20%
High Yield Bonds (included in Total Fixed Interest)	SAA +/- 5%	SAA +/- 5%	SAA +/- 5%	SAA +/- 5%	SAA +/- 5%
Emerging Market Bonds (included in Total Fixed Interest)	0%-5%	0%-5%	0%-5%	0%-5%	0%-5%
Cash & Money Markets	1%-10%	1%-10%	1%-10%	1%-10%	1%-10%
Commodities & Property [4]	0%-15% (Property currently capped at 0%)	0%-15% (Property currently capped at 0%)	0%-15% (Property currently capped at 0%)	0%-15% (Property currently capped at 0%)	0%-15% (Property currently capped at 0%)

Source: Scottish Widows Unit Trust Managers Limited.

[4] This limit is combined for Commodities and Property. If Property were to be allowed a non-zero allocation, the 0%-15% limit would apply to the sum of both. Please note the ACD may adjust these in the future, and the above limits are subject to additional constraints which can be found in the Fund Prospectus.

Scottish Widows Horizon Multi-Asset Funds: Typical Asset Allocation – Globally Diversified Portfolios



Understanding the risks

When deciding on any investment strategy, clients should be aware of all the risks involved in investing. We have highlighted some of the more common risks below.

Changes in exchange rates can affect the value of investments made overseas. Investments in newer markets, smaller companies or single sectors offer the possibility of higher returns but may also involve a higher degree of risk.

Inflation and interest rates can also affect the value of your clients' assets, especially fixed income securities. The economic environment will also influence the value of your clients' investments, although typically different asset classes are impacted in different ways at different times.

To help clients understand the risks, we recommend they always take financial advice. By assessing their situation, you will be able to advise clients on which funds could be suitable for them.

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