

 **M&G** wealth

**M&G Wealth**  
**Quarterly Risk**  
**Profile Update Note**  
**Q2 2024**



## Summary

| Fund          | Weighted average asset allocation <sup>^</sup> | Latest historical asset allocation <sup>*</sup> | Assigned risk profile | Status |
|---------------|--|---|-----------------------|--------|
| Passive MPS 1 | 3 (3)  | 4 (3)   | 3                     |        |
| Passive MPS 2 | 4 (4)  | 4 (4)   | 4                     |        |
| Passive MPS 3 | 5 (5)  | 5 (5)   | 5                     |        |
| Passive MPS 4 | 6 (6)  | 6 (6)   | 6                     |        |
| Passive MPS 5 | 7 (7)  | 7 (7)   | 7                     |        |
| Hybrid MPS 1  | 3 (4)  | 3 (3)   | 4                     |        |
| Hybrid MPS 2  | 4 (4)  | 4 (4)   | 4 (5)                 |        |
| Hybrid MPS 3  | 5 (5)  | 5 (5)   | 5                     |        |
| Hybrid MPS 4  | 6 (6)  | 6 (6)   | 6                     |        |
| Hybrid MPS 5  | 7 (7)  | 7 (7)   | 7                     |        |

( ) Analysis based on data to the end of December 2023 are shown in brackets.

<sup>^</sup> The weighted average approach incorporates the strategic asset allocation (if applicable) and the distribution of historical asset allocations.

<sup>\*</sup> This column provides the position of the expected volatility based on the latest historical asset allocation (i.e. 31 March 2024). The figure in brackets illustrates the position of the volatility based on the previous quarter's allocation.

Please see Appendix for the Red, Amber & Green status descriptions.

Your solutions have all been given Green status this quarter. We have updated the risk profile of the **Hybrid MPS 2** portfolio to a 4 as agreed.

While on Green status, we observe some risk added to the **Passive MPS 1** portfolio, bringing it to the cusp of the risk profile 4 territory. Please note that any further increases in volatility may cause a breach and trigger an Amber status. Similarly, the **Hybrid MPS 1** portfolio is only marginally below profile, which does not cause any major concerns at this time.

We have based our review on the approach that was agreed at the start of the risk profiling service and used the DP capital market assumptions for Q2 2024. There have been no changes to the risk profile boundaries this quarter.

## Comments and notes from previous reviews

### Q1 2024

This quarter the Global ESG Themes range has been removed from the profiling service.

Following a breach of the upper boundary last quarter, Passive MPS 1 has returned to its assigned profile, albeit at the upper end. The solution is maintained on green status.

The expected volatility for Hybrid MPS 1 declined again into the upper end of risk profile 3. The solution is maintained on amber status. The expected volatility for Hybrid MPS 2 has further declined significantly during the quarter ending comfortably at mid-risk profile 4. The solution is maintained on amber status, however will be considered for red status next quarter given the duration elapsed below its assigned profile.

### Q4 2023

This quarter Hybrid MPS 4 & 5 have maintained a position within their respective assigned profiles. Accordingly, both solutions have been reverted to green status.

Global ESG Themes 5 has declined comfortably into risk profile 6 and thus has been placed on amber status.

We note that the expected volatility for Passive MPS 1 increased appreciably between August 2023 and September 2023 leading to a breach of the upper boundary. The solution has been held on green status pending further review, however will be considered for amber status if the position remains above the assigned profile.

There were similar increases in Hybrid MPS 1 & 2 between August 2023 and September 2023. Hybrid MPS 1 ended the quarter marginally within profile. However, given the proximity to the lower boundary, the solution has been held on amber status pending further review next quarter. Hybrid MPS 2 ended the quarter below profile and thus has been maintained on amber status.

### Q3 2023

Hybrid MPS 1 & 2 have maintained a position below their respective assigned profiles. Accordingly, both solutions have been maintained on amber status.

The expected volatilities for Hybrid MPS 4 & 5 have declined to return to their respective assigned profiles. Their amber status has been maintained to ensure longer term suitability. The solutions will be considered for reversion to green status if their positions are maintained next quarter.

### Q2 2023

Hybrid MPS 1 & 2 have maintained a position below their respective assigned profiles. Accordingly, both solutions have been placed on amber status.

Hybrid MPS 4 & 5 have ended three consecutive quarters above their respective assigned profiles. If their respective positions are maintained above profile they will be considered for red status next quarter.

### Q1 2023

We note that Hybrid MPS 1 & 2 ended the quarter marginally below profile. Their green status is maintained pending further review next quarter.

Hybrid MPS 4 & 5 have ended two consecutive quarters above their respective assigned profiles. Noting that the cumulative addition of risk to both solutions over the course of the year is significant, both solutions have been placed on amber status.

**Q4 2022**

Hybrid 1 & 4 have drifted slightly outside their risk profile ranges. We have left on Green status pending further observation.

# Appendix

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## Status descriptions

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A **red** status indicates that the solution's current risk profile is no longer appropriate to the DP scale and that it will be changed at next quarter's review unless action is taken by the fund management team.



An **amber** status indicates that one or more of the measures considered may indicate the possibility of an alternative risk profile. This could be due to short-term tactical positioning within the solution or other market considerations and does not imply that the long-term risk profile should necessarily change.



A **green** status indicates that the solution is in line with the assigned risk profile and no action is needed.

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