

## SHINING A LIGHT ON THE..... AEGON Sustainable Diversified Growth Fund

### AT A GLANCE

#### Investment Objective

The investment objective is to deliver a total return (capital growth plus income) that exceeds the UK Retail Prices Index by at least 4% per annum over any 5 year period. By investing in the Fund, capital is at risk. The Fund is a flexible multi-asset fund that invests across a range of asset classes on a global basis, taking into account factors such as global economic trends and growth opportunities. As a result, at any one time the Fund may be diversified across asset classes, sectors, currencies or geographies in various proportions. At least 80% of the Fund will usually consist of equities, corporate bonds and government and public securities and derivatives, with some flexibility to hold high levels of cash to meet the investment objective.

<b>Inception Date</b>	30 <sup>th</sup> July 2010
<b>Fund Factsheet Link</b>	<a href="https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F00000JQGT">https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F00000JQGT</a>

#### Management

Manager Name	Start Date
Colin Dryburgh	21 <sup>st</sup> July 2014
Robert Jan van der Mark	31 <sup>st</sup> October 2017

### FUND PERFORMANCE

Performance from 30<sup>th</sup> July 2010 to 31<sup>st</sup> January 2023:

Pricing Spread: Bid-Bid • Data Frequency: Daily • Currency: Pounds Sterling



30/07/2010 - 31/01/2023 Data from FE fundinfo 2023

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Pricing Spread: Bid-Bid • Currency: Pounds Sterling

Customise Columns	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Aegon Sustainable Diversified Growth B Acc in GB	2.01	-15.20	6.73	10.49	13.19	-8.14	11.41	5.21	1.46	9.98	-0.93
Index FE Interest 4% in GB	0.50	3.99	4.00	4.00	4.00	4.02	3.99	3.99	4.00	4.00	4.00
Index UK Retail Price Index TR in GB		13.44	7.55	1.20	2.21	2.70	4.12	2.49	1.20	1.62	2.67

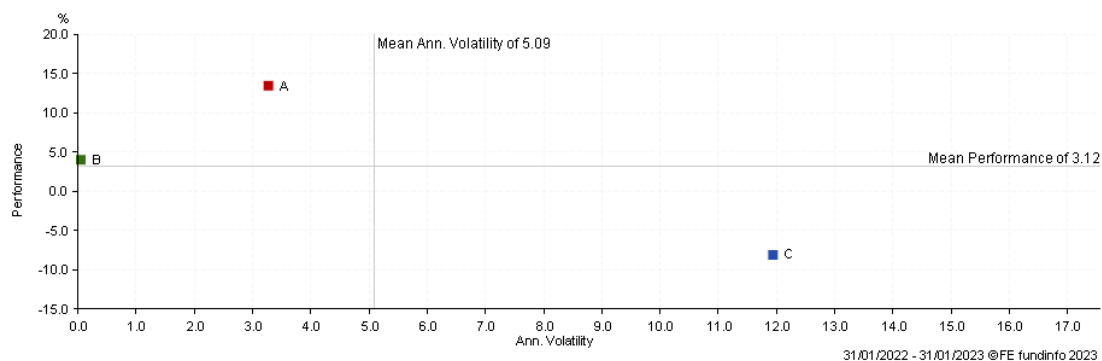
Please note that past performance is not a reliable indicator of future returns, and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.

## RATIO DATA (3-years)

Alpha	Beta	Max Drawdown	Max Gain	Max Loss	Negative Periods	Positive Periods	Tracking Error
-1.85	1.23	-37.42	27.66	-22.68	72	83	13.70

## VOLATILITY / RISK SCORE

Pricing Spread: Bid-Bid • Currency: Pounds Sterling

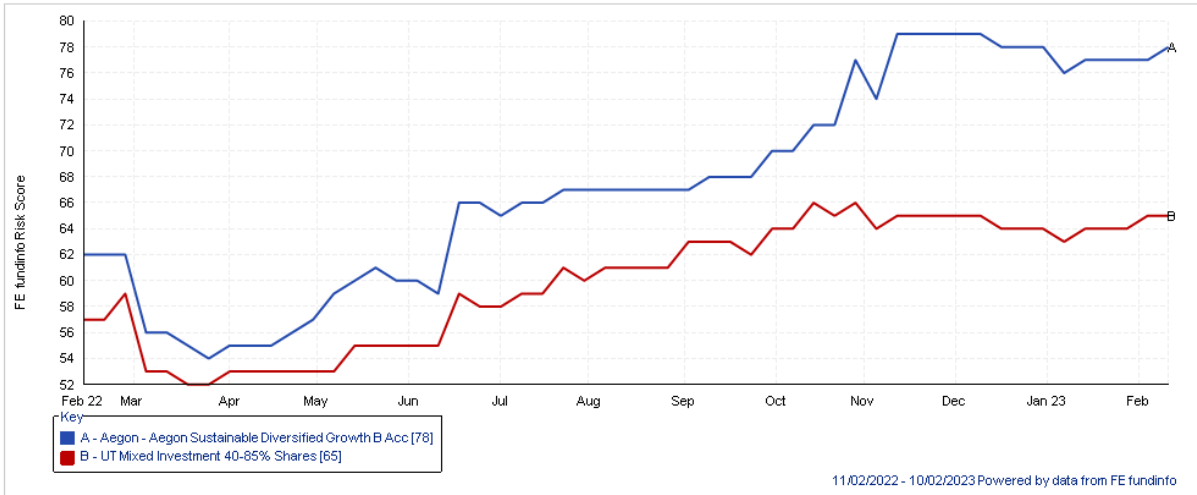


Key	Name	Performance	Annualised Volatility
■ A	UK Retail Price Index TR in GB	13.44	3.27
■ B	FE Interest 4% in GB	4.00	0.05
■ C	Aegon - Sustainable Diversified Growth B Acc in GB	-8.08	11.94

31.01/2022 - 31.01/2023 ©FE fundinfo 2023

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FE fundinfo Risk Score Chart Over 1 Year



## FUND SIZE

Fund Size (£)

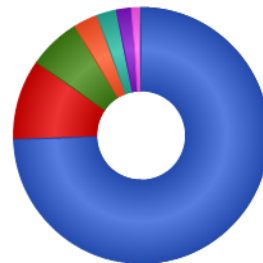


## REGION WEIGHTING

Region Weightings as at December 31, 2022

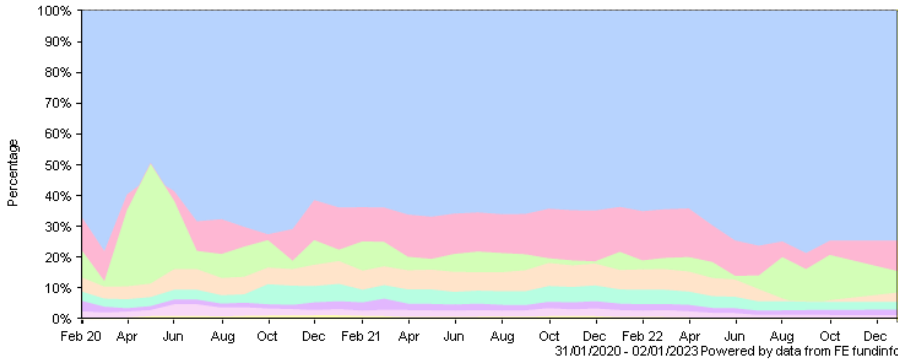
Rank	Change	Name	%
1	►	NOT SPECIFIED	74.50
2	▲	NORTH AMERICA	10.20
3	▼	MONEY MARKET	6.60
4	▲	EUROPE EX UK	3.10
5	▼	UK	2.50
6	▼	PACIFIC BASIN	1.90
7	▼	JAPAN	1.10
8	►	GLOBAL EMERGING MARKETS	0.10

▼ Faller ▲ Riser ► No Change ■ New Entry



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## Region Weightings



Region holdings as at 31/12/2022

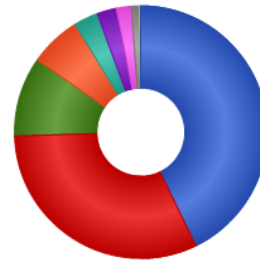
Name	% Weighting
Not Specified	74.50
North America	10.20
Money Market	6.60
Europe ex UK	3.10
UK	2.50
Pacific Basin	1.90
Japan	1.10
Global Emerging Markets	0.10

## ASSET / CURRENCY / CREDIT RATING WEIGHTINGS

### Asset Weightings as at December 31, 2022

Rank	Change	Name	%
1	►	GLOBAL FIXED INTEREST	42.80
2	►	ALTERNATIVE ASSETS	31.70
3	▲	NORTH AMERICAN EQUITIES	10.20
4	▼	MONEY MARKET	6.60
5	▲	EUROPEAN EQUITIES	3.10
6	▼	UK EQUITIES	2.50
7	▼	ASIA PACIFIC EQUITIES	1.90
8	▼	JAPANESE EQUITIES	1.10
9	►	GLOBAL EMERGING MARKET EQUITIES	0.10

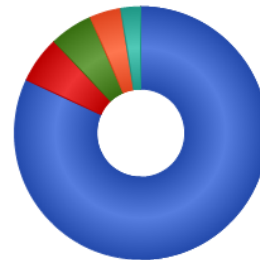
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### Currency Weightings as at September 30, 2022

Rank	Change	Name	%
1	►	BRITISH POUND	97.22
2	▲	US DOLLAR	7.13
3	▼	NORWEGIAN KRONE	6.55
4	▲	SWISS FRANC	4.75
5	▲	JAPANESE YEN	3.02
6	▲	HONG KONG DOLLAR	0.00
7	▲	INDONESIAN RUPIAH	0.00
8	▲	MEXICAN PESO	0.00
9	▲	NEW ZEALAND DOLLAR	0.00
10	▲	OTHERS	-18.68

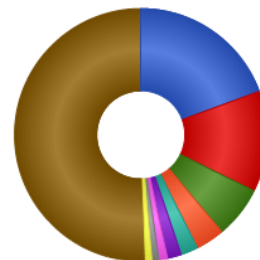
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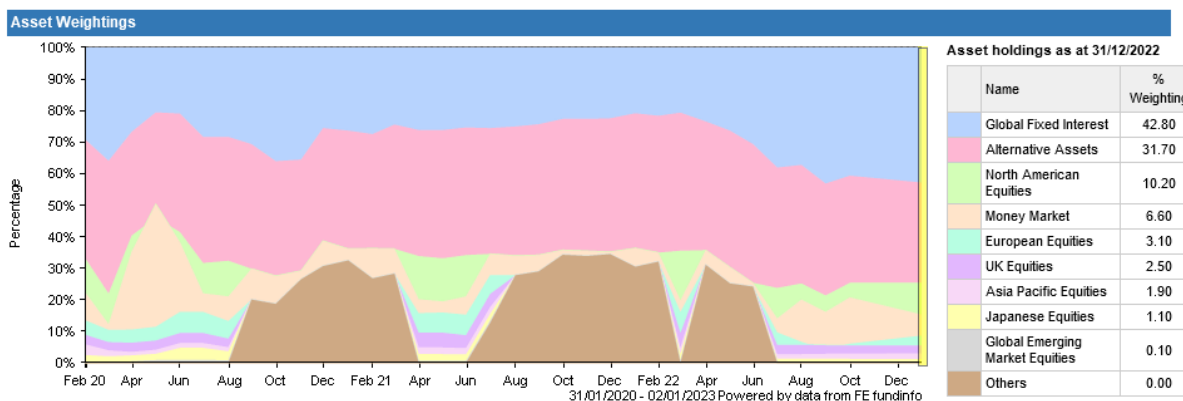


### Credit Rating Weightings as at December 31, 2022

Rank	Change	Name	%
1	►	AAA	19.40
2	▲	AA	12.90
3	▼	MONEY MARKET	6.60
4	►	B	3.70
5	►	BBB	2.20
6	►	NON-RATED	1.80
7	►	A	1.10
8	■	BB	0.90
9	▼	CCC	0.80
10	►	OTHERS	50.60

▼ Faller ▲ Riser ► No Change ■ New Entry





## HOLDINGS

**Top 10 Holdings as at September 30, 2022**

Rank	Change	Name	%	Sector Ranking*
1	▲	UNITED STATES DEPARTMENT OF THE TREASURY 2.25% TNT 15/04/51 EUR100	5.46	n/a
2	▶	UNITED STATES DEPARTMENT OF THE TREASURY 1.75% TB 30/06/24 USD100	5.45	n/a
3	■	HIS MAJESTY'S TREASURY 0.125% IDX LKD TSY GILT 10/08/41 GBP0.01	5.42	n/a
4	▼	UNITED STATES DEPARTMENT OF THE TREASURY 2.75% TB 30/11/23 USD100	5.32	n/a
5	▽	UNITED STATES DEPARTMENT OF THE TREASURY 3% TB 15/05/49 USD100	4.53	n/a
6	▶	RENEWABLES INFRASTRUCTURE GRP(THE)	2.60	n/a
7	▶	INTERNATIONAL PUBLIC PARTNERSHIP	2.38	n/a
8	▶	HICL INFRASTRUCTURE PLC ORD 0.01P	2.38	n/a
9	▶	GREENCOAT UK WIND PLC ORD 1P	2.30	n/a
10	▶	3I INFRASTRUCTURE PLC	2.13	n/a
<b>Total</b>			<b>37.97</b>	

\* This is the holding ranking within the fund sector composite portfolio (calculated from all available concurrent full portfolios of funds within the sector).

## OTHER DATA

<b>Benchmark</b>	UK RPI + 4% p.a.
<b>Fees</b>	0.50%

<b>Bull Points (pros)</b>	<b>Bear points (cons)</b>
<ul style="list-style-type: none"> <li>• Total return mindset</li> <li>• Aims to deliver lower volatility compared to global equities</li> <li>• Diversified mix of assets</li> <li>• Sustainable focus</li> </ul>	<ul style="list-style-type: none"> <li>• Higher inflation has meant it hasn't captured the target return</li> <li>• Performance has been poor</li> </ul>

## UPDATE....

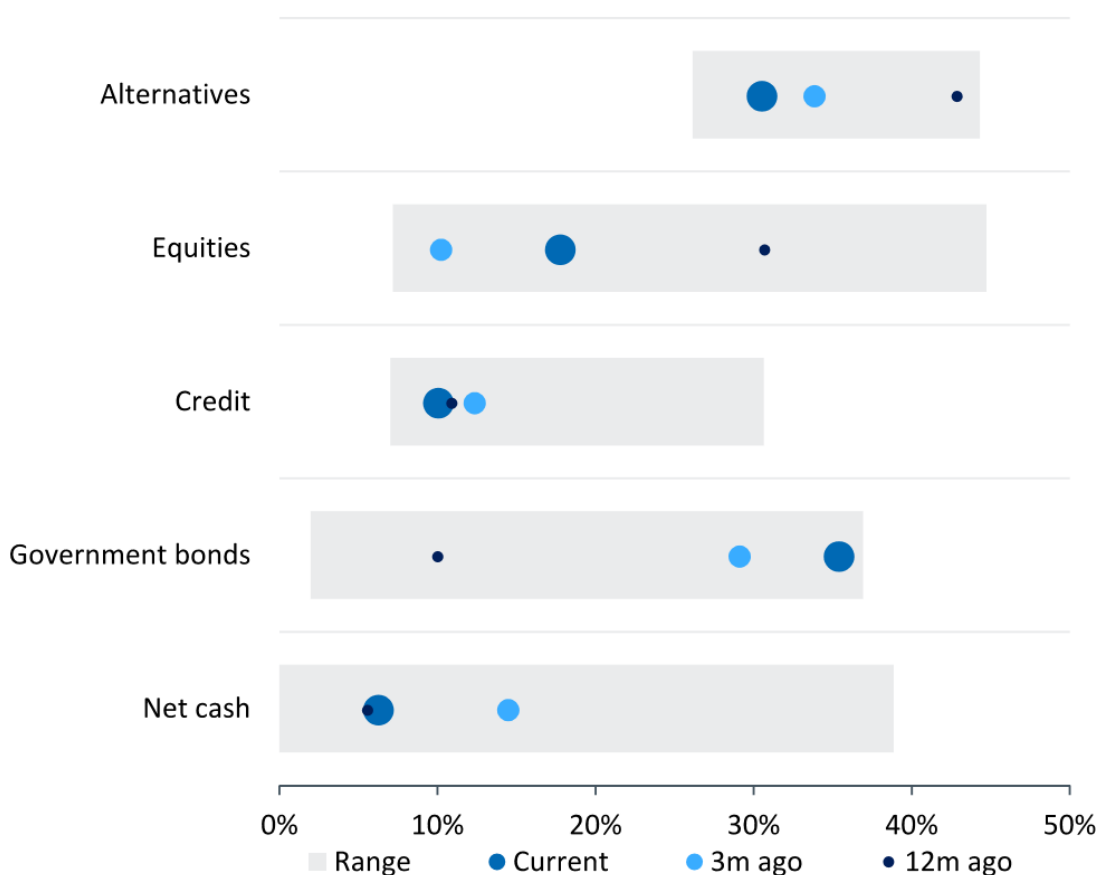
These strategies can be attractive to investors as they target a return, with less volatility when compared to global equities. The challenge is that many of these strategies have failed in their aims. This is no exception:

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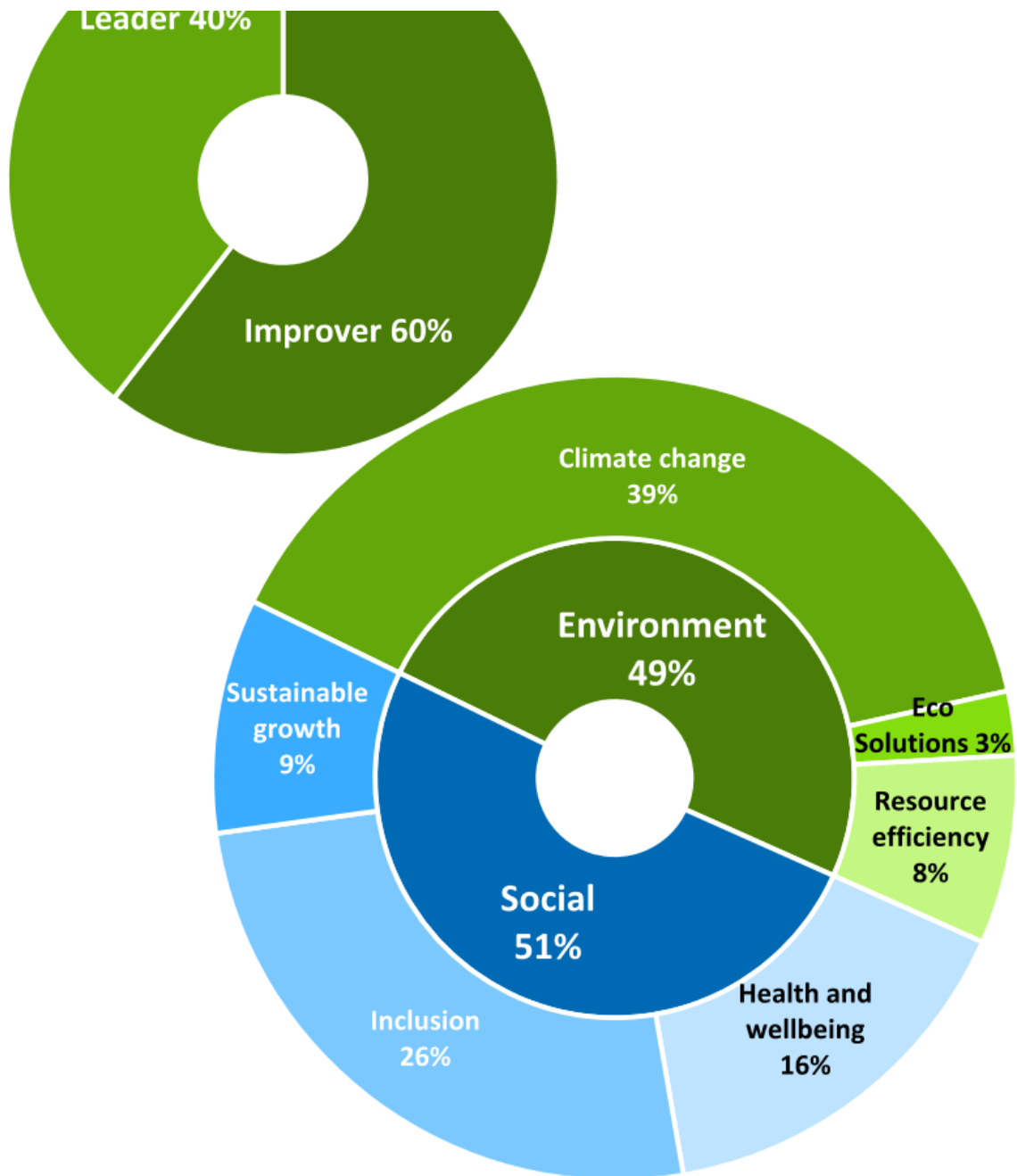
	%	1 month	3 months	1 year	3 years (p.a.)	5 years (p.a.)	Since inception* (p.a.)
<b>Aegon Sustainable Diversified Growth Fund</b>		-1.5	3.0	-15.2	0.0	0.8	3.5
RPI		0.6	3.8	14.0	7.2	5.4	3.9
Excess above UK RPI		-2.1	-0.8	-25.6	-6.7	-4.4	-0.4
RPI +4% per annum		0.9	4.6	18.0	10.9	9.2	7.9

It therefore becomes hard to say whether this is a good investment or not. As a plain investment this may appeal to investors because effectively, they are handing the asset allocation across to someone else. This looks across different asset classes including alternatives, equities, credit, and government bonds.

## Asset allocation



The challenge is, however, the performance and the target return. Where this is different is the sustainable element of the strategy.



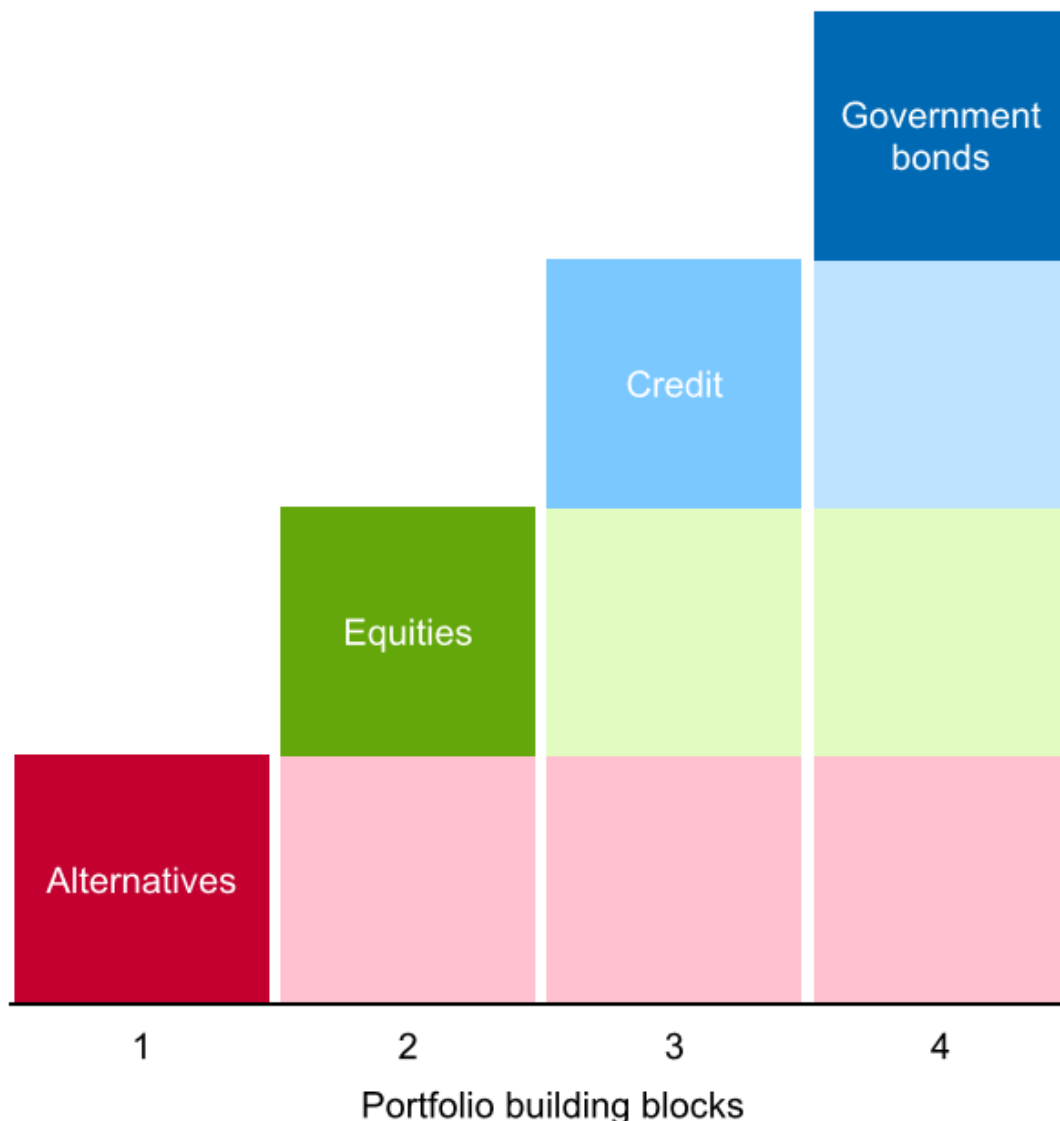
In terms of building blocks, they see these as:

Alternatives – offering contractually-backed cash flows, element of inflation protection and low correlation to traditional asset classes

Equities – high conviction equity allocation driven by total return opportunities

Credit – focus on capital preservation and sustainable income streams

Government bonds – for risk management



They have started to slightly increase the exposure to emerging markets with a weaker dollar. In 2022 they used alternatives as bond proxies but that has been reduced in favour of credit where the opportunities have opened further. We discussed the use of government bonds within a sustainable portfolio, and they explained that no country will be a leader but they look for the better economies which tend to be in the developed world.

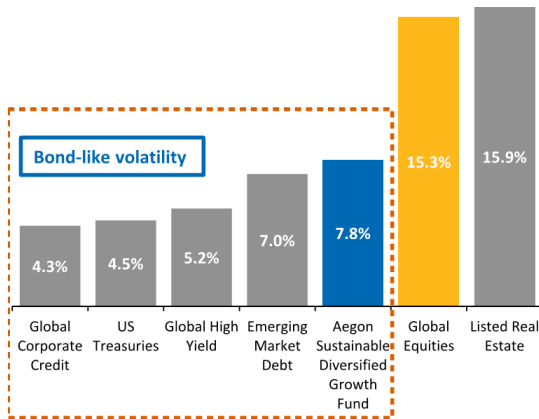
Although 2022 was a difficult year, they are more positive about the future, with more certainty around China and they think the recession risk will ease, and so they will increase the equity exposure.

We discussed the ability to reach the UK RPI + 4% target over a five year period and they still believe this is achievable. The period we are in has dented that but once things settle that should be an achievable target.

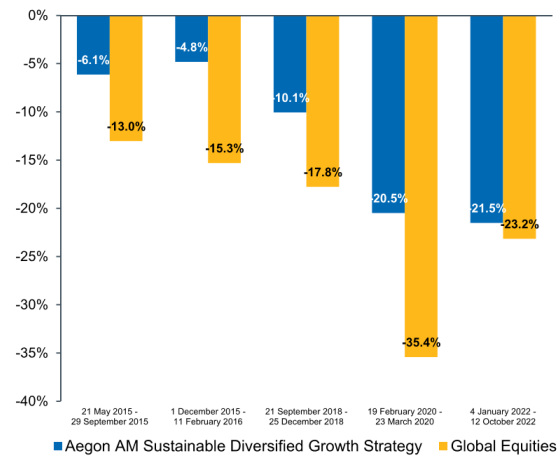
In summary, on paper this is a very simple strategy that uses building blocks to deliver a target return of RPI + 4% p.a. over a year period. It also aims to do this with reduced volatility. It is very difficult to assess this when you factor in 2022:



## Standalone volatility (annualised)



## Equity downturns of more than 10%



Some may argue that it doesn't protect enough on the downside, and whether investors are being adequately rewarded. We would probably see this more as a blend with other strategies but would want to monitor performance and put it against other models to see how it compares. The sustainability element may be important for some investors but again it would be worth looking at other options to compare.

To conclude, on paper this could appeal to some investors. However, we feel performance should be monitored and comparisons to other strategies made before any investment is made.

*The source of information in this note has been provided by Aegon and is correct as of January 2023. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this, and you should carry out your own research before making a decision. We would also recommend that you receive advice before following up on any decision.*