



# MODEL PORTFOLIO SERVICE (MPS)

**HYBRID RANGE**

**CLIENT GUIDE**



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# What is a Model Portfolio Service?

A Model Portfolio Service (MPS) is a collection of investments that work together to meet a specific objective within a certain level of risk. MPSs are a cost-effective and convenient way of investing across a range of global assets that are managed by investment experts. The investment professionals review the analysis, performance, trends and other factors to make ongoing decisions about where to invest, as well as looking for new opportunities. This service is only available for clients investing through a financial adviser. If you choose to invest in M&G's MPS range, you'll remain the client of your adviser and not the MPS. Your adviser will work with you to find a portfolio that meets your needs both in terms of the returns you are aiming for and the level of risk you are comfortable and can afford to take.

The value of your investment can go down as well as up and you may get back less than you paid in.

We offer three different MPS ranges for different investment styles: Passive, Hybrid and Global ESG Themes.

This guide covers the Hybrid portfolios.

# Introducing the Hybrid range

Everyone has different needs in terms of the risk they're willing and able to take, and the returns they want to aim for. Your financial adviser will work with you to understand your risk preference and your longer term financial goals. This range may be suitable for individuals looking to invest for five or more years. Hybrid is a range of six risk managed portfolios, each with different levels of potential risk and reward. As with any investment the value may go up as well as down and you may get back less than you paid in.

## We use a blend of active and passive investments in this range

**Actively managed** investments are continually reviewed by investment professionals. They use analysis, performance, trends and other factors to make ongoing decisions about where to invest as well as looking for new opportunities.

## Passive investments

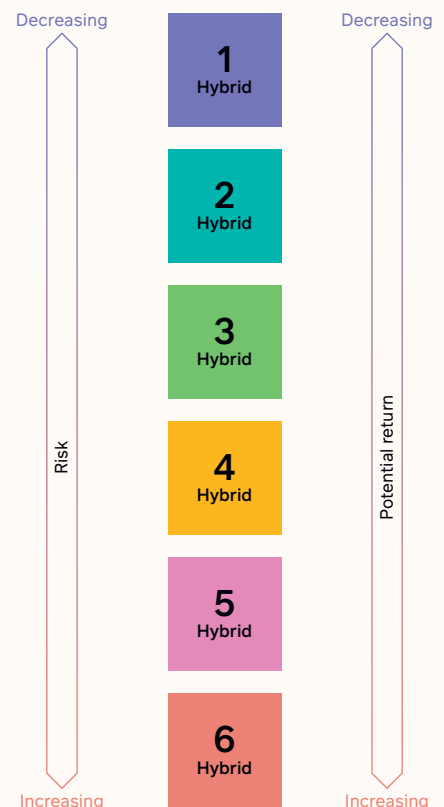
A passively managed investment is designed to rise and fall in line with the index it tracks, rather than outperform it.

This approach means there is less need for experts to step in and manage the investment on a regular basis. M&G decides which passive and active investments are used, taking into account the potential to generate returns and fund costs.

## Invested regionally

The majority of the portfolio is invested in funds that hold equities and bonds from specific regions, such as a UK equity fund or UK corporate bond fund. This means the investments hold companies within a specific country or region.

### Six portfolios offering different levels of risk and reward



**Actively managed explained** – the traditional investment approach where fund managers actively build and change a portfolio of assets (eg stocks and shares) in order to take advantage of what they believe are the best opportunities.

# The power of relationships

At M&G we believe that financial advice has the potential to change lives. We also believe that the relationship between you and your adviser is sacred, so we focus our service around providing your adviser with the support they need to look after you.

## What does your adviser do?

Your adviser works with you to understand your broader financial needs, objectives with your savings and investments, and your attitude to risk. Your adviser then builds and manages a plan to deliver these long term goals in a tax efficient manner. This plan could cover anything that crops up over the course of your life, for example paying university fees, having the income you need for the retirement you want, or inheritance tax planning.

To deliver your plan, your adviser will likely use a number of financial products or services from a provider like us. They'll undertake initial research to identify what they believe are the best solutions to deliver the plan and then continually monitor and manage the providers to ensure they can keep your plan on track. This will include reviewing performance and liaising with our investment team to understand changes.

## What do we do?

Your adviser will engage us to manage some or all of the investments used in your financial plan. Managing investments is a time-consuming activity so by using us, your adviser is able to access the wealth of investment expertise and knowledge we have whilst allowing them to focus on looking after you and keeping the broader plan on track.

We run a range of different portfolios covering different investment strategies and risk profiles. Our extensive team of experts continually monitor the portfolios to ensure they're on course to deliver the desired outcomes. As global markets and investments evolve, our views may change so we'll occasionally need to adjust the portfolios and this will be done automatically within the portfolios.

## How do we work with your adviser?

Whilst we do different things, your adviser and M&G as the investment manager have the same core objective of delivering the best outcomes for clients. It's therefore essential that we have a good working relationship with your adviser.

We have regular contact with your adviser to ensure they have all of the information they need to do their job and to support the work they do for you. Your adviser will be kept up-to-date with the performance of the portfolios, what's happening to the investments, our views on markets and details of any changes we make.

Your adviser also provides us with useful feedback on the experiences with clients and we use this to help shape our services to ensure it remains fit for purpose.

# Why use M&G MPS solutions?



## Size and scale

M&G Wealth Investments LLP is part of M&G plc, one of the UK's leading savings and investment companies, with over £344 billion assets under management as at December 2023. We leverage the knowledge, experience and buying power of M&G plc to deliver good outcomes for you.



## Spreading risk

We invest in a wide range of asset classes and regions. We believe **diversified portfolios** will have a better chance of delivering good outcomes, especially in difficult markets.



## Robust risk management (investment expertise)

We have robust controls and processes in place. And to verify this, our portfolios are also reviewed on a regular basis by an independent risk team.

Our dedicated MPS investment team, which specialises in building model portfolio services, works alongside M&G plc's asset allocation, research and investment risk oversight teams. This combined knowledge brings together a huge range of skill and experience in managing your money.



## Choice – risk versus reward

Everyone is different when it comes to the level of risk and reward they are willing and able to take which is why choice is important. We offer a selection of six portfolios, each with their own risk profile so your adviser can work with you to find a comfortable level of risk.



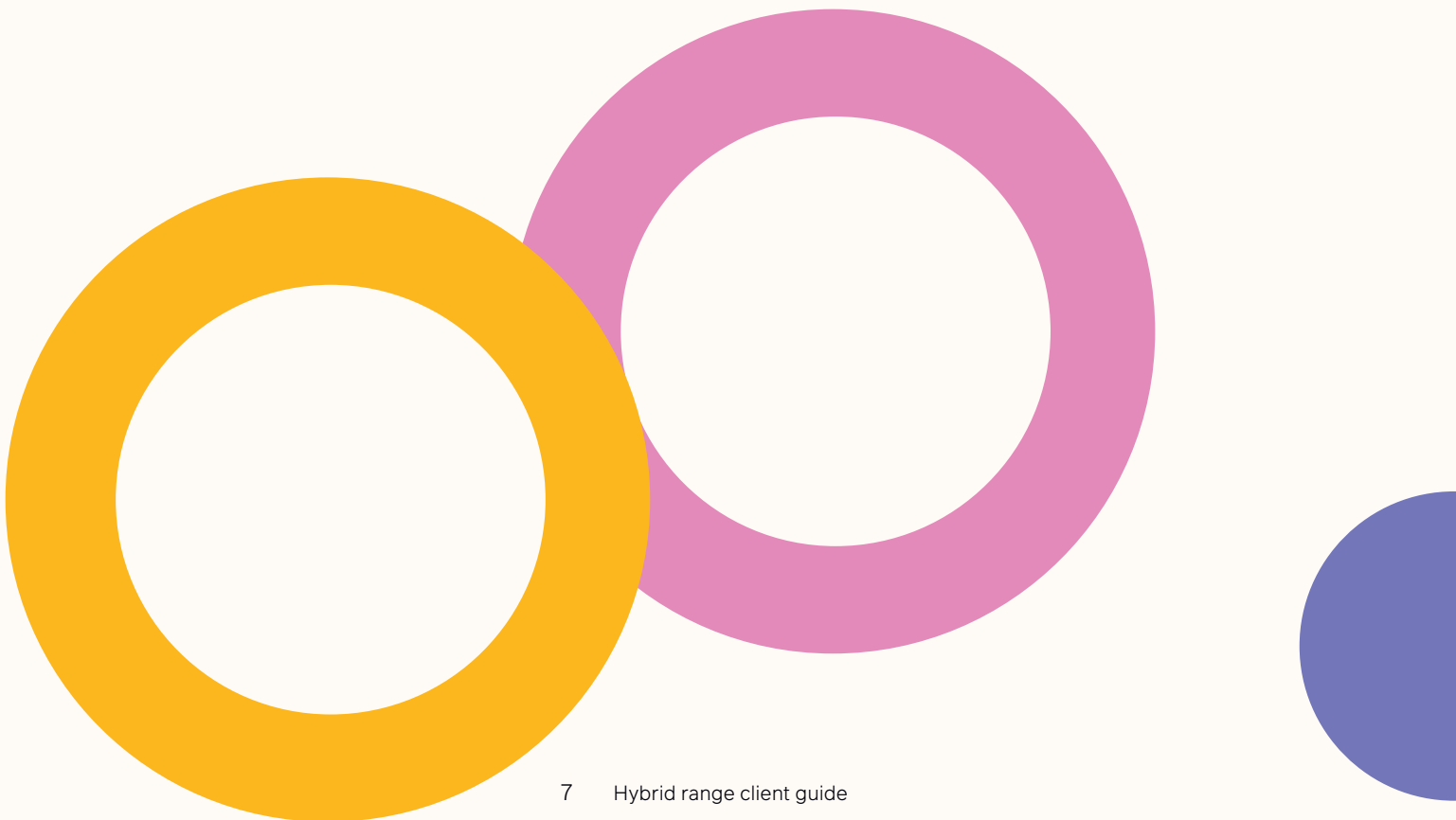
## Competitive pricing

We aim to deliver value for money when it comes to charges. We leverage the scale of the wider M&G plc business to keep charges competitive. For more information on charges please speak to your financial adviser.

**Diversified portfolios explained** – a diversified portfolio of investments contains a mix of distinct asset types and investment vehicles with the aim of limiting exposure to any single asset or risk.

# How we manage your money

We believe it's wise for investors to spread money across a wide range of assets. Our experts use their knowledge along with huge amounts of research gathered and analysed to decide how and where to invest the money. They can also make frequent changes depending on markets, performance and analysis. An Investment Committee oversees the investments services offered by the M&G MPS. The committee members are responsible for evaluating risk and monitoring performance so you can be sure your money is in good hands.



# How we manage volatility

Part of the investment specialist job is to look at and help manage **volatility** within the portfolios. Volatility looks at the value of an **asset class** and how much it rises and falls by over a period of time. If an asset class falls and rises rapidly over a short period of time, it is considered to be more volatile.

Many things can affect the volatility of an asset, for example: political unrest, the economy, general market conditions and more. This is why it is important to look at volatility over a longer period of time.

Our experts will try to manage the level of volatility within each of the portfolios. They do this by adjusting factors that are within their control, for example, this could be tweaking the spread of the investment across the asset classes.

The asset classes our Hybrid range invests in are:

**Equities** – also known as shares, are where you buy a 'share' in a company.

**Bonds** – also known as fixed-interest investments, can be purchased from companies or governments.

**Cash** – includes sterling currency and Money Market funds. Money Market funds can hold instruments such as deposits and government bonds.

**Alternatives** – these investments usually behave differently to the wider economy and are in specialist areas. For example, these could be things like investing in companies involved in infrastructure.

**Volatility explained** – how much the returns of an investment move away, or deviate, from their average return, determines how volatile that particular fund is. A more volatile investment moves further and more frequently from its average.

**Asset class explained** – a broad grouping of similar types of investments, such as shares, bonds, real estate, and commodities.



# Offering choice – risk versus reward

Everyone has different needs in terms of the risk they're willing to take, and the returns they want to aim for. Your financial adviser will work with you to understand your risk preference and your longer term financial goals.

A key driver of the risk and reward of a portfolio is the extent to which its value fluctuates. Generally, a more volatile portfolio has more potential risk and reward than one with a lower volatility.

So to help meet your needs, we offer a range of six risk managed portfolios that vary in terms of their potential risk and potential reward.

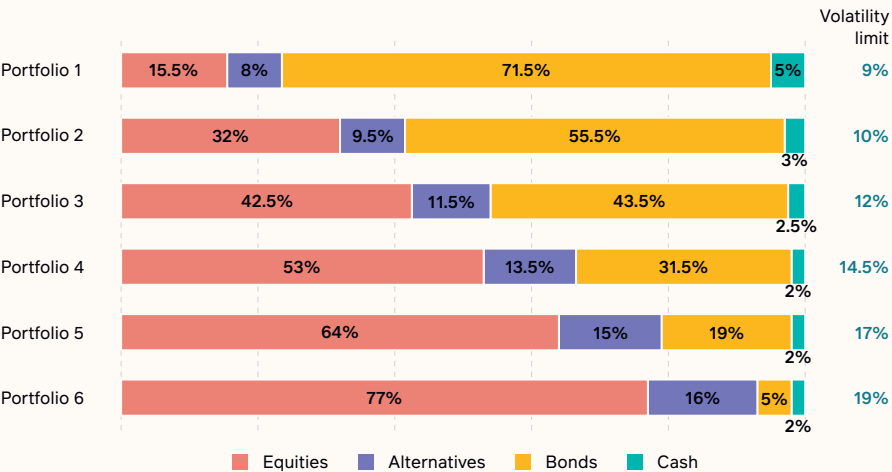
These are numbered one to six depending on how volatile they are expected to be.

Each portfolio has a different range of investment in equities, bonds, cash and alternatives depending on the level of risk and reward that you are aiming for. Equities are generally the most volatile asset class and cash is generally the least volatile. The diagram above shows how much of the portfolio is invested in each asset class.

You can see that the portfolios with high risk and reward have more investment in equities than those with lower risk and reward.

The following chart gives an indication of the globally diversified spread of investments for the Hybrid range of portfolios 1-6, as at 2 January 2025.

What our Hybrid range invests in



The asset allocations are regularly reviewed and may vary from time to time, but will always align with the investment objective.

The value of your investment can go down as well as up so you might not get back the amount you put in.

## For more information

Please speak to your financial adviser for specific information on your investments. You can access more information in our monthly factsheets, weekly commentary and quarterly investment update.

### Monthly factsheets

These documents provide an overview of the strategy, including the costs, underlying investments, geographic exposure and past performance.

Factsheets are available on our website.

### Weekly commentary

This report keeps you up to date on the latest market movements but also acts as a reminder to remain focused on your long-term objectives. It covers a market review, outlook, feature chart and what it means for you.



### Quarterly investment update

In this report, we discuss our current market views, recent changes to investments and the outlook. Information on the performance of our models and different asset classes is included at the end.



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