

AJ BELL RESPONSIBLE MANAGED PORTFOLIO SERVICE

# Client guide

A photograph of a man and a young boy in a garden. The boy, wearing a striped shirt and blue boots, is pouring water from a wooden watering can. The man, wearing a blue t-shirt and grey trousers, is kneeling and smiling. They are surrounded by green plants and a clear blue sky with light clouds.

Responsible investing made easy

Only available through professional intermediaries. Ask your financial adviser for more information.

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# Easy, transparent, low-cost responsible investing

## Built on strong foundations

AJ Bell Investcentre is part of AJ Bell. Established in 1995, the company is a member of the London Stock Exchange, and has grown to become one of the UK's largest investment platforms. It is a cost-effective, easy-to-access home for your investments.

With more than 80 years of combined experience in the industry, our highly respected Investments Team manages over £1 billion of clients' money. Drawing on their considerable experience and expertise, the team developed our managed portfolio service (MPS) to help your adviser manage your financial affairs in the most time- and cost-efficient way possible.

## Investing for the future – for everyone

We recognise that, now more than ever, investors are looking to use their money in a way that limits any negative impact on the planet and society. That's why we created the AJ Bell Responsible MPS.

Designed for investors who care about people and the planet, but who still aim to make a profit, the Responsible MPS looks to invest in the best-in-class companies which are serious about sustainability. Where possible, it also looks to exclude companies involved in controversial industries such as firearms, genetically-modified organisms and tobacco.

AJ Bell Investcentre is available only through your financial adviser, but we never forget whose money it is that we are managing. For this reason, we are committed to communicating with you in a transparent and timely way. We also make it easy for you to keep track of your investments at any time by simply logging into [investcentre.co.uk/customer-area](https://investcentre.co.uk/customer-area) or the AJ Bell Investcentre app.



The value of your investments can go down as well as up and you may get back less than you originally invested and some investments need to be held for the long term.

# I A responsible choice

Investing your wealth can be an extremely difficult decision, particularly if you wish to align your portfolio with personal values and make a positive impact on the planet. To help you, the Responsible MPS is designed to let you invest in a simple solution, managed by a professional team, with the objective of long-term growth and a wider social and environmental benefit.

The Responsible MPS works in a four-step process.

1

## **The AJ Bell Investments Team creates a range of ‘model portfolios’**

We have built six Responsible portfolios, each having a blend of assets such as cash, shares, bonds and alternative investments such as infrastructure. The different blends ensure that each portfolio matches a particular level of risk.

2

## **Your adviser chooses a portfolio**

Your adviser will work with you to determine your future objectives, attitude to risk and how comfortable you are with the idea of suffering losses in return for potentially larger gains. They will then recommend a portfolio which suits you.

3

## **Your adviser invests your money**

The adviser will access the MPS via your AJ Bell Investcentre account, and invest in the chosen portfolio via your SIPP, ISA or dealing account.

4

## **We look after the ongoing management of the portfolio**

The experienced AJ Bell Investments Team will then monitor your portfolio and make any changes necessary to keep it on track to deliver the portfolio objectives at the appropriate level of risk.

# I Putting your values first

At AJ Bell, we are aware of the dangers of ‘greenwashing’ – where companies use marketing to exaggerate their environmental credentials and mislead investors. With that in mind, we use a multi-layered approach to ensure that your money is invested responsibly, so you can feel confident that your principles are consistently being taken into account within the investment process.

Firstly, in asset classes where it is possible, a series of exclusions removes companies from controversial industries such as fossil fuels, alcohol and adult entertainment. Then, a ‘best-in-class’ ranking system means that, of the remaining companies, only those that score more highly on environmental, social and governance credentials are included.

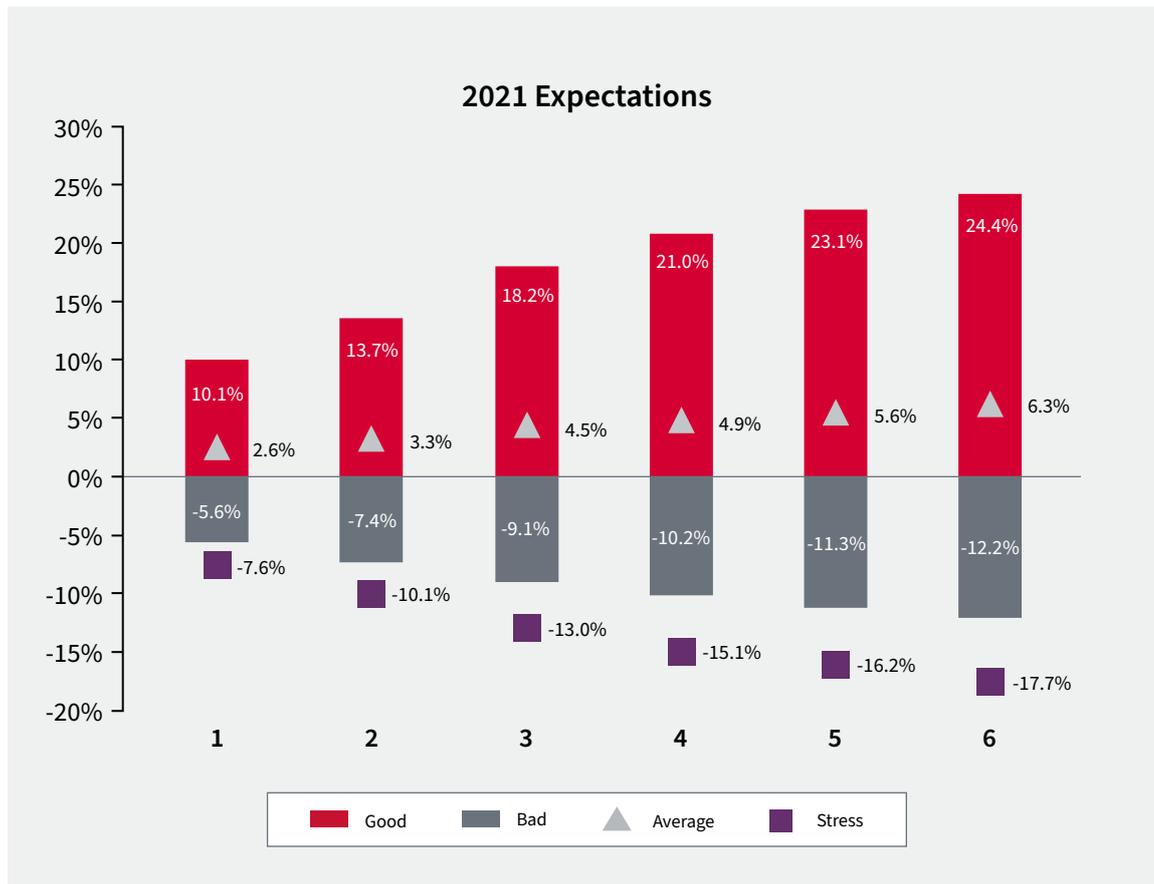
It is important that you know how your investment in the Responsible MPS is making a positive societal impact. An analysis of the holdings within the portfolios allows us to make a comparison of various metrics with a ‘standard’ portfolio, and this shows the following.

- The estimated carbon intensity of the Responsible MPS, which is a measure of the weighted average of the carbon intensity of each of the underlying portfolio constituents, decreases by an average of 65%
- The average ESG score is uplifted by 21%
- 7% of companies in the Standard MPS are removed due to the screening process described above, and the average exposure to ‘offenders’, where we have data, is 0.6%
- The average exposure to UN Compact violators is 0.2%, which is a 2.4% decrease compared to the standard MPS
- The average exposure to companies with severe controversies is 0.3%, which is a decrease of 2.8% compared to the standard MPS

*Source: AJ Bell Investments Calculations & MSCI*

# I Risk and return

It is important for you to understand how the level of risk taken with the Responsible MPS will translate into returns over time. We have put together the chart below to help you consider the range of outcomes that you could expect to see over one year.



The value of your investments is not guaranteed and can go down as well as up. It is important that you understand how the Responsible MPS could perform over time. We have used financial models to demonstrate the likely outcomes. As the output is based on statistical forecasts, the actual outcome and performance could be different from the scenarios above.

The red and grey bars represent a typical year (representing an 80 out of 100 outcome). In a good year, you might see a return above the red bar range. In a bad year, your losses would be likely to be below, in the grey range. In a very bad year, such as a repeat of the credit crisis, the loss could be significant. Since you ought to be prepared to witness bad market conditions at some point on your investment journey, we show the range of outcomes that you should allow for.

The longer you invest, the more predictable your returns become. That's because, over time, the good and the bad years tend to cancel each other out. Using our back-testing data, based on testing the strategic asset allocations for the portfolios over the last five years, had you invested in our Responsible MPS, you would have made the gains shown in the table below.

Responsible MPS	MPS 1	MPS 2	MPS 3	MPS 4	MPS 5	MPS 6
5 year back tested performance <sup>(1)</sup>	7.1%	8.6%	10.0%	10.8%	11.4%	11.7%
Expected returns	3.3%	4.5%	4.9%	4.9%	5.6%	6.3%
Expected volatility	4.2% - 6.3%	6.3% - 8.4%	8.4% - 10.5%	10.5% - 12.6%	12.6% - 14.7%	14.7% - 16.8%

All returns are gross of underlying product OCF, transaction and platform charges. These figures are forward-looking, and are based on returns over a complete economic cycle, which would typically be around five years or more.

<sup>(1)</sup> 5 year Back Tested performance is the annualised return based on current portfolio allocations as at 19th February 2021. Returns are simulated using fixed weights. Where the holding has not existed for 5 years a proxy security or index is used where appropriate prior to its launch.



Past performance is not a guide to future performance and some investments may need to be held for the long term.

Target yields are not guaranteed and can fluctuate.

## | Costs

We firmly believe that high charges are one of the biggest threats to investment returns. Every pound in charges is a pound less in your savings, and that's why we work so hard to keep charges for our range of managed portfolios as low as possible.

In common with the rest of our MPS range, the Responsible MPS carries an investment management charge of 0.15% p.a. This figure is lower than many of our competitors in the market.

We work with suppliers to ensure that the running costs of our portfolios are minimised, and we use our buying power to negotiate special rates with the managers of the underlying funds in our products whenever we can.

Your adviser will choose a portfolio that has been carefully constructed to match the level of risk you are comfortable with, and our Responsible MPS offers the potential for investment growth at a fraction of the cost of using a traditional discretionary investment manager. However, it is important to be aware that charges will apply in addition to the cost of the service. For example, there will be costs associated with the underlying holdings of the portfolio and the normal AJ Bell Investcentre product charges.

For more details of these, please ask your financial adviser, or refer to the portfolio factsheets and charges and rates document, available from [investcentre.co.uk](https://investcentre.co.uk).



This guide provides general information about the Responsible Managed Portfolio Service. It should not be read or construed as investment advice. It is your adviser's responsibility to assess your circumstances and make a personal recommendation that is suitable for your needs.