Cirilium Passive Portfolios

A globally diversified, cost-effective solution investing in passive strategies

UK: Suitable for retail and professional clients
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The keys to successful investing

Achieving the best mix of investments within a portfolio is one of the biggest drivers of investment performance but understanding the risk you are taking on requires careful consideration.

While nobody can predict what markets are going to do, the evidence from years of academic research and study starting with Harry Markowitz’s 1952 paper on ‘Portfolio Selection’ and the development of Modern Portfolio Theory, clearly suggests that diversifying your investments can provide a smoother journey to your desired investment outcome. This is achieved by spreading the risk among different asset classes to try and maximise the potential returns for a given level of risk over the longer term.

Understanding risk

Key to choosing a diversified portfolio is understanding and accepting the level of risk that you are comfortable taking with your investments. This enables you to match your attitude and capacity for risk to the most suitable investment solution.

In general terms, the higher the risk, the greater the potential rewards you could receive. This sounds simple enough, but we each have our own needs and objectives that impact our attitude to risk, and how it evolves over time.

It is important that both you and your adviser understand the level of risk you are prepared to take, as this is essential in ensuring you aren’t exposed to more risk than you would like, or that you’re taking enough risk to potentially generate the returns you want.

The importance of diversification

Creating a global portfolio across different regions, asset classes and investments to deliver on your objectives and risk profile can become all consuming for an individual investor given all the research and monitoring this entails.

At Quilter Investors we understand that customers can have different investment needs over the course of their lifetime.

To help meet these needs and interests, we have worked closely with financial advisers to design a range of solutions, into which we have incorporated our principles of investing responsibly.

Offering a choice of outcomes at different diversification and risk levels, the Cirilium Passive Portfolios are focused on delivering an investment solution you can trust.
What is multi-asset investing?

An investment portfolio that captures the strength and diversity of global financial markets is called multi-asset investing.

Multi-asset investing, at its simplest, is blending together investments across geographies, asset classes and sectors into a portfolio.

Investing in a well-diversified portfolio that spreads the risk across a variety of different asset classes, regions and strategies, can be an effective way of avoiding a bias to a particular region, which could result in high levels of volatility should there be a sudden move in financial markets.

Using our experience

The Cirilium Passive Portfolios have been designed to provide you with access to cost-effective, globally diversified investments across traditional asset classes, including equities, fixed income and cash.

The Cirilium Passive range offers five solutions, each targeting a different risk level so that you can be comfortable the investments will remain aligned with their specified risk profile.

➤ The investment team use a range of passive investments, including exchange-traded funds and index tracking funds.

➤ The diversified portfolios are based on the analysis of the risk and return profiles of different asset classes provided by independent actuarial analysis.

➤ The portfolios are reviewed on a quarterly basis.

➤ Our relationships and expertise mean we can agree enhanced terms on strategies, which would normally be unavailable to individual investors.
Having exposure to the right asset classes and geographies is central to how multi-asset portfolios generate wealth for investors.

The investment team start with an asset allocation model – a template of what investments they want to hold to deliver on the long-term growth objectives and in line with the specified risk levels. The selection of the passive strategies is based on the analysis of the risk and return profiles of different asset classes, provided by an independent actuarial firm, which is then reviewed every quarter.

Choosing the right mix
The investment team draw on the expertise of their research analysts to seek out the passive strategies that will best achieve the desired exposure to an asset class or replicate an index in the most efficient way.

The analysts drill down into the underlying strategies to ensure it is the right fit for the portfolios at the right risk level.

Taking these inputs, the investment team can allocate across passive strategies to achieve a diversified portfolio helping to spread investment risk and manage volatility that can sometimes be caused by a market event impacting one asset class.

A responsible approach to investing
Fundamentally, our objective is to generate wealth for our customers by focusing on delivering long-term, sustainable risk-adjusted returns, and the incorporation of responsible investment principles is a natural part of this approach.

As a business with access to a wide variety of global fund managers, we have integrated our responsible investment principles in our investment approach.
The following principles underpin our approach to Responsible Investment

1. Good corporate governance is central to long-term investing and a well-functioning investment market.

2. ESG considerations should be embedded throughout the entire business.

3. ESG considerations can impact the whole investment process.

4. A fund-of-funds approach to ESG integration involves assessment at the overall portfolio level as well as in the underlying funds.

5. ESG assessment of our managers’ philosophy, process and people.

6. Recognising that differing approaches to ESG integration can be equally valid, depending on the types of investment and strategy.

7. Transparency and collaboration are key.

Our investment approach can be summarised as follows:

- **Experts in diversification**
  We blend together investments across geographies, asset classes, and sectors to achieve specific client outcomes.

- **Seeking out opportunity**
  Across our solutions we invest in strategies, run by high-quality managers, across equities, bonds, and alternatives using both active and passive allocations.

- **Market reach**
  Our relationships and expertise enable us to access specialist managers that would normally be unavailable to individual investors.

- **Managing risk**
  Our portfolios are actively managed to ensure they remain aligned to their objectives and risk profiles.

- **Robust governance**
  We assess the portfolios to monitor the liquidity, trading and risk levels against the investment guidelines.

**Ongoing monitoring and oversight**

The composition of each portfolio is carefully monitored on an ongoing basis.

Should the market environment or an underlying fund manager experience a change in circumstances, the Cirilium Passive portfolio managers are ready to make any necessary changes. They adjust the portfolios as needed to ensure your investments remain on track and in line with the targeted risk levels.

In addition, the portfolios are also subject to oversight by Quilter Investors’ Investment Oversight Committee. The committee is comprised of senior personnel who on a quarterly basis, review performance of the portfolios and question the decisions taken by managers.
The different types of investment

- The relative weightings of various asset classes will differ across the five portfolios given the varying risk levels that they are targeting.

- Each portfolio will include investments such as developed and emerging market equities; cash; and government and corporate bonds.

- These investments will be held through passive investment strategies, such as an exchange-traded fund or index tracker fund.
Responsible investing

Recognising the wider impact of our activities and taking the opportunity to implement our principles as a responsible business to help drive positive outcomes for investors.

Our primary focus is ensuring that the solutions we offer best meet the needs of investors in a rapidly evolving investment landscape. But, increasingly, investors and advisers are looking to us to show that we have considered the wider impact of our investments, in addition to delivering the desired investment outcomes.

Responsible investing covers a wide range of factors, the most common of which are Environmental, Social and Governance (ESG). This can include climate related issues and how a company treats its suppliers, workforce and the wider community.

During 2020 we formalised our existing Responsible Investment approach across the business and have built a team dedicated to supporting our portfolio managers in implementing this in all stages of the investment process.

We believe that incorporating these ESG considerations should sit at the heart of what we do, so our Responsible Investment Policy integrates ESG considerations into our investment process. We believe this is critical not only for generating long-term, risk-adjusted and sustainable returns for our customers, but also for enabling us to recognise the wider impacts of our investment decisions on businesses, communities and the environment.

Putting ESG principles in place helps us to fulfil our wider duties as both long-term stewards of customer assets and as a responsible business. Our Responsible Investment Policy outlines the approach we take and the principles embedded throughout the business and provides a blueprint for the process of how we invest.

Please visit the quilterinvestors.com website for further information.
**ESG within our investment process**

Within Quilter Investors, key ESG considerations have been woven into the fabric of our investment process. These include, but are not limited to:

- **Manager due diligence and selection** – This involves assessing fund managers on their integration of ESG factors and overall exposure in the investments, and the resources they employ to ensure they take a responsible approach throughout their business. When it comes to selecting underlying managers, we have developed an in-house review process that determines whether a fund manager meets our expectations for ESG integration, or has adopted what we consider to be an enhanced approach. These factors are then taken into account during portfolio construction and reviewed through our ongoing risk monitoring process.

- **Portfolio construction and ESG risk monitoring** – Across all our strategies, during portfolio construction and through ongoing risk monitoring, we seek to consider the ESG or Responsible Investment credentials of the funds or other vehicles we invest in, for example, their exposure to positive impact themes such as renewable energy. We take a selective approach to exclusionary screening criteria as, in general, we believe most clients wish to retain broad market exposure. In line with international conventions and law, cluster bombs and anti-personnel land mines are excluded across all of our solutions.

- **Engagement and voting** – As a multi-asset, fund-of-funds investor, we engage closely with our underlying managers and scrutinise how effectively they engage with companies on our behalf, using the principles set out in our Engagement Policy, including how they vote at meetings.

- **Corporate governance** – Ensuring high standards of corporate governance in our own business as well as those we invest in helps align the interests of company management teams with the interests of long-term shareholders. This aligns with our Engagement Policy that we apply to all our investments.

- **ESG data and resources** – We have partnered with external ESG data providers, Morningstar and Sustainalytics, to provide us with a comprehensive range of data to support our investment and research teams in analysing and monitoring the ESG credentials of the funds we invest in.

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**Internal ESG oversight**

Our approach and development of ESG principles and analysis is monitored regularly within Quilter Investors through the Quilter Investors ESG Steering Committee, with additional oversight from the Quilter Investors Investment Oversight Committee. This offers transparency and accountability regarding our existing Responsible Investment approach, and how it will evolve over time, to reassure investors that we remain focused on delivering their desired investment outcomes.

To find out more information on our Responsible Investment approach, our Responsible Investment Policy and our Annual ESG Report are available to download from our website, quilterinvestors.com/responsibleinvestment.
Risk-targeted portfolios to match your needs

*Designed in consultation with investors and financial advisers, the Cirilium Passive range is comprised of five portfolios, each managed with a different type of investor in mind.*

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### Cirilium Passive Portfolios:

**Equity**
- North American Equity
- UK Equity
- European Equity
- Asia Pacific (inc Japan) equity
- Emerging Markets Equity

**Fixed income**
- Global Bonds

**Cash**

*Note: Asset allocation is for illustrative purposes only.*

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### Decreasing risk

#### Conservative portfolio
Our Conservative portfolio offers broad diversification across asset classes, with a maximum exposure to higher risk assets (equities) of 30% with a target volatility range of 3.3% to 6.5%\(^1\)

#### Balanced portfolio
Our Balanced portfolio offers broad diversification across asset classes, with a maximum exposure to higher risk assets (equities) of 55% with a target volatility range of 6.5% to 9.6%\(^1\)

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\(^1\) The volatility range is a target, based on long-term actuarial assumptions and the portfolio is managed to stay within this range most of the time. The volatility range is regularly reviewed and may change from time to time due to changes in these assumptions but will remain within the limits laid out in the prospectus.
The Cirilium Passive Portfolios:

- Provide cost-effective globally diversified investments through passive investment strategies across traditional asset classes.
- Aim to deliver on long-term growth objectives, through a cost-efficient approach, while accepting potential short-term volatility, within specified risk parameters.
- Use a range of passive investment strategies, including exchange-traded funds, to create diversified portfolios based on the analysis of the risk and return profiles of different asset classes.
- The recommended time horizon for holding any of the portfolios is at least five years.

Increasing risk

Moderate portfolio
Our Moderate portfolio’s underlying investments will be well diversified. The maximum exposure to higher risk assets (equities) is 75% with a target volatility range of 9.6% to 12.7%.

Dynamic portfolio
Our Dynamic portfolio’s underlying investments will be well diversified. The maximum exposure to higher risk assets (equities) is 90% with a target volatility range of 12.7% to 15.9%.

Adventurous portfolio
Our Adventurous portfolio’s underlying investments will be well diversified. The maximum exposure to higher risk assets (equities) is 100% with a target volatility range of 15.9% to 19%.

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1 The volatility range is a target, based on long-term actuarial assumptions and the portfolio is managed to stay within this range most of the time. The volatility range is regularly reviewed and may change from time to time due to changes in these assumptions but will remain within the limits laid out in the prospectus.
The Cirilium Passive Portfolios are run by an investment team with substantial experience in managing multi-asset funds.

The investment team also includes a wealth of talent including sector analysts, quantitative specialists and research professionals.

Next steps

Your financial adviser is responsible for understanding your specific investment objectives and attitude to risk. They will work closely with you to ascertain which Cirilium Passive Portfolio might be appropriate for you.

If you have any further questions, please speak to your financial adviser.
Important information

Investment involves risk. The value of investments and the income from them may go down as well as up and investors may not get back the amount originally invested. Because of this, an investor is not certain to make a profit on an investment and may lose money. Exchange rate changes may cause the value of overseas investments to rise or fall.

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The Funds invest principally in other collective investment schemes. Your attention is drawn to the stated investment policy which is set out in the prospectus.

– Online
  For further information please visit www.quilterinvestors.com

– Discuss
  Contact your financial adviser to talk over your investment planning options.
Quilter Investors: *expertly designed multi-asset solutions.*