FUND REVIEW

Our Research. Your Success.

SCOTTISH WIDOWS

SCOTTISH WIDOWS MANAGED GROWTH FUNDS

December 2025

OUR RESEARCH. YOUR SUCCESS

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SCOTTISH WIDOWS

Scottish Widows is a UK life-insurance, pensions and investment company, founded in Edinburgh in 1815 as Scottish Widows' Fund and Life Assurance Society — Scotland's first mutual life office. In 1999, Lloyds TSB agreed to acquire Scottish Widows for around £7 billion. The company demutualised on 3 March 2000 and in January 2009, Scottish Widows became part of Lloyds Banking Group (LBG).

Scottish Widows is a limited liability company and a 100% owned subsidiary of Lloyds Banking Group Plc. It is the key provider of life assurance and pensions in the group with £200bn of funds under management (December 2025). Scottish Widows' product range includes workplace and individual pensions, annuities, life cover, critical illness, income protection as well as savings and investment products. Customers can access products and services through Independent Financial Advisers, directly, and through all Lloyds Bank, Bank of Scotland and Halifax branches. Being owned by Lloyds Banking Group makes Scottish Widows part of the only integrated banking, insurance and investment provider in the UK.

BACKGROUND

This review provides independent due diligence on the Scottish Widows Managed Growth Fund range (MGF). The range has five funds, two with differing launch dates, and they are available on the Scottish Widows Platform (ex-Embark).

There are now five funds numbered 2 to 6. Three of the funds, portfolios 2, 4, and 6, are used in the group's direct to customer offering, and were not available to advisers until June of 2025. Portfolios 3 and 5 were launched in 2023 and are currently not available to direct customers. Scottish Widows believe that five solutions are more appropriate for the adviser market which also fits with the broader approach that competitors also apply. The funds are currently only available on the Scottish Widows Platform but the team have risk rated them against a range of risk profiling tools so that advisers can understand where they would sit in a risk spectrum.

Multi asset funds are widely used by advisers in the UK and absorb a significant amount of asset flow. Scottish Widows are keen to secure a share of this by using their understanding of the intermediary market and offering a product that suits the current mindset of advisers.

Overview

The funds are multi-asset fund of funds which invest in a diversified blend of asset classes. Each multi-asset fund has a risk label and the asset allocations of the funds are revisited annually to ensure that the balance of risk/return is maintained at an optimal level while continuing to achieve that risk label. The asset allocations reflect the long term expected return and risk of underlying assets and these capital market expectations are revised on a regular basis in line with the changing expectations of forward returns based on economic cycles, inflation expectation, growth, etc.

Within Scottish Widow's Investment team there is an Asset Allocation team and a Portfolio Management team. The Asset Allocation team model the expected risk / return profile of each fund in the range using their in-house capital market assumptions and this results in percentage asset allocation targets for each asset class within each fund. The Portfolio Management team then select suitable funds to meet the asset allocations, having considered the mix of management style / factor tilts.

The Managed Growth funds are built around six key principles:

- Independently risk profiled
- Expert allocation
- Robust governance
- Global diversification
- Delivering value
- Responsible investment

Fund Management Team

Matthew Brennan is the Head of Asset Allocation & Research at Scottish Widows. In this role, Matthew is responsible for setting the strategic asset allocation across Scottish Widows' multi-asset solutions. Through thought-leadership in asset allocation research, his team continuously develops and refines the company's approach to ensure optimal investment strategies. Prior to this Matthew served as Executive Director, Investment Oversight at Valu-Trac, an independent ACD. He also held significant roles at AJ Bell, including Head of Investment Management and Head of Passive Investments. His extensive experience spans private banking, hedge funds, and data analytics. Matthew graduated in 2011 with a first-class Maths degree and is a CFA charterholder.

Heather Coulson joined Scottish Widows Investment Office in February 2024. As Head of Portfolio Management & Implementation, Heather is responsible for the management of £170bn of policyholder funds and the selection, governance, and oversight of asset managers. Heather was previously Head of Global Asset Allocation at Aberdeen, with more than a decade spent as a multi-asset manager focused on institutional mandates including bespoke solutions. Prior to her time spent in multi-asset, Heather was fixed income credit analyst at SWIP and an equity analyst at Baillie Gifford where she started her career.

Philip Chandler - Schroders

The day-to-day fund management of the Managed Growth funds range is undertaken by the appointed external fund manager Schroders and Philip Chandler is the key external fund manager. Philip joined Schroders in 2003 and is Head of UK Multi-Asset & CIO, Schroder Investment Solutions. He is responsible for all UK-based multi-asset clients with benchmark, SAA or peer group-based objectives, and was appointed CIO of Schroder Investment Solutions (SIS) in December 2024. He is a member of the Global Asset Allocation Committee and part of the Duration Risk Premia team of the Strategic Investment Group Multi-Asset (SIGMA). Philip initially joined Schroders as a portfolio manager in the Fixed Income team, with responsibilities for global bonds, money markets and UK government bond portfolios. He transferred to the Multi-Asset team in 2009 and was seconded to New York from 2011 to 2015. Philip is a CFA charterholder.

INVESTMENT PHILOSOPHY & PROCESS

The Scottish Widows team believe that investment markets tend to be broadly efficient, which means that while short-term fluctuations are common and difficult to predict, longer-term realised returns usually revert to their historical averages. They focus on helping customers achieve their long-term goals and prefer to look through these short-term market gyrations and concentrate on the bigger picture.

Diversification plays a crucial role in this approach. They seek growth but also want to manage the risks inherent in multi-asset portfolios. In fact, they believe that the most important asset allocation decision is how to balance growth assets against defensive ones. Over time, growth assets such as equities have typically outperformed other major classes. However, the trade-off between excess return and excess risk constantly shifts with changing economic and market conditions.

To navigate this evolving landscape, the asset allocation process is designed to adapt as the global economy changes, allowing a reassessment of opportunities and risks as they emerge. The Asset Allocation team has the freedom to cast its net widely in search of appropriate investments, enabling them to incorporate new asset classes when the time is right.

Responsible investment is integral to building resilient portfolios and the team see this as inseparable from asset allocation, because systemic risks, such as climate change, social instability, or governance failures, can affect future growth potential and introduce uncertainty-driven volatility.

Underlying the asset allocation approach are five core principles, consistently applied across all customer funds.

- First, the customer is at the centre of every decision; it is their money being looked after, and the aim is to deliver the outcomes they need.

- Second, they are data-oriented, using long-term economic forecasts, market information and historical analysis to understand potential risks and correlations.

- Third, they are cost-aware, implementing portfolios efficiently by considering factors such as liquidity and weighing the costs of changes against their expected benefits.

- Fourth, the approach is scalable: a three-tier asset allocation framework ensures consistency throughout the fund range while keeping it ready for the future.

- Finally, they believe the process is both robust and adaptable, capable of responding to shifts in market conditions and incorporating new ideas. This includes looking beyond traditional public markets to identify opportunities that enhance returns and improve diversification.

Together, these principles shape an asset allocation process designed to support long-term customer outcomes while navigating an ever-changing global investment landscape.

Investment Process

The overall investment process is supported by the Investment Solutions team which helps shape the mandate provided to the Asset Allocation and Portfolio Management Teams. The Propositions team inputs into the Asset Allocation team and helps guide them on the desired risk profile of the underlying funds. The process is broken down into its key areas in the sections below.

The Investment Solutions team begin the process by setting the target market for the products and this determines the broad product parameters. This includes determining such aspects as the price point, assets that are going to be included and ultimately which risk profiling tools that they want to target. This results in Scottish Widows' seven-point risk band scale (table 1 below), and in the final product offering of a fund series; in this instance numbered 2 to 6. The funds can be used with the main risk profiling tools, but they do not specifically target one single tool or Attitude to Risk Questionnaire (ATRQ) process or range. Instead, they are trying to hit the sweet spot across each of the providers that they have targeted as core to the intermediary market – Dynamic Planner, Defaqto, Finametrica, Synaptic and EV – giving broad coverage range across as many risk profilers as possible.

Asset Allocation Process

The Investment Solutions team helps shape the mandate for the Managed Growth funds. Aiming to ensure they fulfil the risk profiling requirements across a range of risk profiling tools and the asset allocation process is the starting process for doing this.

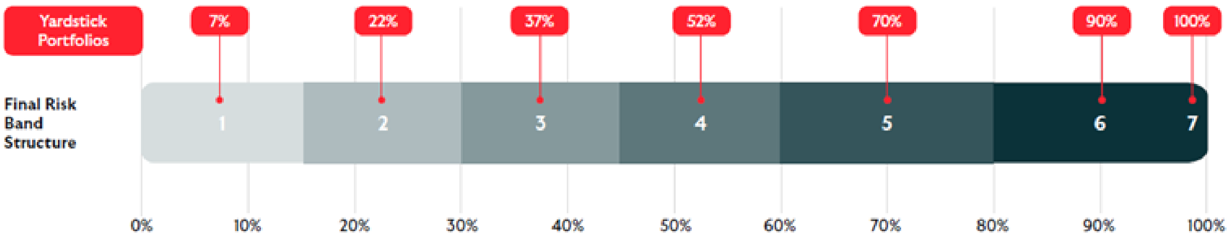
The first phase of the asset allocation process is applicable to a range of multi-asset portfolios across the Scottish Widows product range and focuses on providing capital market assumptions and expectations which are essentially the risk and return forecasts of various asset classes. These assumptions are then used to derive an optimal portfolio of assets at every level of risk.

The capital market assumptions and expectations are based on estimating ex-ante returns for various asset classes using a building-block approach, which reflects the expected 10-year returns for a purely economic investor with no additional considerations. Market-implied values for the key drivers of long-term returns are incorporated to ensure that evolving market expectations are captured.

These expected returns are then used in the asset-allocation optimisation process. The optimisation accounts for skewness (asymmetry in positive and negative returns) and kurtosis (the likelihood of extreme outcomes), resulting in more realistic risk estimates and improved risk-adjusted portfolio construction. The optimisation framework can also accommodate bespoke constraints to reflect a fund's desired risk profile, investment permissions, physical trading limitations, and other specific requirements. The results are then challenged internally and using external surveys which allows for a comparison of their expectations against the assumptions of others in the market. This challenge is ongoing and requires consistent monitoring through the calendar year. The capital market assumptions and expectations are updated on a quarterly basis as part of the asset allocation modelling framework and can be adjusted on an interim basis if market events require a more immediate response.

Once the assumptions are agreed, the structure of the asset classes can be determined. These are based on what they term a hierarchical structure which starts with the split between growth and defensive assets (see table 2 below). The team recognise there are various ways to determine the split of assets, but they prefer to take a route that can be understood by investors and they think that the high-level split of growth and defensive assets achieves this. The split is determined by the risk band assigned to each fund, which is consistent across solutions with the same risk profile and time horizon. The risk banding has been produced after a detailed review of risk bandings in the broader market and can be illustrated as a seven-point sliding-scale risk banding, with growth asset weightings at broadly equal intervals on the scale (noted in red on the graphic below).

Table One



Source: Scottish Widows

The equity weights of the funds will be within the following bandings:

- Managed Growth Fund 2 – 10-35% equity weighting
- Managed Growth Fund 3 – 25-50% equity weighting
- Managed Growth Fund 4 – 40-65% equity weighting
- Managed Growth Fund 5 – 50-75% equity weighting
- Managed Growth Fund 6 – 65-90% equity weighting

The prospectus limits are determined by equity weights, the risk bands sit entirely within each of those ranges, so they have flexibility within each band. This flexibility allows them to move either side of the midpoint of each band using a plus or minus 10% parameter.

The next stage is to look at a more granular level, to determine how the risk assets are split. The important decision for each portfolio is the split between the UK and the international equity weightings as this will in part determine the risk profile of the fund and is also referenced in the mandate. Each of the high-level growth / defensive splits are broken down into more detailed asset classes and regions using a three-tiered framework shown in table 2 below.

Table Two

Market Risks (Yardsticks)	Growth Assets								Defensive Assets						
Level 1 Allocation	UK Equities		International Equities				Alternatives		UK Bonds & Cash		International Bonds & Cash				
Level 2 Allocation	Large Cap	Mid & Small Cap	Developed Markets			Emerging Markets	Listed	Private	Gilts	Credit	Developed Markets		Emerging Markets	Credit	
Level 3 Allocation			Region	Sector	Factors	Currency	Sector	Sector	Country	Sector	Region	Sector	Currency	Range	Range

The risk band determines its level-1 asset allocation across five broad asset classes. Each portfolio can then have its sub-allocations customised based on its mandate and requirements.

The level-1 asset allocations are reviewed annually or following large market moves. Sub-allocations are set within the level-1 parameters.

Source: Scottish Widows

The handover to the implementation team takes place at level 2 when the output from the Asset Allocation team is provided, essentially in the form of a set of market indices and set of weights, for each of the five portfolios.

Portfolio Management

The Portfolio Management team is headed up by Heather Coulson.. Other individuals on the team include David Will, who has a focus on fixed income and provides expertise on the sourcing of managers or strategies, and how to think about blending certain fixed income strategies. On the equity side, Hamish Campbell is another senior manager within the team and his role is similar to David Will's but on equities. He provides expertise and views on implementing certain asset classes, and how to think about implementing certain regional tilts given by the Asset Allocation team. Within the Portfolio Management team, the Multi-Asset Management team, headed by Steven Millar take input from Asset Allocation and work closely with David Will and Hamish Campbell to construct the portfolios. They are also the link between the team and Schroders once the asset allocation is agreed and they have decided on the granular build. They will liaise and ensure the terms of the mandate and the correct percentages are communicated and adhered to within Schroders. Phillip Shannon is the final member of the team, and his focus is on the external manager links although his remit is across multi-asset and not just focused on the Managed Growth funds. The team also work closely with the Fund Governance and Mandate team who deal with the day-to-day Schroders relationship and the instructions and mandating of the funds.

The team have adopted what they call a North Star view of portfolio construction which dictates the preferred blending approach. They have one view for fixed interest assets and one for equities which in the case of the Managed Growth funds focusses mainly on the use of passive funds. This approach has to fit within the regulatory boundaries dictated by NURS rules, but this rarely causes them any issues.

The Managed Growth funds are managed to fit with the asset allocation provided by the asset allocation team, and so the Portfolio Management team blend sub funds in a way that enforces the higher-level views and does not inadvertently tilt away from it. They test this in as granular a way as possible during the process of portfolio construction.

The team are also responsible for looking after the strategies that are adopted across the entire suite of Scottish Widow's multi-asset funds. This includes dealing with the managers on a day-to-day basis, reviewing the management and performance of the funds and negotiating on items such as fees and ensuring the strategies for each of the mandates remain fit for purpose.

The Managed Growth funds are tightly costed solutions and so comprise mainly passive strategies which makes it slightly easier to source funds to represent the views of the Asset Allocation team. The Portfolio Management team also look for solutions that will track the composition of indices given by the Asset Allocation team in the most accurate and cost-efficient way. The Managed Growth funds do include some active funds and they will continue to hold them if they feel they offer strategic value, as well as being cost effective.

In fulfilling the strategic asset allocation, the Portfolio Management team need to make sure that they are not creating portfolios that may have unintended consequences and so they use tools including Style Analytics to analyse the equity compositions to check this. An example might be that if they had a fundamentally weighted passive vehicle within the funds, they would check that blending it with other passive and active vehicles doesn't skew the style of the portfolio and make any factor overly dominant. Preparation for this requires them to flag any factor restrictions they want to put in place ahead of the analysis.

The construction and mandating of the portfolios is probably around half of the team's workload, with the implementation and monitoring equally important. They currently use several external managers, including Aberdeen, Blackrock and Schroders, and they manage any execution very carefully to ensure they get the most efficient share classes and execution of trades. These managers have been in place for several years and are reviewed annually by the team. It is possible that the team will expand the open architecture elements of the portfolio construction, but they currently don't see a need to do this for the Managed Growth solutions, given the limited use of active managers. The funds are governed by mandates which require an ongoing level of monitoring and so the appraisal of managers is ongoing, and not just an annual check.

Schroders are a key supplier and so the team concentrate initially on how they adhere to the mandates, looking at performance numbers and the drivers of performance in their monthly team meetings with the performance team. They meet with Schroders on a monthly basis to discuss the funds and their positioning, although the Managed Growth funds have a smaller active element and so require less detailed discussion. On a quarterly basis they have a more in-depth discussion about macro influences and performance attribution. External managers are treated in the same way, with quarterly meetings to check performance attribution, the tracking error relative to the Scottish Widows parameters, asset flows and any management or process changes.

Governance & Risk

Asset exposure limits are monitored daily by Schroders, the external fund manager, to ensure they are within the mandated minimum / maximum limits and any breaches are dealt with in a timely manner to bring the funds back into line. The Asset Allocation team review the portfolios annually and stress test them. The optimisation process incorporates various risk measures along with volatility, including the magnitude and frequency of their drawdowns, to reduce downside while creating the portfolio. The stress testing of the funds involves looking at what their worst downside would be in the worst 5% or 1% of outcomes. The team look at downside deviation below a minimum acceptable return, the probability of falling below a target, and the maximum drawdown possible.

Scottish Widows don't execute trades on a day-to-day basis as this has been outsourced to Schroders, their third-party Investment Managers, who do this in line with all relevant regulations and their own internal policies and procedures. From an oversight perspective, on an annual basis, Scottish Widows ask Schroders to evidence and demonstrate that they actively seek to adhere with Best Execution principles on all trades placed across the funds. They also share their procedures and documents and discuss some examples with representatives from the Trade and Dealing Teams.

Where Scottish Widows' Asset Allocation team initiates a change to the asset allocation mix, as part of implementing the strategic / medium term asset allocation then the timing and execution is completed in an efficient manner, and the team consider aggregating of trades, holidays, and crossing trades in order to minimise market impact. Oversight of execution of these changes is the responsibility of the Portfolio Management team.

CURRENT FUND POSITIONING & PERFORMANCE

Fund performance is analysed in detail on a quarterly basis and interim high-level reviews are undertaken monthly to ensure everything remains on track. The performance of the funds is compared market peers and the relevant Investment Manager Association sectors to identify any qualitative and quantitative deviation in exposures, allocation and views.

From an asset allocation perspective, performance is expected to be strongest during periods of steady economic expansion, moderate inflation, and low market volatility, as the funds' multi-asset approach allows them to capture upside across equities, bonds, and alternatives. Underperformance may occur during periods of heightened market stress, such as sharp equity market downturns, rising interest rates, or significant geopolitical events. In these circumstances, risk assets may fall in value, and diversification benefits can be limited if correlations rise across asset classes. The funds are constructed to mitigate downside risk through regular rebalancing and robust risk management, but extreme market conditions can still impact returns.

Performance

The funds have shown strong short- and long-term performance against their peer group IA sectors. Managed Growth funds 3 and 5 have a shorter track record but can be considered in the context of the other funds in the range.

The performance against the peer group is very competitive and has been the result of two main factors over the last three years. In a predominantly passive strategy, asset allocation is the largest factor in determining returns and for the Managed Growth funds this has been driven by the global element of the portfolios, notably the US weighting. The passive nature of the underlying funds has meant that the weighting to the US has been significant, and this has resulted in strong returns. Secondly, the managers have had a positive view on emerging market equities which have recovered well in 2025 and a focus on developed markets which has also helped to deliver strong relative returns in 2024 and 2025.

By comparison, fixed interest has not contributed as much to the portfolios, with inflation and interest rates remaining higher than central banks' preferred levels. The managers have navigated this relatively well by holding a higher proportion of global government debt than many peers. In addition, emerging market debt and high yield have added to relative returns, particularly in 2025.

Managed Growth Funds performance versus IA Sectors

	3 Months	1 Year	3 Years	5 Years	Since Inception
Managed Growth Fund 2	3.6%	6.0%	8.2%	3.1%	2.6%
IA Mixed Investment 0-35% Shares	2.8%	5.3%	6.1%	2.2%	2.0%
Managed Growth Fund 3	4.5%	7.3%	-	-	8.4%
IA Mixed Investment 20-60% Shares	3.8%	7.3%	7.8%	4.7%	7.3%
Managed Growth Fund 4	5.7%	9.2%	10.4%	6.7%	4.9%
IA Mixed Investment 20-60% Shares	3.8%	7.3%	7.8%	4.7%	3.7%
Managed Growth Fund 5	6.9%	11.3%	-	-	11.0%
IA Mixed Investment 40-85% Shares	5.3%	9.3%	9.4%	6.5%	8.9%
Managed Growth Fund 6	8.5%	13.3%	12.8%	9.8%	7.2%
IA Flexible Investment	6.4%	10.5%	9.2%	7.0%	5.9%

Performance provided by Scottish Widows. Performance Source: FE Fund Info. All performance data as at 30.09.2025. Performance is calculated using bid to bid pricing net of all charges, with net income reinvested, based on L acc shares, in pounds sterling. Fund since inception dates are Managed Growth Funds 2, 4 and 6 - 16.09.2019 and managed Growth Funds 3 and 5 - 24.04.2023.

SUMMARY & EVALUATION

The Managed Growth Funds from the Scottish Widows Investment team are a solid and well-run range of funds that offer a competitive solution in a very crowded market. This passive strategy is not unique, but the team does have the benefit of a long history of asset management in this sector and the ability to use size and scale to extract the best terms for its products.

There has been significant growth in multi-asset investing in the last few years, driven by both regulation and the expansion of the discretionary management market, led by managed portfolio services, which means it can be difficult to stand out unless you have a number of differentiating factors. Scottish Widows can stand out from their peers in the strength of the brand and the resource behind the fund range. Scottish Widows have a history of managing multi-asset portfolios in a variety of product types and can leverage this in the retail advisory market. Very few new entrants can boast this type of resource and pedigree in the retail market and offer advisers a degree of familiarity against a backdrop of many other fund choices.

The team are experienced in managing these strategies and have linked with strong external brands including Schroders and BlackRock to deliver the building blocks for the funds. Performance has been strong relative to the peer group and charges are highly competitive given the predominantly passive nature of the funds.

RSMR
December 2025

ABOUT US

Our Research. Your Success.

Established in 2004 RSMR provides research and analysis to firms working across the UK's personal financial services marketplace.

Our work is completed with total impartiality and without any conflict of interest and delivered to a high professional standard by a team of experienced and highly qualified people.

Working with advisers

We provide specialist research, analysis and support to a diverse range of financial advisers and planners helping them to deliver sound advice to their clients backed by rigorous and structured research and due diligence.

The main regulatory body in the UK, the FCA, states that personal recommendations made by advisers should be 'based on a comprehensive and fair analysis of the relevant market' and this has led to closer scrutiny of the whole advice process. Our solutions are designed to help advisers meet these challenges whilst recognising that advisory firms require a range of flexible options that best meet their own business needs and those of their clients.

Working with providers

We work with all the leading fund groups, life and pension companies and platform operators across the financial services sector offering straight forward and pragmatic advice to help add value and improve their business performance and efficiency whilst treating customers fairly in line with FCA requirements.

Ratings

Our innovative range of ratings are now recognised as market leading and cover a broad area of investment solutions including single strategy funds, SRI funds, Multimanager and multi-asset funds, and investment trusts. Our familiar 'R' logo is now recognised as a trusted badge of quality by advisers and providers alike and a 'must-have' when selecting funds. Our ratings are founded on a strict methodology that considers performance and risk measures but places a greater emphasis on the ability of fund managers to continue to deliver performance in the years ahead based on our in-depth face-to-face meetings with fund managers across the globe.

We understand financial services and we will work alongside you to deliver tailored solutions that are right for your clients and your business.

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Our research. Your success.

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