

# **Vanguard Quarterly Risk Profile Update Note**

## **Q4 2023**



## Summary

Fund	Weighted average asset allocation <sup>^</sup>	Latest historical asset allocation <sup>*</sup>	Assigned risk profile	Status
LifeStrategy 20% Equity	3 (3)	3 (3)	3	
LifeStrategy 40% Equity	4 (4)	4 (4)	4	
LifeStrategy 60% Equity	5 (5)	5 (5)	5	
LifeStrategy 80% Equity	6 (6)	6 (6)	6	
LifeStrategy 100% Equity	7 (7)	7 (7)	7	
LifeStrategy 20% Equity MPS Classic	3 (3)	3 (3)	3	
LifeStrategy 40% Equity MPS Classic	4 (4)	4 (4)	4	
LifeStrategy 60% Equity MPS Classic	5 (5)	5 (5)	5	
LifeStrategy 80% Equity MPS Classic	6 (6)	6 (6)	6	
LifeStrategy 100% Equity MPS Classic	7 (7)	7 (7)	7	
LifeStrategy 20% Equity MPS Global	3 (3)	3 (3)	3	
LifeStrategy 40% Equity MPS Global	4 (4)	4 (4)	4	








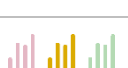
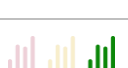






( ) Analysis based on data to the end of June 2023 are shown in brackets.

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

<sup>\*</sup> This column provides the position of the expected volatility based on the latest historical asset allocation (i.e. 30 September 2023). The figure in brackets illustrates the position of the volatility based on the previous quarter's allocation.

<sup>†</sup> DP has a set of asset allocation models which are managed to operate within each profile's boundaries. This column compares the annualised rolling volatility of each solution to the DP models and shows which model has been closest since inception. The rolling volatility period in each instance is assessed based on the performance data provided.

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

<b>LifeStrategy 60% Equity MPS Global</b>	5 (5)	5 (5)	<b>5</b>	
<b>LifeStrategy 80% Equity MPS Global</b>	6 (6)	6 (6)	<b>6</b>	
<b>LifeStrategy 100% Equity MPS Global</b>	7 (7)	7 (7)	<b>8</b>	
<b>SustainableLife 40-50% Equity Fund</b>	5 (5)	5 (5)	<b>5</b>	
<b>SustainableLife 60-70% Equity Fund</b>	6 (6)	6 (6)	<b>6</b>	
<b>SustainableLife 80-90% Equity Fund</b>	7 (7)	7 (7)	<b>7</b>	
<b>LifeTarget Defensive</b>	3 (3)	3 (3)	<b>3</b>	
<b>LifeTarget Cautious</b>	4 (4)	3 (3)	<b>4</b>	
<b>LifeTarget Moderate</b>	5 (5)	4 (4)	<b>5</b>	
<b>PLC Emerging Markets Bond Fund</b>	5 (5)	5 (5)	<b>5</b>	
<b>PLC Global Credit Bond Fund</b>	3 (3)	3 (4)	<b>3</b>	
<b>ICVC Active UK Equity Fund</b>	7 (7)	7 (7)	<b>7</b>	
<b>ICVC Global Emerging Market Fund</b>	10 (10)	9 (10)	<b>10</b>	
<b>ICVC Global Equity Fund</b>	7 (7)	7 (7)	<b>7</b>	
<b>ICVC Global Equity Income Fund</b>	7 (7)	7 (7)	<b>7</b>	
<b>ICVC Global Sustainable Equity Fund</b>	7 (7)	7 (7)	<b>7</b>	

This quarter, the *LifeStrategy 100% Equity MPS Global* continues to exhibit risk below what would be associated with its assigned risk profile. We have placed the solution on Amber status. If you feel like this solution may benefit from a risk profile change then please contact us.

Both the *LifeTarget Cautious* and *LifeTarget Moderate* portfolios remain at the same risk level as last quarter. The significant fall in risk can be attributed to a transition of exposure from a range of equity markets to fixed income. On top of this, the *Cautious* solution has shifted a proportion of exposure from an Investment Grade Bond Index fund to a Government Bond Index Fund. This has further reduced risk. The solutions remain on Amber status.

While on Green, it is worth noting that the risk level of both the SustainableLife 80-90% Equity Fund and the Global Emerging Markets Fund lies marginally below the lower boundary of their risk profiles. We will continue to monitor in the coming quarters.

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 Q4 2023. There have been no changes to the risk profile boundaries this quarter.

## Comments and notes from previous reviews

### Q3 2023

Both the *LifeTarget Cautious* and *LifeTarget Moderate* have substantial transitioned exposure from Equity markets into Fixed Income markets. This has caused a significant decrease in their expected volatilities. Therefore, we have placed the solutions on Amber status.

While on Green, it is worth noting that the *Global Credit Bond Fund* has marginally breached the upper boundary of its risk profile. We will continue to monitor.

All remaining solutions lie within their assigned boundaries and therefore, remain on Green status.

### Q2 2023

While on Green, it is worth noting that the *ICVC Global Sustainable Equity Fund* increased its risk enough since the initial risk profiling so that it now lies marginally within risk profile 8. Due to the fund starting within the top three percentile of risk profile 7, we are not materially concerned as of now. However, we will continue to monitor in the coming quarters.

All remaining solutions lie within their assigned boundaries and therefore, retain their Green status.

### Q1 2023

This quarter, all solutions lie within their assigned risk profiles and therefore, are placed on Green status.

### Q4 2022

All profiled solutions have been placed on Green status this quarter. We have also included the *MPS Classic* range, *MPS Global* range and the *SustainableLife 40-50% and 80-90% Equity* funds to the report.

While on Green it is worth noting that the *LifeTarget Moderate* solution has seen a large reduction of 1.5% in expected volatility. This has caused the fund to lie at the bottom decile of its assigned risk profile. The decrease in risk can be attributed to a transition of exposure from the equity markets into corporate bonds. We will continue to monitor this going forward.

*SustainableLife 80-90% Equity* ended the quarter marginally below its assigned profile. In noting the composition of the solution and having regard to the market conditions this quarter, we are not materially concerned at this stage and will review the solution again next quarter.

### Q3 2022

This quarter, we have maintained the Green status of the solutions.

While on green, it is worth mentioning that SustainableLife solution has continued to experience a fluctuation in volatility around the lower bound of a risk profile 6 resulting in breaches. We will continue to monitor this going forward.

### Q2 2022

This quarter, all profiled solutions have maintained their Green status. All funds lie safely within the assigned risk boundaries. The SustainableLife range has also been added to the report.

#### Q1 2022

This quarter we have maintained the solutions on Green.

While on Green, please note that the Global Balanced Fund has violated the upper boundary of its risk profile during December. This happened due to increased exposure to equity and lower exposure to fixed income securities. As a reminder, this fund has been on Red previously. However, it was placed on Green as it stayed within its risk boundaries during previous quarter. If the expected volatility of Global Balanced increases, next quarter it will return to Amber.

#### Q4 2021

This quarter we have placed LifeTarget range and Global Balanced on Green and maintained the statuses of the remaining solutions.

The Global Balanced solution is marginally below the upper boundary of its profile. A slight increase in expected volatility could cause a change of status next quarter. All the remaining solutions are safely within assigned risk boundaries.

#### Q3 2021

This quarter we have placed Global Balanced on Red status and maintained the Green status of the LifeStrategy range while the LifeTarget range has been placed on Amber for insufficient data provision this quarter.

Due to updates in our mappings the expected volatility of Global Balanced has gone from marginally below the upper profile limits to safely above. At this point, we have placed the solution on Red status.

#### Q2 2021

This quarter we have maintained the statuses of the solutions.

In a similar vein to last quarter, for the Global Balanced solution January saw an increase in cash at the expense of equities, however this move was reversed in February and maintained in March. As a result the solution is still remains very marginally below the upper boundary of risk profile 5 and is thus maintained on amber status. The expected volatilities of the LifeStrategy solutions remain largely unchanged.

#### Q1 2021

This quarter we have maintained the statuses of the solutions.

In October there was a reduction in equity in favour of cash for Global Balanced, bringing the expected volatility safely within boundaries. However, equity was again increased in November and December pushing the expected volatility again to on the boundary edge. As such, we have maintained the Amber.

## 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 asset 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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