



# Margetts Quarterly Risk Profile Update Note

**Q4 2020**



## Summary

Fund	Weighted average asset allocation <sup>^</sup>	Latest historical asset allocation <sup>*</sup>	Comparable DP volatility <sup>†</sup>	Assigned risk profile	Status
Providence Strategy	5 (5)	5 (5)	4 (4)	5	
Select Strategy	6 (6)	6 (6)	6 (6)	6	
International Strategy	8 (8)	8 (8)	8 (8)	8	
Venture Strategy	9 (9)	9 (9)	8 (8)	9	

This quarter we have maintained the green statuses of the solutions.

We note that the expected volatility of the solutions is largely unchanged this quarter. However, it appears that approximately over the last year the Select Strategy Fund has slowly increased its risk by a small amount; for example, high yield bonds were introduced fairly recently. As a result, this fund has crept closer to breaching the upper threshold of its assigned boundaries and is approaching an unsafe position.

We have based our review on the approach that was agreed at the start of the risk profiling service and used the DT capital market assumptions for Q4 2020. There have been no changes to the risk profile boundaries this quarter.

( ) Analysis based on data to the end of June 2020 are shown in brackets.

<sup>^</sup> The weighted average approach incorporates the strategic asset allocation (if applicable) and the distribution of the historical asset allocations.

<sup>\*</sup> This column provides the position of the expected volatility based on the latest historical asset allocation (i.e. 30 September 2020). The figure in brackets illustrates the position of the volatility based on the previous quarter's allocation.

<sup>†</sup> DT has a set of asset allocation models which are managed to operate within each profile's boundaries. This column compares the annualised rolling volatility of each solution to the DT models and shows which model has been closest since inception. The rolling volatility period in each instance is assessed based on the performance data provided.

Please see Appendix for the Red, Amber & Green status descriptions.

## Comments and notes from previous reviews

### Q1 – Q3 2020

This quarter we have maintained the green statuses of the solutions.

### Q4 2019

This quarter we have maintained the green statuses of the solutions.

We have completed this quarters analysis using underlying holdings for the first time. The allocations of all funds are now safely within their respective assigned boundaries.

### Q3 2019

This quarter we have maintained the green statuses of the solutions.

The allocations of the Select Strategy solution have been fluctuating on the boundary of DT6 and DT7 since Q1 2018. Next quarter we will look to review the holdings of all these solutions to perform our analysis at a deeper level. Following this, we will discuss our results and the long – term expectations with Margetts.

### Q1 - Q2 2019

Our analysis indicates that the assigned profiles for the strategies remain appropriate as their latest asset allocations continue to be positioned within the respective assigned risk profile boundaries.

### Q2 – Q4 2018

Our analysis indicates that the assigned profiles for the strategies remain appropriate as their latest asset allocations continue to be positioned within the respective assigned risk profile boundaries.

### Q1 2018

The assigned risk profiles of the Funds remain suitable as their latest asset allocations have been positioned within the respective assigned risk profile boundaries.

### Q4 2017

Our analysis indicated that the assigned profiles for the Funds remain appropriate as their latest asset allocations continue to be positioned within the respective assigned risk profile boundaries.

### Q3 2017

Based on Q4 2017 assumptions, the latest asset allocations for each Fund have been positioned within the respective assigned profile boundaries. Therefore, we remain comfortable with the suitability of the assigned profiles.

### Q2 2017

Our analysis indicated that the assigned profiles remain appropriate.

This quarter, the latest asset allocations for the International and Venture Strategies continue to be positioned below the DT 8 and DT 9 risk profile boundaries. However, we remain comfortable with the assigned profiles based on the expected volatility over recent years and the levels of achieved volatility, which, for Venture continues to be most closely aligned to AA 9 over recent periods.

### Q1 2017

Our analysis indicated that the assigned profiles remain appropriate.

This quarter, we note that the latest asset allocations for the International and Venture Strategies have been positioned marginally below the DT 8 and DT 9 risk profile boundaries. However, considering the proximity of these asset allocations to the assigned risk boundaries, we have kept the strategies on green. Additionally, the suitability of the assigned profiles for these strategies is consistent with the long term rolling volatility of the International Strategy and the most recent rolling volatility of the Venture Strategy.

# Appendix

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## Status descriptions

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A **red** status indicates that the solution's current risk profile is no longer appropriate to the DT scale and that it will be changed at next quarter's review unless action is taken by the asset management team.

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An **amber** status indicates that one or more of the measures considered may indicate the possibility of an alternative risk profile. This could be due to short-term tactical positioning within the solution or other market considerations and does not imply that the long-term risk profile should necessarily change.

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A **green** status indicates that the solution is in line with the assigned risk profile and no action is needed.

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