Multi-Asset Investing

Client focused investments that capture diverse sources of return across global markets
“Multi-asset investing is particularly relevant in the current environment, where the risks associated with individual asset classes such as equities and bonds may be expected to increase given ongoing global trade wars and heightened geopolitical tensions.”

Aymeric Forest,
Global Head of Multi-Asset Investing
Our multi-asset capabilities
Combining the freedom and expertise to invest across a wide spectrum of asset classes, markets and instruments, our multi-asset strategies offer access to a wide universe of opportunity – and help clients reach their investing goals.
Why multi-asset

**Designed to directly address clients’ objectives**

By investing across an exceptionally broad range of assets and markets, our multi-asset strategies are built to target the specific investment objectives of our clients.

The underlying objectives of nearly all investors are to grow and preserve wealth or generate income, with as little risk as possible. However, no single asset class works well all the time. Reliably meeting these universal and enduring needs lies at the core of multi-asset investing.

**Delivering return, managing risk**

Actively allocating across multiple asset classes adjusts portfolios to the changing environment and diversifies risk so multi-asset can target the particular investment objectives of our clients. Aberdeen Standard Investments is at the forefront of multi-asset investing. We have developed a range of advanced, flexible solutions that invest across multiple asset classes in order to target positive returns while at the same time, constraining and controlling risk.

Whether investors are looking for lower-cost, traditional multi-asset products, more advanced or alternative/niche strategies, we have the scale and experience to provide a multi-asset solution to meet their needs and priorities.

**Broad investment universe**

Our multi-asset strategies can invest across a broad range of asset classes and geographies, allowing us to invest wherever we see the best opportunities for returns. For example, alongside traditional equity/bond investments, we can invest to profit from our views on currencies, interest rates, inflation and volatility. Similarly, we can invest to gain exposure to particular industry sectors and themes across the globe, such as renewable infrastructure and social housing.

In this way, we aim to give clients access to more return potential, more ways to diversify risk and – ultimately – greater opportunity to meet their goals.
“With our scale and experience in managing multi-asset portfolios, we are able to meet the desired outcomes and priorities of a wide range of investors.”

Mike Brooks,
Head of Diversified Multi-Asset
Our multi-asset solutions

A range of complementary approaches

To meet a range of investor goals and preferences, we support three multi-asset approaches, each with its own team and process – and all supported by the global resources of Aberdeen Standard Investments.

Through a variety of multi-asset approaches, we meet the investment needs of a wide range of clients ranging from individuals with savings and pensions, their advisors, wealth managers and institutions such as banks, pension funds, charities and sovereign wealth.

We seek to construct portfolios that are genuinely and robustly diversified so we can provide better, more predictable outcomes for investors.

Our differentiated multi-asset propositions are managed by three different teams. While each has a distinct process and investment universe, the teams are all able to take advantage of our scale of resource and the connectivity of our investment platform.

Complementary multi-asset solutions

I. Diversified multi-asset
   • diversified growth strategies
   • diversified income strategies.

II. Multi-asset and macro investing
   • absolute return
   • enhanced diversification
   • macro-systematic investing
   • tactical asset allocation
   • balanced managed portfolios.

III. Multi-manager
   • multi-manager funds of funds
   • alternative risk premia.
“To respond to challenges in traditional asset classes, a diversified multi-asset solution might allocate to a combination of higher-returning fixed income, real assets and less economically sensitive assets.”

Mike Brooks,
Head of Diversified Multi-Asset
Our approach
Our core belief is that there are a number of asset classes now available to investors that have attractive return prospects but different return drivers. By combining these asset classes in a diversified portfolio we aim to deliver attractive long-term returns with lower volatility and greater resilience to market turbulence than traditional multi-asset portfolios. Our edge in managing these genuinely diversified portfolios comes from our ability to identify, access and thoroughly research this broader range of asset classes and is driven by the experience of our Diversified Assets (DA) team and the breadth and depth of investment resources at their disposal across Aberdeen Standard Investments.

In building portfolios we start with our strategic view of long term macroeconomic drivers and return prospects in each asset class. We conduct thorough research and benefit from significant flexibility to select the best way to access each opportunity. Our ongoing review then adapts the portfolio based on our specialist insights into market developments and the changing attractiveness of each asset class.

What we offer
Our diversified growth and diversified income strategies are available in easily accessible daily dealing pooled funds, providing genuine diversification across a broad range of asset classes.

This includes:
• higher-returning credit assets, such as emerging market bonds, loans, high yield bonds and asset-backed securities
• real assets such as social and renewable infrastructure, student accommodation and social housing
• special opportunities such as insurance-linked, litigation finance, marketplace lending, aircraft leasing and healthcare royalties
• market-neutral investments such as alternative risk premia alongside traditional asset classes such as equities.

As well as harnessing the full benefits of diversification this broad opportunity set gives us the greatest scope to add value by allocating more to whichever asset classes are most attractively priced at any point in time. This maximises the potential for us to deliver attractive long-term returns with relatively low volatility for our clients.

Our multi-asset solutions

I. Diversified multi-asset

By blending asset classes that have very different drivers of return, our diversified multi-asset strategies (DMA) look to deliver strong long-term returns and protect against market headwinds.
“The scale and diversity of our resource give us access to a wide variety of investment opportunities and insights.”

Virginia Martin Heriz,
Global Multi-Asset Strategist
Our multi-asset solutions

II. Multi-asset and macro investing

Supported by 90* multi-asset professionals, plus Aberdeen Standard Investments’ asset class specialists, our multi-asset and macro strategies cover a spectrum of approaches and investor goals.

Collaborative approach
Our multi-asset portfolios benefit from the size and diversity of our resource. Managing our multi-asset products is a team of over 90 talented professionals. These individuals work together, combining critical skills and experience in disciplines that include economics and thematic research, tactical asset allocation, portfolio management, risk analysis and portfolio construction. The team can also draw on the resources of our asset class specialists across the globe.

Investment flexibility
We have the flexibility to use a full array of investment techniques and liquid instruments. For instance, by taking both ‘short’ and ‘long’ positions, we can implement ‘relative-value’ strategies that seek positive returns irrespective of whether markets rise or fall. Such strategies allow us to take advantage of valuation anomalies between geographies, sectors, size/capitalisation and asset classes. We can take exposure directly or through derivative instruments, or by investing in internally or externally managed portfolios.

Long-term view
We believe many market participants take only a short-term view when they invest. Rather than be distracted by day-to-day market ‘noise’, we focus on longer term (three years or more) views of markets. This extended timeframe allows us to exploit non-consensual ideas and insights, and opportunities arising from mis-pricing.

* Source: Aberdeen Standard Investments, as at November 2019.
Team-based approach
Our team-based approach means ideas and insights are shared and challenged, ensuring we make robust, well-informed investment decisions. It also means that no one individual is critical, which contributes materially to the long-term consistency and stability of our portfolios.

State-of-the-art risk control
Effective risk control is a vital element of our multi-asset investment approach. This allows us to build portfolios able to withstand market stresses and provide investors with a smoother investment journey.

Our portfolios benefit from our state-of-the-art risk infrastructure and processes. For example, as well as historical stress testing, we have developed our own forward-looking scenario analysis procedure to test our portfolios for extreme but plausible future events. Our advanced approach allows us to incorporate expert opinions about future world states into projections of portfolio outcomes. Future stress scenarios we test for might include: a rapid slowdown in China, global trade wars or faster-than-expected interest rate cuts in the US.

Efficient implementation
Our global trading platform and dedicated dealing desks maintain full market coverage for efficient portfolio implementation and best value trade execution.
“As active managers, we place significant emphasis on rigorous research and a collaborative ethos.”

Colette Conboy,
Investment Director
Multi-Asset Macro Investing

What we offer
Our absolute return portfolios seek positive returns irrespective of economic and market conditions. To achieve this, we invest across a wide investment universe. Additionally, we access a full range of investment tools and techniques in order to meet our performance objectives. For instance, by taking long/short positions, we can seek to profit from differences between two markets, even if both are falling.

We offer a range of absolute return options, including focused, global and global bond strategies.

A wide range of target returns are available (from cash +3% to cash +7.5%), against levels of expected risk between 2% and 12%.

Enhanced diversification
We offer enhanced-diversification multi-asset portfolios designed to improve on traditional diversification approaches, reducing portfolio risk without impairing longer-term return potential.

These portfolios seek to deliver equity-level returns over a market cycle (typically five to seven years) but with substantially less volatility than equity-only investing. To achieve this, we combine investments in traditional risk assets with a number of carefully selected enhanced-diversification strategies, based on our views about currencies, inflation, interest rates, volatility and relative-value equities.
Macro systematic investing (MSI)
MSI are trading strategies that can capture well-documented market inefficiencies in a consistent fashion. Typically, they employ mathematical analysis as the driver of investment decisions, which can overcome some of the biases and frailty of human decision-making. However, because the algorithms can become well-known and widely used, we believe it is critical to keep evolving the way these strategies work. We therefore have an expert team dedicated to generating new techniques to keep ahead of other players in this field.

We build our MSI portfolios using our proprietary dimensionality approach. This unique methodology identifies groups of systematic strategies that work well together to deliver more stable returns with limited-risk characteristics. We do this by determining the number of similarly sized, uncorrelated return streams that can be recognised in a portfolio. The level of dimensionality is a primary determinant of portfolio outcomes, in terms of both risk-adjusted returns and downside properties.

Our primary objective is to achieve consistent investment outcomes over time. We do this by actively managing quantitatively-driven multi-asset, multi-strategy portfolios of carefully designed systematic exposures supported by forward-looking risk/return views.

The outcome we pursue is attractive, risk-controlled performance across varied market conditions, with low correlation to traditional assets. Although we allow for discretionary decision-making in our portfolios, our prime focus is consistency of process, as we believe it to be paramount for stability in portfolio outcomes and long-term investment success.

Tactical asset allocation (TAA)
Our TAA process allows us to dynamically take views across markets and manage the balance of risks in our portfolios. Our approach takes account of market developments over shorter timeframes, while the use of both directional and relative-value positions within a granular universe of liquid markets helps to expand our opportunity set. This provides a differentiated source of returns with low correlation to conventional asset classes. As such, TAA can play a role in improving client outcomes, whether used alongside other approaches or on a standalone basis. We can apply our scalable TAA process to the appropriate degree of intensity according to our clients’ needs.

Balanced managed portfolios
Balancing risk and return through asset allocation and stock selection, our balanced managed portfolios give investors access to our expertise across a range of asset classes including equities, fixed income and real estate. In certain portfolios, we also use our TAA approach to enhance returns.
“Our multi-manager range provides investors with a wide perspective on the investment universe.”

Bambos Hambi, Head of Multi-Manager Strategies
Our approach
We designed our fund-of-fund propositions to provide robust long-term investment solutions for advisers and clients that wish to delegate day-to-day asset allocation and portfolio decisions to a team of professional investors.

Our award-winning multi-manager strategies team has significant experience of selecting and monitoring internal and third-party funds, building portfolios to meet specific client requirements.

What we offer
Our multi-manager range offers a choice of different risk levels and distinct management styles. We designed these to meet a wide variety of client risk tolerances to ensure expected risk outcomes do not deviate over time. Our multi-manager offering provides a flexible, easy-to-use solution that caters for a broad range of investor requirements by investing in both internal and external funds.

The component funds are selected based on the portfolio objectives. They can include passive index-tracking funds, Aberdeen Standard Investments portfolios and best-in-class active portfolios from asset managers selected from around the world.

Our multi-manager funds are able to invest across all major asset classes, allowing investors to access genuinely diversified portfolios. We invest in growth assets (such as equities, high yield and emerging market bonds, and global real estate) and more defensive assets (fixed-income investments and cash). Where the mandate allows, we also invest in absolute return strategies to provide further sources of diversification.

III. Multi-manager

We are dedicated to building multi-manager solutions that identify the best available portfolios in the market. This allows us to capture the skills of some of the world’s most competent investment managers.
“Having an experienced and dedicated team of specialist fund selectors means we can ensure our clients only invest in portfolios from the very best managers available.”

Bambos Hambi, Head of Multi-Manager Strategies
**Important information**

Investment involves risk. The value of investments, and the income from them, can go down as well as up and an investor may get back less than the amount invested. Past performance is not a guide to future results.

The information contained in this document is of a general nature on the activities carried out by the entities listed below. This information is therefore only indicative and does not constitute any form of contractual agreement, nor is it to be considered as an offer or solicitation to deal in any financial instruments or engage in any investment service or activity. No warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the reader, any person or group of persons acting on any information, opinion or estimate contained in this document.

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**Risks of investing:**

**Equities:** securities in certain markets may be more volatile, harder to price and less liquid than securities in other markets. They may be subject to different accounting and regulatory standards, and political and economic risks. These risks may be enhanced in emerging markets countries.

**Fixed Income:** Fixed income securities are subject to certain risks including, but not limited to: interest rate, credit, prepayment, and extension.

**Multi-asset:** Investment in multi-asset involves diversification across a wide range of asset classes including equities, fixed income, real estate and certain alternative investments - all which involve different degrees of risk.

**Real estate:** Investments in property may carry additional risk of loss due to the nature and volatility of the underlying investments. Real estate investments are relatively illiquid and the ability to vary investments in response to changes in economic and other conditions is limited. Property values can be affected by a number of factors including, inter alia, economic climate, property market conditions, interest rates, and regulation.

**Quantitative:** Quantitative Investments may involve extensive use of derivatives for investment purposes. Due to the leveraged nature of derivatives, gains and losses can be greater than associated with traditional investment instruments.

**Alternative investments:** Alternative investments may engage in speculative investment practices; involve a high degree of risk; and are generally considered to be illiquid due to restrictions on transferring interests. An investor could lose all or a substantial portion of their investment. Investors must have the financial ability, sophistication / experience and willingness to bear the risks of such an investment.

**Derivatives:** Some styles of investment may involve use of derivatives either for Efficient Portfolio Management (EPM) or extensively for investment purposes. Due to the leveraged nature of derivatives, gains and losses can be greater than associated with traditional investment instruments.

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**Diversification:** Diversification does not necessarily ensure a return or protect against a loss.

This is not a complete list or explanation of the risks involved and investors should read the relevant offering documents and consult with their own advisors investing.

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