PACIFIC ASSET MANAGEMENT | MULTI ASSET ACCUMULATOR RANGE

Modern Multi-Asset Investing

An introduction to Pacific Asset Management Multi-asset Accumulator Range

Independent

Innovative

Impartial

Why choose Pacific Asset Management? We take a modern, unbiased approach.

Pacific Asset Management is the core asset management business of the Pacific Investments Group, a global financial services group encompassing real estate, private equity and asset management.

- Established in 1993 by Sir John Beckwith and Mark Johnson, Pacific Investments has a proven record of identifying and backing industry-leading investment managers.
- Asset management businesses built by Pacific Investments currently manage over US$20 billion on behalf of institutions, wealth managers, family offices and individuals.
- The group created Pacific Asset Management to give investors access to fund managers who are proven to deliver superior investment returns over the long term.
- Firmly established within the global business infrastructure of Pacific Investments, Pacific Asset Management is able to take a modern, unbiased approach to investing.

20
years experience

Pacific Investments has a proven track record of identifying industry-leading investment mangers

$20
Billion AUM

Asset management businesses built by Pacific currently manage over $20 billion assets

11
offices worldwide

Pacific Investments has a truly global presence with 11 business locations worldwide

150+
employees

The group has over 150 employees worldwide and growing

The secret to consistent, long-term returns? Investing in multiple asset classes.

2008: A wake-up call for the investment world

The crisis of 2008 provided a wake-up call for the investment world. Since then, investors have discovered that it's not always possible to foresee how financial markets will behave. But what we do know is that the fewer assets you hold, the more vulnerable you are to swings in the market.

So the best way to cushion your portfolio against the unpredictability of the markets is to spread your investments over a wide range of assets. Such diversity can smooth your returns and make your portfolio more stable – because in certain circumstances one asset may fall, another may rise, compensating for any losses.

That's why at Pacific Asset Management we build portfolios from a variety of asset classes. Doing so allows us to balance the risks and returns of each portfolio – so you're exposed to potential rises in the market, while gaining some protection from losses.

"There are always risks in the world, but multi-asset investors start with one key advantage: **Diversification***"*

Will Bartleet
CIO & Portfolio Manager of Pacific Multi-Asset

Which asset classes should you invest in?

Variety is what counts

EQUITIES
FIXED INCOME
ALTERNATIVE ASSETS
DIVERSIFYING ASSETS
CASH

A mix of five broad asset classes

All our portfolios contain a mix of five broad asset classes: equities, fixed income, alternative assets, diversifying assets and cash. By adjusting this mix, we can create portfolios that match an investor's particular investment goals and appetite for risk.

Equities	Equities are company shares traded on a stock market. A firm's share price can fluctuate significantly, so equities are a higher-risk investment than fixed income – but one that offers the potential for higher returns.
Fixed income	Fixed income investments are generally bonds – loans to companies or governments that generate regular interest payments. They are popular with investors who are prepared to accept lower returns for lower risk. Fixed income is often used to diversify a portfolio, although at Pacific Asset Management it's not the only diversifying asset we use.
Alternative assets	Alternative assets can bring further diversification to a portfolio. Such investments may include property and commodities.
Diversifying assets	Diversifying assets comprise a variety of asset classes, such as equities and bonds. However, they have been chosen with the specific goal of being uncorrelated with other assets, while also making a profit over time. Our approach to diversifying assets makes us a little different from most other asset managers. That's because we try to look at the 'DNA' that drives a market – something known as 'factor investing' **(See page 10 for 'What's our approach to diversifying assets?')**
Cash	In general, cash is the safest asset of all – but the one that provides the lowest returns. The biggest risk with holding your money in cash is that its value will be eroded by inflation.

Active or passive management?

At Pacific Asset Management, we are not biased either way

Giving investors a greater choice

Traditionally, the individual investor has faced a confusing choice: an actively managed fund or a passively managed fund. That meant either paying an investment specialist to actively hand-pick investments designed to beat the market and minimise losses; or saving on fees by investing in a passive fund whose goal is simply to track the market.

At Pacific Asset Management, we don't believe you should have to settle for this either/or choice. In fact, we think it's a mistake to do so. Why? Because we believe you should adapt your approach to fit the market.

With larger, more efficient markets, evidence suggests that fewer active managers outperform the index, so a passively managed fund will work just as well. But with smaller, less efficient markets, such as emerging markets, active managers can often add value.

At Pacific Asset Management, we don't believe you should have to settle for this either/or choice.

The industrialisation of the asset management industry

Because of incumbent business models most asset managers are forced to stick with one approach or the other. But at Pacific Asset Management, we build portfolios out of both passive and active funds.

In our view, the modernisation – some would say industrialisation – of the asset management industry has brought clear benefits which we are willing to exploit. However, we believe there is still a role for active managers to blend their skills and insights.

This modern, common-sense investment approach takes a process used by large financial institutions and makes it available to the individual investor.

The result of our unbiased approach? You get the best of both worlds: the skills and market insights of expert investors combined with the cost-efficiency of passively managed funds.

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Our approach to diversifying assets

Understanding a market's DNA

"Multi-asset portfolios combined with diversifying factor strategies make a powerful combination."

Louis Cucciniello
Head of Diversifying Assets
Pacific Asset Management

How we use 'factor' investing in our portfolios

One of the things that sets our portfolios apart is our use of 'factor' investing when selecting assets. The main reason to hold a variety of asset classes is to make your portfolio more stable. But this idea only holds true if the assets you select are uncorrelated. In other words: asset class returns are independent of each other, thereby reducing a portfolio's overall risk.

Factor investing goes beyond a broad-brush understanding of asset classes to really dig into the 'DNA' of markets.

Since 2008, however, many assets that investors had always thought of as uncorrelated have begun to move together. In particular, to stave off recession, many governments have propped up the bond markets. As a result, the traditional uncorrelated relationship between bonds and equities is being questioned.

At Pacific Asset Management, we think differently about diversification. Instead of building portfolios based purely on a mix of asset classes, we consider the underlying factors that determine the risks associated with those asset classes. Such factors might include the price trends of the equity market, the size of a company or a bond's sensitivity to interest rates.

Known as 'factor investing', this approach allows an investor to paint a much more comprehensive and accurate picture of the balance of risk and return in a portfolio. It's a bit like the difference between understanding how the human body works or sequencing the human genome. An individual's DNA paints a much more detailed picture of both their physical capabilities and health risks. Likewise, factor investing goes beyond a broad-brush understanding of asset classes to really dig into the 'DNA' of markets.

At Pacific Asset Management, we have a dedicated team of specialists who use factor investing to understand what makes asset classes behave as they do.

'Factor investing', 'smart beta', 'risk premia'.

You may also see 'factor investing' referred to as 'smart beta' or 'risk premia'. Whatever words are used, it's just a way of identifying the drivers of markets.

At Pacific Asset Management, we have a dedicated team of specialists who use factor investing to understand what makes asset classes behave as they do. Their insights allow us to use diversifying assets to better balance risk return.

How do you determine your appetite for risk? By understanding your true investment age.

Investment orthodoxy states

You should tailor your level of risk to your stage of life. According to this view, as you age you should gradually shift the balance of your portfolio from growth investments to defensive ones.

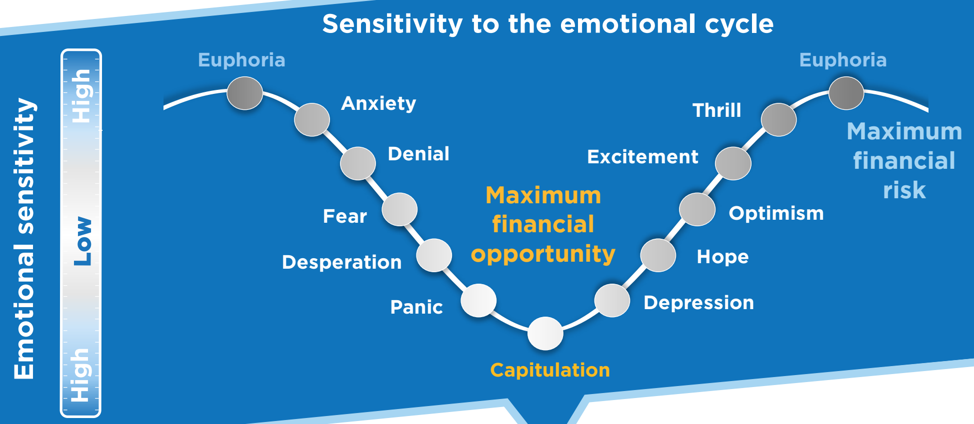
In our experience, you can't simply pigeon-hole every 20 year-old as more willing to take on risk than an 80-year-old and vice versa.

At Pacific Asset Management we take a much more nuanced approach

We believe instead, you also need to consider each person's individual sensitivity to the movements in the markets.

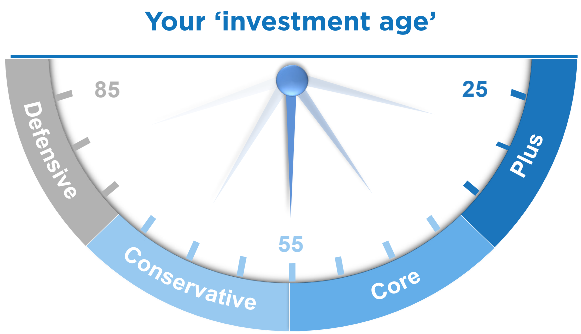
The reason?

We believe what matters most is to stay invested for the long term. That means finding the product that best fits your willingness to ride out peaks and troughs – by understanding the 'emotional cycle' of markets.



Basic human emotion is perhaps the greatest enemy of successful investing

Taking into account both your stage of life and your sensitivity to the emotional cycle gives you a more accurate sense of your appetite for risk – or what we call your 'investment age'.



Which fund is for you?
Balance your risk and returns.

With your investment age in mind, you can choose from the four different funds in the Pacific Multi-Asset Accumulator range. Each has been created to reflect the particular level of risk you're comfortable with, as well as the potential returns you're looking for.

Defensive

Of the four funds, this one is designed for those with a lower appetite for risk. As such, it offers the least exposure to the stock market, with equities representing no more than 35% of the portfolio. The rest is invested in fixed income and other diversifying asset classes.

Conservative

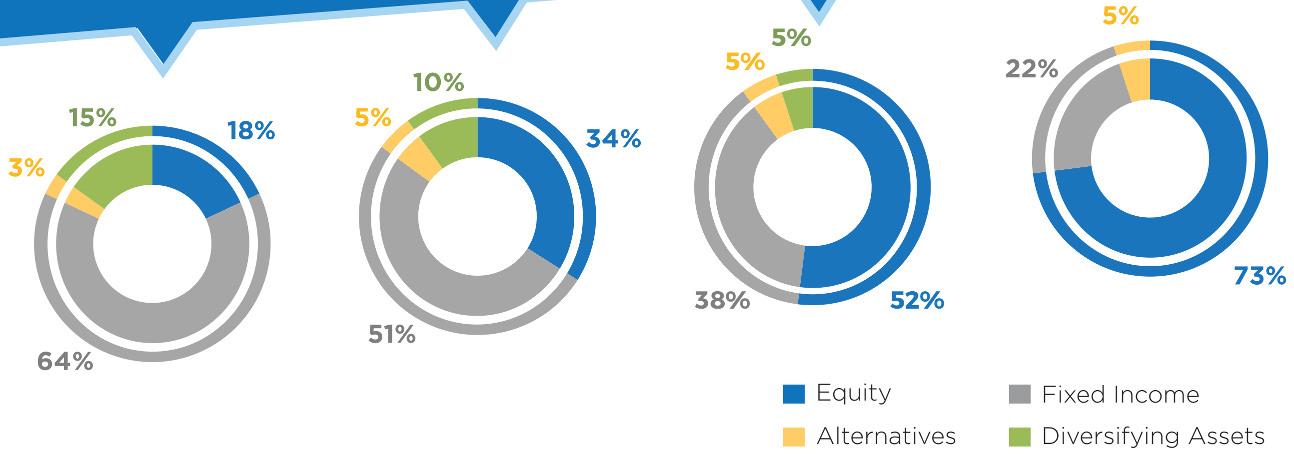
This fund has a comparatively small exposure to equities, ranging between 20% and 60%.
The rest is invested in fixed income and other diversifying asset classes.

Core

This fund will typically take a more balanced exposure to gains in equity markets, with such exposure ranging between 40% and 85% and the remainder invested in fixed income and other diversifying asset classes.

Plus

This fund will typically take a more active exposure to potential gains in the equity markets – up to 100%.



Highly experienced investment team, Working together to create truly diversified funds.

Will Bartleet
CIO & Portfolio Manager of Pacific Multi-Asset

Will Bartleet is the Chief Investment Officer and portfolio manager of Pacific's range of multi-asset funds. Prior to joining Pacific Will worked at HSBC Asset Management for 16 years, most recently as portfolio manager of a $5bn range of multi-asset funds and Chairman of their Tactical Asset Allocation Committee responsible for the tactical positioning of the $30bn wealth business.

"PAM has a modern, common-sense investment approach which allows us to deploy innovative and cost efficient ways to capture value in a zero-interest rate world"

Lou Cucciniello
Head of Diversifying Assets

Louis Cucciniello is Head of Diversifying Assets at Pacific. Prior to joining Pacific Louis worked at Deutsche Bank for 10 years, most recently as Managing Director and Global Head of Risk Factors. Prior to this role, Louis served as Managing Director and Global Head of Multi-Asset Trading at Deutsche Bank's investment bank where he created, traded and managed over $5bn of risk premia strategies.

"Factor investing should be an integral part of any multi-asset strategy, ensuring we are able to provide our clients with a fully diversified offering"

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