Parmenion

Strategic Guardian

Take a long-term income from your retirement savings, with confidence

For professional use only

A view from the investment manager

Tim Willis
Investment Director

"Strategic Guardian answers the retirement conundrum through a fresh combination of market exposures. By looking to capture the upside whilst limiting the downside, this investment solution aims to reduce the risks associated with providing a long-term income."

Designed to support income, all the way through retirement

Since launch in 2016, Guardian has been helping people take a long-term income from their investments with confidence – and without having to worry about what's happening in the markets.

When you're relying on one sum of money to provide an income for the rest of your life, there are many issues to balance. By investing you can seek to power the growth of your retirement savings to make them last for as long as possible. However, a market downturn could have a profound impact on your plans, meaning you'll have to cut back or risk running out of money.

We designed the Strategic Guardian fund range to solve these financial challenges. Globally diversified, multi-asset portfolios provide exposure to a wide universe of investment opportunities to capture growth when markets are rising. They include a specialist component that reacts to stock market volatility to help insulate the portfolios during market downturns.

Client appeal

Guardian might be a good fit for:

- Someone who's started to take a step back from work or stopped working altogether and want their savings to provide an income throughout retirement.
- Someone looking to live off a lump sum, such as those who have received a personal injury settlement and need to invest the money to pay for ongoing care and living costs.
- Someone approaching retirement who is looking to de-risk their investments as much as possible and get some downside protection.

Why choose Guardian?

A dedicated retirement solution with a distinct investment approach for anyone in income drawdown.

Focuses on maintaining the fund's ability to pay income for as long as possible by mitigating sequencing and longevity risks.

Gives flexibility to invest in a wide universe of asset classes and geographical regions to capture growth when markets are rising.

A volatility component insulates performance when markets are falling to reduce the risk of the portfolio suffering a large drop in value.

Choose from 10 risk-grades to match your investment objectives, appetite for risk and time horizon.

Backed by Parmenion's extensive investment resources.

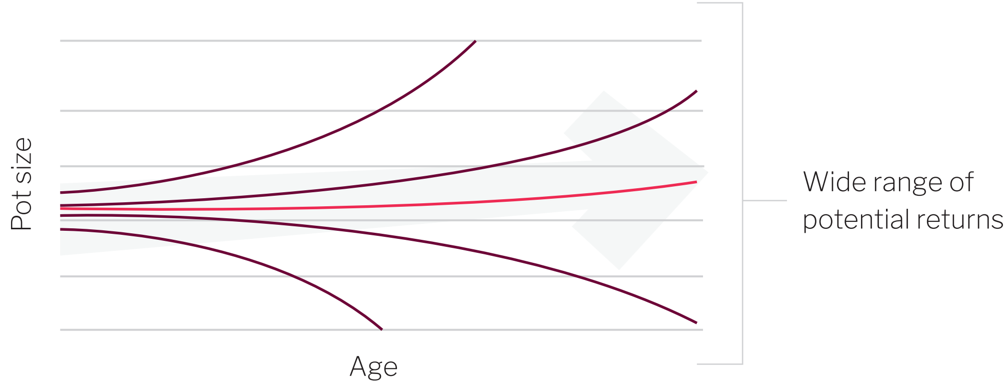
Track record since May 2016

Solving the retirement conundrum

Investing to provide a long-term income comes with a unique set of challenges and needs a distinct approach.

The greatest risk is that a large fall in the value of the portfolio during the first few years will have dramatic consequences. If this happens, the portfolio is unlikely to be able to recover these losses due to ongoing income withdrawals (sequencing risk), and the money could run out sooner than expected (longevity risk).

The illustration below shows possible outcomes for a typical medium-risk investment solution under drawdown (where you take a flexible income from your pension pot).



This picture is for illustrative purposes only and doesn't represent a specific investment solution or fund.

What is sequencing risk?

There's a danger that the timing of withdrawals from a portfolio designed to provide an income throughout retirement will damage the overall returns. This is called sequencing risk. Account withdrawals during a bear market (when asset prices are falling) are more costly than the same withdrawals in a bull market (when asset prices are rising). If the value of an investment portfolio you're relying on to provide a regular income suffers a sharp fall in value, you may run out of money sooner than you expect.

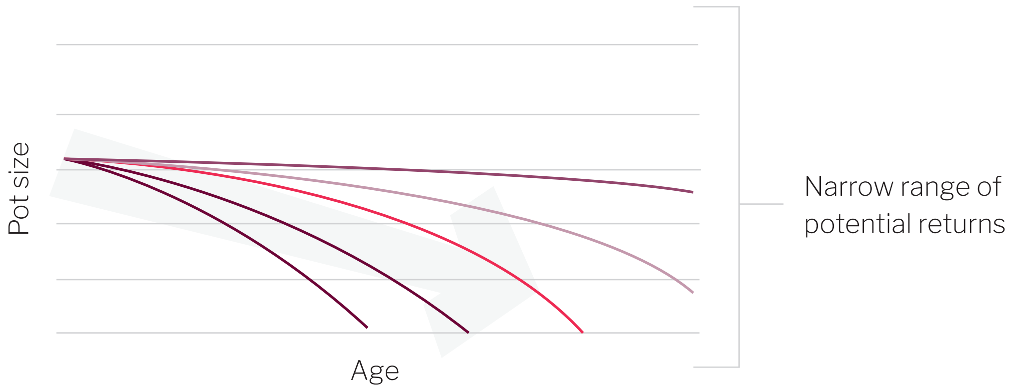
It's at this point that investment managers run into the retirement conundrum. They can mitigate sequencing risk by reducing the allocation to equities – but they need to increase the equity weighting to reduce longevity risk.

What is longevity risk?

We're all living longer, and that increases the chance of you outliving your retirement pot. This is known as longevity risk and is one of the reasons it's so important to stay invested in stock markets to power the growth of our pension savings all the way through retirement. Reducing the allocation to equities and taking too little risk increases the chances of the money running out.

Another approach is to construct portfolios with income-producing assets, including shares of companies that pay high dividends and fixed income investments with regular coupons. However, this narrows the investment universe, which can affect overall performance by reducing the potential range of opportunities in a relatively small number of industries.

The illustration below shows possible outcomes for a typical low-risk investment solution under drawdown.



This picture is for illustrative purposes only and doesn't represent a specific investment solution or fund.

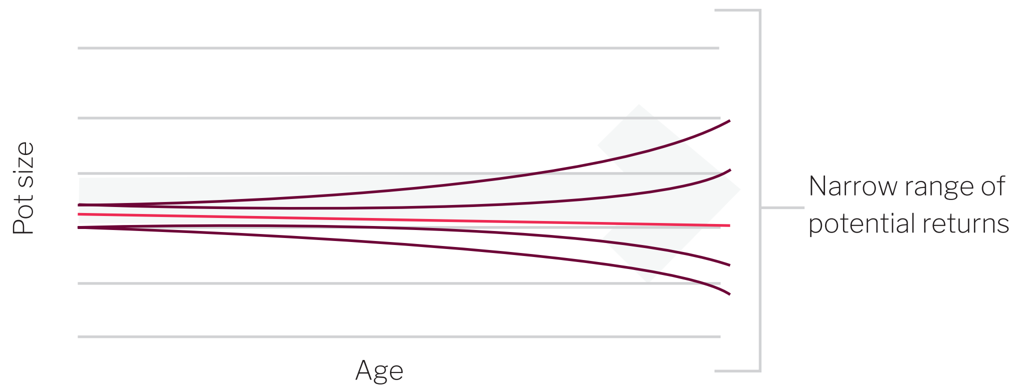
What Guardian does

A smoother investment journey

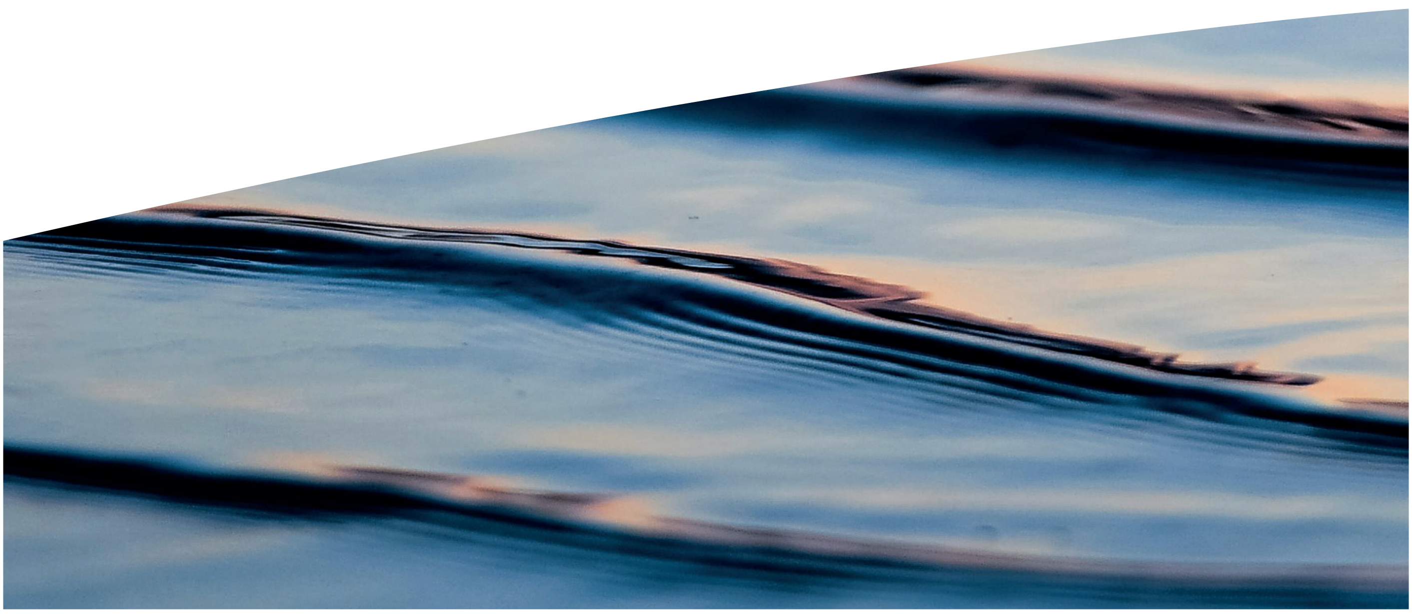
When investing to provide a long-term income, Strategic Guardian aims to solve the retirement conundrum by mitigating sequencing and longevity risks, reducing the chance that the money will run out. Adding exposure to an asset class called volatility offers protection during periods when share prices are falling, so your portfolio is less likely to suffer a large fall in value, which would be difficult to recover.

History shows that stock markets tend to rise slowly and fall rapidly. As a result, there's a strong relationship between volatility and market performance – volatility is usually low when markets are rising and high when they are falling.

The illustration below shows what Strategic Guardian aims to achieve in drawdown.



This illustration isn't a prediction of Strategic Guardian's performance.
It's designed to show what Strategic Guardian is trying to achieve in drawdown.



Introducing volatility as an asset class

Portfolios usually perform best when they're made up of different assets from around the world that play different roles to achieve their investment objectives. This diversified approach has worked well in the past and can lead to healthy investment returns over the long term when you're seeking growth.

Strategic Guardian takes a diversified approach a step further by introducing market volatility as an asset class into the traditional mix. We've found that adding exposure to volatility helps mitigate the risk of a portfolio suffering a large fall in value during a period of adverse market conditions. This approach aims to solve the retirement conundrum by allowing us to reduce sequencing risk without pushing up longevity risk by reducing the allocation to equities.

Protect portfolio returns

We use the Amundi Volatility World Fund to add exposure to volatility in portfolios as a distinct asset class. When volatility rises, the fund rises in value, helping to offset losses in other parts of the portfolio.

The overall impact of adding the volatility component is that it compresses the range of potential outcomes by reducing the severity of falls and capturing less of the upside. In practice, the volatility fund acts like a dampening mechanism to moderate long-term performance and achieve the desired outcome for an investment strategy that aims to deliver a long-term income.

Power investment growth

To deliver sufficient growth to sustain income withdrawals for many years to come, the portfolio invests in a wide range of assets. They provide exposure to developed and emerging markets, as well as companies of all sizes across different industry sectors. We select specialist active managers with the skills to capture returns in their areas of expertise, which we blend with passive funds when we don't believe an active manager can add value.

Each of the funds in the range is based on a long-term strategic asset allocation framework that matches its risk grade. We then make short-term tactical decisions to adjust the weightings to different asset classes, markets and regions as we respond to the changing investment environment and prospects for future returns.

About Amundi Volatility World

Amundi is one of the world's largest asset managers with the deep resources, technical skills and market insight required for managing sophisticated investment strategies. The Volatility Word fund follows a relatively complex approach that involves buying equity index options across the US, Europe and Japan. It also buys and sells equity and interest rate futures to hedge its exposures.

Although it sounds complicated, the objectives are straightforward – to rise in value when markets are volatile. Including this fund in a diversified portfolio can help to offset losses from equity investments, which usually coincide with a substantial increase in market volatility.

The fund has a proven track record of meeting its investment objectives since launch in 2007. By taking advantage of the way the stock market behaves, the fund follows a repeatable investment process that doesn't depend on temporary market conditions or the skills of an individual investment manager.

How much does it cost?

Our Guardian solution charges are simple and transparent.

Type	Charge
Ongoing Charges Figure (OCF) (for the management of the individual funds within your client's portfolio, paid directly to the fund manager.)	*0.22% - 0.53% (depending on Risk Grade)
Discretionary management fee (DFM) (for Parmenion Investment Management to manage your client's portfolio in line with their investment objectives.)	0.24%
Custody charge (for Parmenion's ongoing administration of your client's portfolio and safe custody of your assets.)	0.15% - 0.30% (based on a client's total assets with us. Cliff edge)
Dealing charge (for fund switch and rebalance purchases)	0.45% (≈0.05% p.a.)†

*Current rates as at 31/12/2023, but this could change in the future.

†Assumes a 12% turnover rate - for guidance only, actual turnover may be more or less than this amount.

Example cost of ownership

For money in Strategic Guardian, Risk Grade 5

	Custody	DFM	Dealing	OCF*	Total
For a £50,000 investment	0.30%	0.24%	0.05%	0.61%	1.20%
	£150.00	£120.00	£25.00	£305.00	£600.00
For a £100,000 investment	0.30%	0.24%	0.05%	0.61%	1.20%
	£300.00	£240.00	£50.00	£610.00	£1,200.00

*OCF as at 31/12/2023

Awards and ratings

defaqto EXPERT RATED

5 Star 2015-2023
DFM MPS Direct
Defaqto

defaqto EXPERT RATED

Five Diamond 2023
DFM MPS (Direct) Family
Defaqto

defaqto 2022 GOLD DFM Service

Gold 2018-2022
DFM Service
Defaqto

WINNER TWO TIMES Investment Life & Pensions Moneyfacts Awards 2022 -2023 Best Wrap/Platform

Access on our **award winning platform**

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- Any news and/or views in this document are meant as general information and shouldn't be seen as financial advice, or a personal recommendation.
- Parmenion accepts no duty of care or liability for loss to any person acting or refraining from acting as a result of reading anything in this document.
- Past performance is not an indicator of future performance and investment returns can go down as well as up.
- All data sourced from FE fundinfo.

Want to know more?

If you'd like to chat to us about our Strategic Guardian solution or wider proposition, please get in touch.

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