

# HORIZON MULTI-ASSET FUNDS

DUE DILIGENCE GUIDE



Signatory of:



For professional advisers only

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## EMBARK GROUP

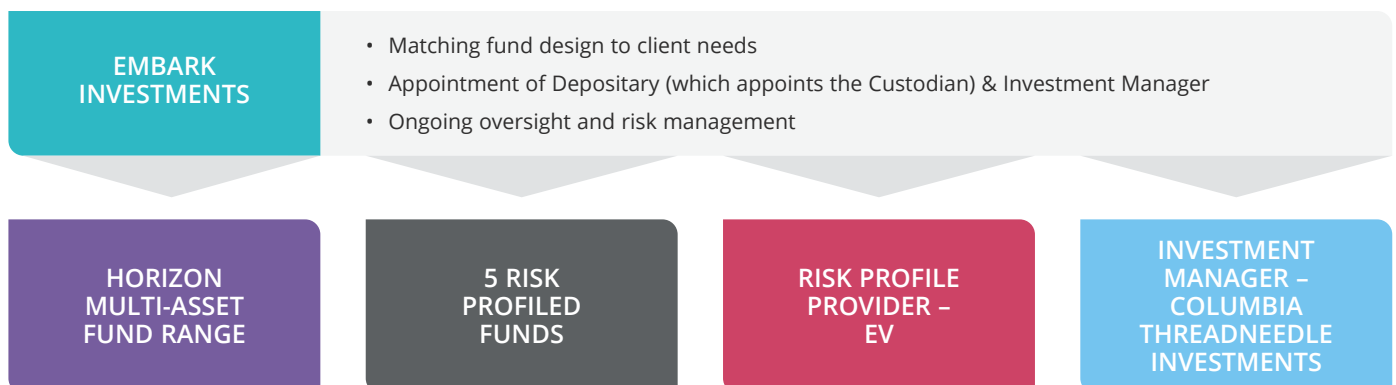
Embark Group is a fast growing, diversified, financial services business providing investment savings and retirement solutions built using the latest digital technology. With a depth of expertise across platforms, pensions, investments, research and consultancy services we are well placed to meet your investment needs.

Businesses in Embark Group have been established in the retirement market for more than 40 years and have a long history of working closely with intermediary distribution partners and affluent / high net worth clients. In January 2022 Embark became part of the Lloyds Banking Group, a leading UK based financial services group providing a wide range of banking and financial services.

## INTRODUCING EMBARK INVESTMENTS

Embark Investments is the Authorised Corporate Director of the Horizon Multi-Asset Funds.

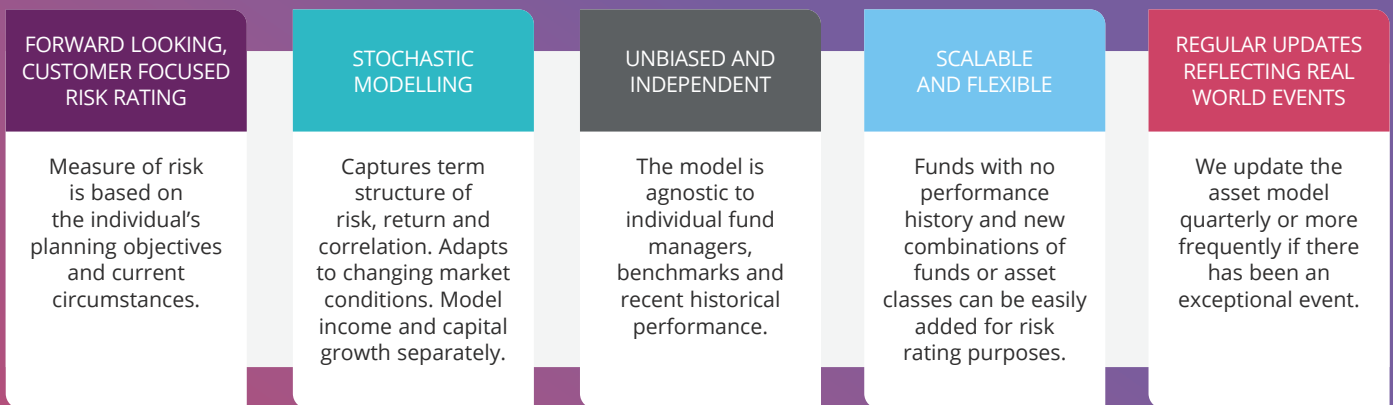
Embark Investments, a wholly owned subsidiary of Embark Group, designs and manufactures investment solutions for the UK retail market, with a focus on delivering investment outcomes to meet specific client needs. Embark Investments is not an investment manager. Embark Investments delivers customised investment solutions for advisers and their clients by researching the market and selecting from the best asset managers.





## MODEL ASSET ALLOCATION GUIDE

For over 20 years, EV has worked with product providers, banks, advisers, and asset managers to help people understand their finances and make complex, individual financial decisions with a unique risk rating proposition.



Measuring risk is important, matching it with investment goals is more so, and a process built on realistic foundations is comforting, but investors still want to end up with as much money as possible. EV's asset allocations have been long-term winners in multi-asset performance, and **today they are a leading asset allocation specialist.**

EV uses technology and a pioneering asset model to help end-consumers make better informed decisions about their finances. EV products combine expert actuarial knowledge, pioneering asset modelling and risk management.

Financial advisers use EV's software to identify their clients'

financial goals, analyse their tolerance for investment risk, construct appropriate investment portfolios and forecast various financial outcomes based on risk/reward trade-offs.

Many consumers in the workplace use EV tools to make decisions about their retirement and other financial planning needs.



## MODEL ASSET ALLOCATION GUIDE (CONTINUED)

### Stochastic modelling

Stochastic modelling has underpinned EV since its original establishment within Towers Perrin. EV's Asset model is based on analysis of historical and current market data which is used to build a full and coherent picture of what could happen in the markets. It generates a set of scenarios corresponding to the picture that make it easy to apply to individual investment situations. Each scenario presents an internally consistent path through which a range of economic and market indicators might evolve. As a group they reflect the range and distribution of possible outcomes including investment returns. These scenarios are used together with the investment strategy by EV's optimiser to produce model asset allocations. The EV Asset Model takes an asset allocation level view of investment prospects and models broad asset class characteristics and does not seek to precisely replicate an explicit index.

### Creating the asset allocations

Asset allocations are derived from the EV Asset Model using an adapted version of the standard efficient frontier methodology familiar since the work of Markowitz. The method involves finding the asset allocations which will achieve the maximum expected fund growth rate for a given risk target over the relevant investment period. In the case of the Horizon Multi-Asset Funds the investment period is assumed to be 18 years.

### Setting risk targets

Risk levels are set relative to asset classes chosen to represent the lowest and highest risk investments suitable for the portfolio of an individual investor. In the case of the Horizon Funds, the lowest risk investment is assumed to be Cash while the highest risk is assumed to be Developed Market Equities. The remaining risk levels are spread proportionately between these bounds so that lower risk levels are closer together than higher ones, the rationale being that low risk investors are more sensitive to changes in outcome than high risk ones. EV calculations then identify the asset allocations that have the given risk level and the highest average return over the investment horizon according to the EV Asset Model. In this case the horizon is 18 years.

### Keeping allocations stable

For practical purposes, it is desirable for the allocations to be relatively stable over time and not to be unduly affected by small changes each quarter. Where assets are very closely correlated or certain combinations of assets have very similar characteristics, small shifts in underlying expectations can suggest large changes in allocations to achieve very small gains in expected returns. To avoid this and potentially unnecessary transaction costs, a mechanism is used to make a trade-off between size, and therefore cost, of change and portfolio efficiency. For some groups of highly correlated asset classes the ratios between portfolio weights may be fixed.

### Applying market constraints

The asset grouping and risk targets corresponding to each investment time horizon are in theory sufficient to create efficient portfolios. However, the results might not always be desirable or achievable.

For example, particularly large allocations to property could be unacceptable under certain circumstances due to poor liquidity and potential lack of diversification. Therefore market related constraints are applied to ensure reasonable levels of diversification and liquidity.

### Optimise allocations

EV's investment team uses mathematical techniques to identify the mix of assets which is expected to give the highest average return given the constraints and targets. Results are then reviewed by the EV investment committee for consistency and suitability. The asset allocations vary by term and over time as the risk/reward characteristics for each asset also vary with changing markets. This generally means that allocations for shorter terms have a greater proportion of less volatile assets included.

## COLUMBIA THREADNEEDLE INVESTMENTS



Columbia Threadneedle Investments invests to make a difference in your world, and the wider world. Millions of people rely on Columbia Threadneedle Investments to manage their money and invest for their future. Whatever world you want, their purpose is to help you achieve it. They do this by being globally connected, intense about research, having a responsible ethos, and a focus on continuous improvement.

### Globally Connected

Columbia Threadneedle Investments reach is expansive, with people and investment specialists spanning the world. But for Columbia Threadneedle Investments, a global perspective is about more than numbers; it is about the smarter advantage they create when they bring their teams' insights together. They've built their diverse expertise and on-the-ground knowledge into their investment processes and solutions, covering almost every asset class and market.

### Intense about Research

Columbia Threadneedle Investments share a belief that original, independent research makes investment decisions smarter. They have over 200 research associates around the globe, and proprietary tools harnessing big data and next generation analytics. This allows them to turn information into forward-looking insights that can add real value to their investment decisions, enhancing their ability to help deliver good outcomes for their clients.

### Responsible Ethos

Columbia Threadneedle Investments think their Responsible Investment (RI) capabilities can help you contribute through your investments to shaping the future world you seek. This continually pushes them forward in how they seek to operate as a business in developing their in-depth RI research capability as support for portfolio construction. As a responsible investor, partner, and citizen they're building RI capabilities needed to help you, their clients, achieve your financial goals while seeking to shape the world you want to live in.

### Focus on Continuous Improvement

Markets don't stand still and neither do Columbia Threadneedle Investments. Every day, they're looking for opportunities to improve how they invest and what their clients experience – be it the independent oversight teams that ensure the robustness of their investment processes, the emphasis they place on developing their talent, or the innovative solutions that they offer. The world is continually changing, and with it their clients' needs, which is why Columbia Threadneedle Investments are always evolving.

### Responsible investing

Embark Investments, as the Authorised Corporate Director (ACD) of the Horizon fund range, is a signatory of the United Nations supported Principles for Responsible Investment (UNPRI), a globally recognised benchmark for the consideration of Environmental, Social and Governance (ESG) issues. Embark Investments are committed to the integration of fundamental ESG principals into the Horizon Multi-Asset Fund range and continue to evolve the Horizon Funds in line with the changing investment markets to meet client needs.

The six principles of the UNPRI match the framework that Embark Investments employs to oversee the Horizon funds, helping us to embrace an international standard. The ACD monitors the funds through a number of ESG-related indicators on a monthly basis and proactively engages with the appointed investment manager, Columbia Threadneedle Investments.

The Horizon fund range uses an integrated approach to ESG, which is embedded within the investment process. The multi-asset fund managers responsible for the five Horizon funds at Columbia Threadneedle Investments, as well as the portfolio managers of Horizon's underlying sub-funds, are supported in their decision-making by their dedicated Responsible Investment (RI) team. Their proprietary RI ratings tool provides insights into a company's leadership, governance, culture and operational standards of practice, with a focus on issues that are material to its long-term performance. Their approach includes understanding linkages between sustainability opportunities on the one hand, and growth and competitive advantage on the other.

Columbia Threadneedle Investments was a founding signatory of the UNPRI in 2006 and they are also signatory to the UK Stewardship code 2010.

A more detailed overview of our approach to ESG can be found on the Horizon Fund website [www.embarkinvestments.co.uk](http://www.embarkinvestments.co.uk).

Please note that although RI research is made available to all portfolio managers, each portfolio management team within Columbia Threadneedle Investments makes its own investment decisions and certain teams may place more, less or no emphasis on such research in any given investment decision.

The information on this page has been supplied by Columbia Threadneedle Investments as at 31/12/2023. Embark Investments is not responsible for the information they have provided.



## THE CASE FOR MULTI-ASSET FUNDS

The Embark Horizon Multi-Asset fund are five globally diversified solutions, designed to cater for different investor risk appetites and attitudes to risk.

Changes in the economic environment affect different asset classes in different ways. This means that the investment returns from one class don't tend to correlate with those from other classes.

The Horizon Multi-Asset funds aim to achieve a positive investment return over the medium to long term (5 or more years), for a targeted level of risk by investing in a mixture of asset classes, and reviewing and changing the weightings between these classes in response to changing market conditions and assumptions.

The funds' investment manager, Columbia Threadneedle Investments, is a proven multi-asset investment manager with over 25 years' experience in managing multi asset strategies.

Columbia Threadneedle Investments culture of teamwork and sharing ideas means that there is significant interaction across the whole investment team. The multi-asset team is able to draw upon this to make sure that every Horizon Multi-Asset fund benefits from the best ideas in investment, and an integrated ESG approach.

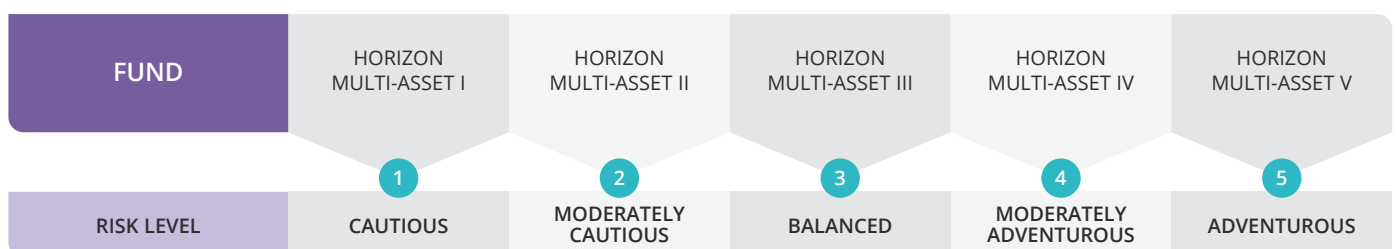
The decision-making process encompasses specialist teams from sector investment, strategic analysis and tactical asset allocation through to fundamental research and risk management.

## RISK PROFILING

### What is risk profiling?

You can be confident that if your clients invest in a Horizon Multi-Asset risk profiled fund, the fund will be regularly monitored to fit within the risk profile provided by EV. The Horizon Multi-Asset funds are managed in line with the EV's 5 point risk profile scale, so all you need to do is monitor your clients' risk appetite and investment horizon. All the work around maintaining a portfolio that's appropriate for a particular level of risk and investment horizon is done by the investment managers, with reference to EV's asset allocations.

The Horizon Multi-Asset fund range is managed in line with EV's risk profiles. However we work with other third party providers to map these Funds to other popular risk profiling tools. Please see our 'Risk Mapping And Reason Why' document on our website [document library](#). Columbia Threadneedle's investment approach starts by using the asset allocation provided by EV and then takes into account Columbia Threadneedle's views on any market sectors expected to under/over perform in the next period – making sure that the fund still lies within the risk profiles.



## HORIZON MULTI-ASSET FUND RANGE

### Embark Investments' role

Embark Investments is the Authorised Corporate Director of the Horizon Multi-Asset Funds.

The funds cater for different risk appetites.

A risk profiling tool from EV is available on the financial adviser section of the Scottish Widows Platform. This tool helps advisers to discuss their clients' attitude to risk with them. It helps advisers talk about the impact of those risks, alongside the rewards of their clients' investment choices, and select suitable investment products. It can also be used as part of a regular review process.

Embark Investments has designed funds to offer advisers a potential fund solution to match the current risk attitudes of their clients.

The funds are managed to risk profiles staggered from the lower risk Horizon Multi-Asset Fund I, through to the higher risk Horizon Multi-Asset Fund V.

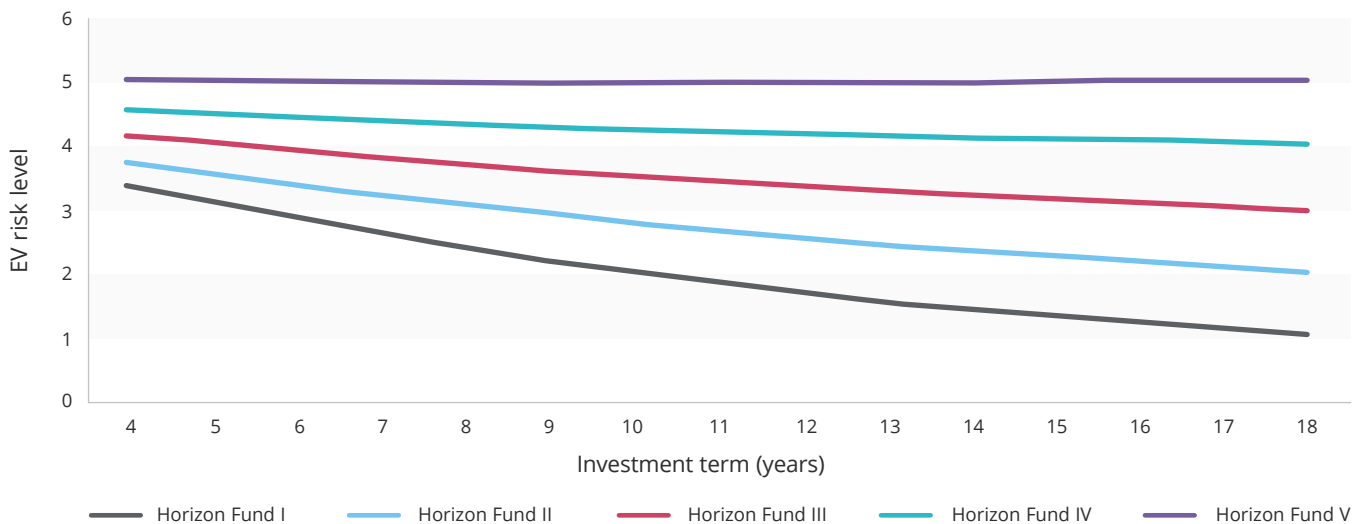
### Investing for growth

We have worked with EV and Columbia Threadneedle Investments to design these funds with an objective to grow investments over the medium to long term (5 or more years).

The EV tool has three investment term bands, 3-5 years, 6-15 years and 16+ years, and we use asset allocations derived from EV's longest term time horizon to deliver an appropriate balance of risk adjusted returns. EV use an 18 year investment period to model the long term.

You can use EV's fund risk assessor tool to profile these funds for clients relative to their individual investment term. Please be aware that the EV risk levels for longer time-scales do not translate directly into equivalent risk levels for shorter time-scales. For example as the chart below shows, a fund based on an asset allocation suitable for risk profile 1 over 18 years would map to a higher risk profile for a client investing over a shorter period. However Horizon Fund V will typically be the highest risk fund and Horizon Fund I will be the lowest risk fund at all investment durations.

### Indicative EV fund risk level at different investment terms





## HOW THE FUNDS ARE MANAGED

The funds use the five strategic weightings of asset classes produced by EV. EV updates its strategic asset weightings every quarter.

Columbia Threadneedle Investments are the investment manager for the funds.

Columbia Threadneedle Investments believe in active fund management, so the investment manager can make tactical changes to the EV asset class weighting. However, all of these decisions are taken in the context of the risk models with the aim of ensuring that the funds remain aligned to their risk profiles.

The investment manager adds three layers of active management.

- The investment manager's own views on asset allocation is overlaid on that produced from EV.
- The investment manager selects which funds to include within the tactical asset allocation.
- Those funds themselves are actively managed.

### Underlying funds

Once the asset allocation is set, they select a blend of funds to align to the risk profiles while maximising possible returns.

The Horizon Multi-Asset funds invest mostly in other funds managed or operated by Columbia Threadneedle Investments, although from time to time they may invest in other collectives if required.

Columbia Threadneedle Investments offer a wide range of funds from across the asset spectrum. Investing in their own funds gives their investment managers the confidence that these funds will be actively managed and with interests aligned to their own. It also removes unnecessary layers of charges.

### Horizon Multi-Asset I-V: Typical Asset allocations

The Horizon Multi-asset Fund range is part of the IA Volatility Managed sector. This means we have a strong focus on the expected volatility for each risk profile and ensure that the forecasted 18-year volatility always stays within the boundaries set for each risk profile. This table shows typical asset allocations for each fund although exposures are not restricted to these ranges.

	Fund I	Fund II	Fund III	Fund IV	Fund V
Cash	1-10%	1-10%	1-10%	1-10%	1-10%
Fixed interest	38-84%	20-70%	0-49%	0-49%	0-39%
Global Equity (including Emerging Market Equity)	20-50%	25-55%	50-75%	65-95%	65-100%
Emerging market equity	0-5%	0-8%	0-10%	0-15%	0-20%
Property & Commodities	0-15%	0-15%	0-15%	0-15%	0-15%

Tactical tilts Columbia Threadneedle can make, either within the set range of absolute allocation percentages or relative to the EV asset allocation.

	Horizon I	Horizon II	Horizon III	Horizon IV	Horizon V
Cash & Money Markets	1%-10%	1%-10%	1%-10%	1%-10%	1%-10%
Total Fixed Interest	SAA +/-20%	SAA +/-20%	SAA +/-20%	SAA +/-20%	SAA +/-20%
High Yield Bonds (also included in Total Fixed Interest)	SAA +/-5%	SAA +/-5%	SAA +/-5%	SAA +/-5%	SAA +/-5%
Emerging Market Bonds (also included in Total Fixed Interest)	0%-5%	0%-5%	0%-5%	0%-5%	0%-5%
Global Equities	15%-50%	20%-55%	50%-75%	50%-95%	60%-100%
Emerging Markets Equities (also included in Total Equities)	0%-5%	0%-8%	0%-10%	SAA +/-10% (max 15%)	SAA +/-10% (max 20%)
Commodities & Property <sup>1</sup>	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%)

Additionally, the expected volatility of the asset allocation of each sub-fund – as measured by the tools provided by EV – should remain within the bands prescribed for the risk profile of the relevant sub-fund. No allocation can be below 0%.

Source: Embark Investments Ltd. The current asset allocations are shown on the fund factsheets

<sup>1</sup> 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.

## INVESTMENT PROCESS OVERVIEW

### Stage 1 – Investment strategy

Embark Investments as ACD designs the fund range and sets the investment mandates including fund objectives, guidelines and constraints.

### Stage 2 – EV strategic asset allocation

Every quarter, EV review and update the targets and bands of forecasted long-term volatility as well as the asset allocation for each of their risk profiles.

### Stage 3 – Horizon Funds asset allocation

Columbia Threadneedle Investments consider the EV asset allocations and risk bands and decide on the tactical asset allocations for the Horizon Multi-Asset funds.

Regular meetings take place to discuss the key factors affecting stock markets and investing. The aim of this stage is to ensure that all of Columbia Threadneedle Investments key fund managers have the opportunity to put forward their thoughts and views to help shape their overall thinking behind what they believe will happen in global investment markets.

This helps drive their asset allocation model which is used as a base for building funds.

### Stage 4 – Fund selection

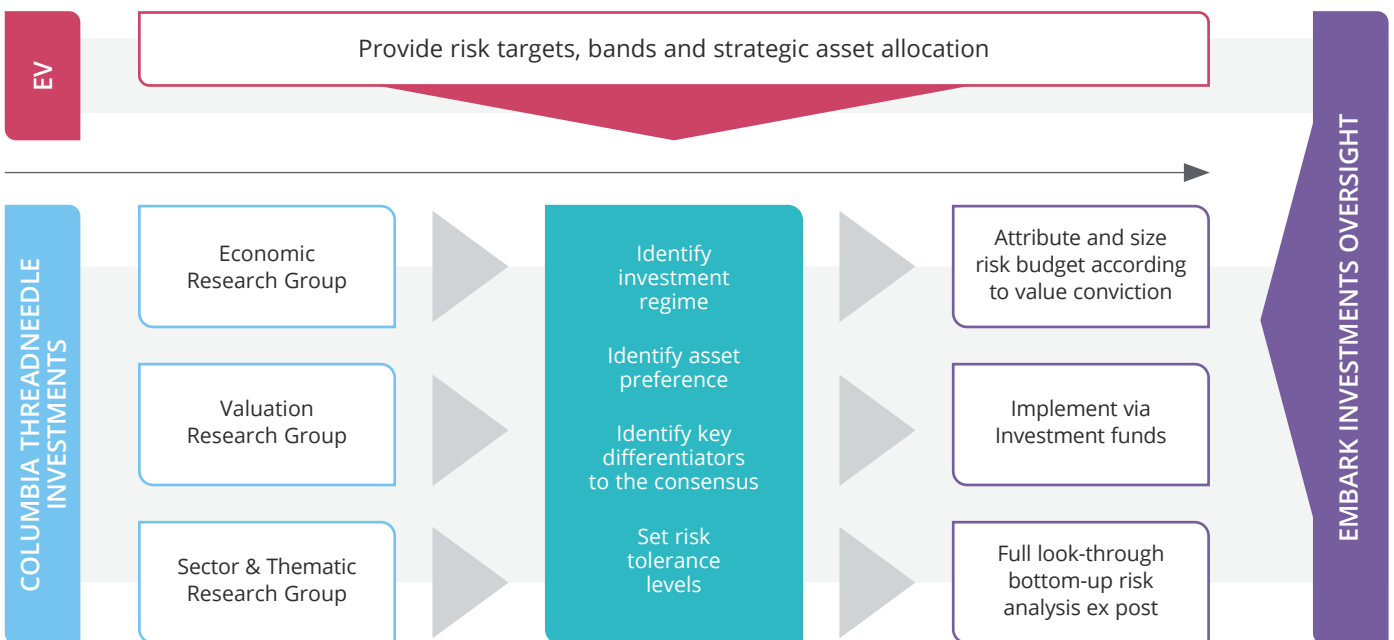
The managers within the Columbia Threadneedle Investments Managed Fund team use this asset allocation model, in conjunction with their tactical market views, to help select the most appropriate funds for the Horizon Multi-Asset funds to hold.

### Stage 5 – Risk management

Columbia Threadneedle Investments independent risk team analyse each of the Horizon Multi-Asset funds in depth, to highlight any potential investments which could result in the funds having an undue concentration of risk, and to ensure the funds remain within their designated risk profile.

### Stage 6 – Oversight

In addition to the above, Embark Investments undertake portfolio risk management to ensure the funds are run in accordance with the fund objectives.



## USEFUL INFORMATION

### Availability

The funds are available through the Scottish Widows Platform and other selected platforms.

You can invest in these funds through the Scottish Widows Platform's Investment Account, ISA or Retirement Account.

Please contact us for more information regarding external platform partner availability.

### Available share classes

Class I Accumulation Shares and Class Z Income Shares and Accumulation Shares are available for all five funds. See prospectus for details.

### Financial Conduct Authority regulation

The Horizon funds are UK funds regulated by the Financial Conduct Authority, structured as Non-UCITS Retail Schemes (NURS). This gives Columbia Threadneedle Investments the flexibility to include property investments as part of their asset allocation.

### Charges

The Horizon funds have no initial charge, no performance fee and no bid offer spread.

The share classes are 'clean', so there is no rebate to declare for tax purposes.

### Price comparison

These funds are very competitively priced relative to other similar actively managed risk-profiled funds. It is important to use the total cost (Ongoing Charges Figures) to compare the cost of funds, as this takes into account all fund costs, not just the annual management charge (AMC).

### Information for customers

Documentation for the Horizon fund range is available via the Embark Investments website at [embarkinvestments.co.uk](http://embarkinvestments.co.uk).

Up to date information about the funds can be found at any time in the Key Investor Information document (KIID) which is available on the website.

## Performance Comparators

There are many different investment approaches within the IA Volatility Managed sector and there are currently no sub-groups within it to compare to the individual Horizon Funds. Therefore investors may wish to consider the performance of the funds by looking at the performance of the below IA sectors as outlined in the Prospectus.

Fund	IA Sectors
Horizon Multi-Asset Fund I	Mixed Investment 20% – 60% Shares
Horizon Multi-Asset Fund II	Mixed Investment 20% – 60% Shares
Horizon Multi-Asset Fund III	Mixed Investment 40% – 85% Shares
Horizon Multi-Asset Fund IV	Mixed Investment 40% – 85% Shares
Horizon Multi-Asset Fund V	Flexible Investment

## Where to invest

The Embark Horizon Multi-Asset Funds are available on a wide range of different investment platforms, including the M&G Wealth Platform.



### More information

For more information on the Horizon fund range including risk profiles and asset allocation, please read the Fund Factsheets which you can find at [www.embarkinvestments.co.uk/document-library](http://www.embarkinvestments.co.uk/document-library).

## KEY RISKS EXPLAINED

### Investment risk

The value of investments can fall as well as rise and investors might not get back the sum originally invested. There is a risk the fund may not meet the aim expressed in the risk profile.

### Effect of Risk Profile

Each fund's Risk Profile may limit the performance of the fund.

### Suitability of investment

Because the fund is a risk profiled fund, investors should regularly consult with a financial adviser to ensure that the fund continues to be a suitable investment for them.

### Investment in funds

As this fund invests into other funds, investors should consider the underlying investments and overall risks.

### No capital guarantee

Positive returns are not guaranteed and no form of capital protection applies.

### Credit risk

Bonds are affected by changes in interest rates, inflation and any decline in the credit worthiness of the issuer. It is possible that bond issuers will not pay the interest or return of capital promised.

### Interest rate risk

Changes in interest rates are likely to affect each fund's value. In general, as interest rates rise, the price of a fixed rate bond will fall, and vice versa.

### Inflation risk

Most bond and cash funds offer limited capital growth potential and an income that is not linked to inflation. Therefore, inflation can affect the real value of capital and income over time.

### Currency risk

Where investments are made in assets that are denominated in multiple currencies changes in exchange rates may affect the value of the investments.

### Political and financial risk

Some funds invest in markets where economic and regulatory risk can be significant. These factors can affect liquidity, settlement and asset values. Any such event can have a negative effect on the value of your clients' investment and investors might not get back the sum originally invested.

### Liquidity risk

Fund invests in other funds and its liquidity depends upon the liquidity of the underlying funds and the investments they hold.

## IMPORTANT INFORMATION

The document is issued by Embark Investments, for professional financial advisers only.

Columbia Threadneedle Investments is the investment manager.


Nothing contained within this document should be construed as the giving of investment advice or a recommendation to invest or an offer to buy or sell shares.


No other person should rely on, or act on any information in this document when making an investment decision. 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**.

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.



### General Enquiries

 0345 607 2013

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We may record or monitor calls to improve our service.

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Columbia Threadneedle Investments is the Investment Manager.

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