



MODERN MODEL PORTFOLIO SOLUTIONS

Our model portfolio structure explained

CHALLENGES OF TRADITIONAL MPS STRUCTURE

WHY MODERN MPS?

While managing discretionary portfolios on a platform offers numerous benefits—such as transparent costs, clear visibility of investments, and professional management tailored to the client’s risk profile without requiring ongoing consent—there are also notable challenges.

Managing ‘traditional’ DFM model portfolios on platforms can be problematic because platforms were not originally designed to prioritise active, discretionary investment management. While platforms offer choice, accessibility and ease of administration, they do have drawbacks when managing client portfolios, most notably in the ability to access assets for portfolio diversification.

At Pacific Asset Management, we utilise our asset management infrastructure to access the entire investment universe, whereas traditional MPS portfolios remain constrained to OEICS/UCITS.

ACCESSING THE WHOLE UNIVERSE:

- > **ETFs:** Navigating the expanding ETF investment landscape, including Passive, Active, Factor, and Sustainable ETFs.
- > **ALTERNATIVES:** Accessing alternative investments such as commodities, where assets like gold can serve as valuable portfolio diversifiers.
- > **INVESTMENT TRUSTS:** Taking advantage of discount to NAV and accessing investment opportunities as they arise in real-time.
- > **DIRECT SECURITIES:** Direct bonds enable us to control our exposure to interest rate movements.
- > **SPECIALIST STRATEGIES:** Implementing uncorrelated strategies which are especially beneficial in volatile markets such as those of 2022.
- > **NON-UK BASED FUNDS:** Investing in specialist funds that are not widely available on UK retail platforms.
- > **TRADING AND SETTLEMENT:** Trading is much more efficient, ensuring minimal time out of the market.

Due to the unpredictable and inconsistent returns often associated with traditional MPS, some firms have resorted to blending multiple model portfolios from different MPS providers to achieve more consistent results. In contrast, PAM’s Modern MPS is designed and optimised to deliver consistent and robust client outcomes by combining both active and passive management in one portfolio.

The powerful combination of a multi-asset fund within a MPS enables our portfolios to leverage the strengths of platforms while also benefiting from PAM’s asset management infrastructure. This provides access to a much broader range of asset classes, investment instruments, strategies, and funds typically unavailable to advisers or retail investors. Approximately 30% of the PAM Balanced MPS consists of assets not available on platform. This diversification spans geography, currency, sector, and encompasses five core asset classes: Equities, Fixed Income, Alternatives, Diversifying Assets, and Cash.

ONE PORTFOLIO, TWO ENGINES

The combination of the active and passive investing approach employed by PAM is illustrated in the visual below and is described as Efficient (passive) and Dynamic (active).



WHY MODERN MPS?

WHY MODERN MPS?

EFFICIENT ALLOCATION

This element of the portfolio is designed to deliver passive market exposure in the most cost-effective way. Utilising two asset classes: Equities and Bonds, our investment team have carefully constructed a passive portfolio within a strategic asset allocation framework and optimised it through a combination of our institutional multi-asset investment expertise and systematic PAM proprietary technology.

The efficient exposure is extremely effective at delivering market returns to clients at a very competitive price, using PAM's institutional buying power to ensure the end client benefits from PAM's collective buying power. The efficient allocation is powered by Vanguard, Legal & General and Blackrock.

DYNAMIC ALLOCATION

The Dynamic element of the PAM MPS is designed to work alongside the efficient allocation to ensure maximum diversification and improve risk-adjusted returns. This exposure is gained through an allocation to one of PAM's four multi-asset funds which are managed by PAM's in-house multi-asset specialists. The multi-asset funds are UCITS compliant.

Investing via multi-asset funds offers greater investment flexibility and access to a wider investment universe, including Investment Trusts & REITs, ETFs, non-platform assets and Diversifiers which are liquid strategies uncorrelated to Equities or Bonds.

COMBINING THE TWO

The combination of PAM's Efficient and Dynamic allocation provides true diversification, cost effective portfolio management and has proven to increase risk-adjusted returns.

With both parts of the portfolio managed to the same level of risk, working together and managed as one cohesive portfolio in a modern structure, the team can act faster, more precisely and with greater control than if they were managing 'traditional' third party fund allocations within an MPS.

SMART REBALANCING

PAM employ a proprietary Smart Rebalancing process to ensure portfolios remain within their risk profile while minimising the frequency of rebalancing to only when necessary.

This tolerance based rebalancing approach was developed in-house at PAM and contributed to better client outcomes over time. Our full white paper and methodology can be shared upon request.

BROADENED INVESTMENT UNIVERSE

By 'unitising' this part of the portfolio, PAM's investable universe is considerably wider. All tactical trading occurs within the fund, accessing a much broader investment universe beyond just Equities and Bonds. This allows us to be more tactical and forward looking in our positioning across all asset classes to suit the prevailing market conditions. Importantly, this includes Alternatives such as Gold, Listed Real Estate, Closed-Ended Investment Trusts as well as Diversifiers that are liquid strategies uncorrelated to Equities or Bonds.



WHY
MODERN MPS?

The allocations below show how the PAM Balanced MPS would appear on a platform:

Sector	Security Name	Currency	Weightings
Dynamic Overlay Strategy	Multi Asset Accumulator - Core Fund Overlay GBP A	GBP	50.0%
Global Equity	Vanguard FTSE Developed World ex-UK Equity Index Inst Plus	GBP	19.4%
UK Equity	L&G UK Index Trust	GBP	9.8%
Emerging Equity	Vanguard Emerging Markets Stock Index Institutional Plus	GBP	3.6%
IG Corporate Bonds	L&G Sterling Corporate Bond Index	GBP	7.0%
Global Bonds	Vanguard Global Bond Index Institutional Plus Hedged	GBP	4.5%
UK Government Bonds	L&G All Stocks Gilt Index Trust	GBP	2.5%
UK Government Bonds	L&G All Stocks Index Linked Gilt Trust	GBP	1.1%
Cash	Sterling Cash	GBP	2.0%
Total			100.0%

WHAT DOES THIS LOOK LIKE
ON PLATFORM?

Using PAM’s technology, we provide full look-through exposure of the multi-asset portfolio, increasing transparency and value to clients. The table below shows the full look-through exposure of our Balanced MPS as at 31/07/2024.

Asset Class	Sub Class	%	Holding	%	Access	Strategy
Equity: 63.1%	Global Equity	24.5	Vanguard FTSE Developed World ex-UK Equity Index Institutional Plus	20.73	Passive	Efficient
			Pacific Longevity and Social Change Fund	1.54	Active	Dynamic
			iShares Edge MSCI World Quality ETF	1.46	Factor	Dynamic
			iShares Edge MSCI World Value	0.79	Factor	Dynamic
	UK Equity	15.2	L&G UK Index Trust	9.95	Passive	Efficient
			iShares Core FTSE 100	5.21	Passive	Dynamic
	US Equity	10.6	Vanguard S&P 500 UCITS ETF	4.47	Passive	Dynamic
			SPDR S&P 500 ETF	3.17	Passive	Dynamic
			Pacific North American Opportunities	1.66	Active	Dynamic
			Xtrackers S&P 500 Equal Weight	0.73	Factor	Dynamic
			iShares Edge MSCI USA Value	0.60	Factor	Dynamic
	Emerging Equity	8.0	Vanguard Emerging Markets Stock Index Institutional Plus	3.48	Passive	Efficient
			Pacific North of South EM All Cap	1.75	Active	Dynamic
			HSBC Hang Seng Tech UCITS ETF	1.52	Passive	Dynamic
			Pacific North of South EM Income Opportunities	0.75	Active	Dynamic
			iShares EDGE MSCI EM Value UCITS ETF	0.50	Factor	Dynamic
	Europe Equity	2.4	iShares edge MSCI Erp Value	1.35	Factor	Dynamic
			Vanguard FTSE Dev Eurp Ex UK	1.10	Passive	Dynamic
	Japan Equity	2.4	Vanguard FTSE Japan UCITS	2.14	Passive	Dynamic
			AVI Japan Opportunity Trust	0.22	Active	Dynamic
Fixed Income: 23.5%	IG Corporate Bonds (Global)	9.3	L&G Sterling Corporate Bond Index	6.71	Passive	Efficient
			XTrackers USD Corporate Bond ETF	1.72	Passive	Dynamic
			Pacific Coolabah Global Active Credit	0.70	Active	Dynamic
			iShares USD Corp Bond	0.15	Passive	Dynamic
	UK Government Bonds	7.7	L&G All Stocks Gilt Index Trust	2.26	Passive	Efficient
			US TSY Inflation Protected 0.125% 2032	1.79	Direct	Dynamic
			US TSY Inflation Protected 0.625% 2043	1.73	Direct	Dynamic
			UK Inflation Linked Gilt 1.25% 2032	1.00	Direct	Dynamic
			L&G All Stocks Index Linked Gilt Trust	0.96	Passive	Efficient
	Global Bonds	4.2	Vanguard Global Bond Index Institutional Plus Hedged	4.20	Passive	Efficient
Alternatives: 2.2%	REITS	1.2	iShares UK Property ETF	0.83	Passive	Dynamic
			Riverstone Energy Ltd	0.33	Direct	Dynamic
	Commodity	1.0	iShares Bloomberg Commodity ETF	1.01	Passive	Dynamic
Diversifying Assets: 7.3%	Absolute Return	4.9	Pacific G10 Macro Rates	2.30	Active	Dynamic
			AQR Managed Futures UCITS	2.03	Active	Dynamic
			AQR Style Premia UCITS	0.60	Active	Dynamic
	Diversifying Risk Assets	2.3	PAM Rates 2s10s Steepener	0.50	Direct	Dynamic
			FX Carry Factor	0.38	Direct	Dynamic
			Rates Momentum Factor	0.37	Direct	Dynamic
			FX Value Factor	0.37	Direct	Dynamic
			Rates Carry Factor	0.37	Direct	Dynamic
			Rates FRB Factor	0.35	Direct	Dynamic
Cash: 3.9%	Cash	3.9	Cash	3.92	Direct	

KEY BENEFITS: MODERN MPS



CONSISTENCY:

Diversification of investment strategy and style delivers consistent, predictable outcomes. PAM's Balanced MPS has outperformed the ARC benchmark over 85% of the time on a rolling 12-month basis since inception.



REAL TIME INVESTMENT MANAGEMENT:

Our multi-asset investment team is not restricted to rigid 'quarterly rebalancing' – but responds in real time to changes in the markets, which are implemented immediately into client portfolios.



NO TIME OUT OF THE MARKET:

Because adjustments are done within the regulated PAM Overlay fund, clients remain invested even when portfolio changes are necessary. This has proven particularly beneficial in challenging market conditions such as those experienced in 2022 and 2023.



ACCESS:

Approximately 30% of the Balanced MPS is invested in funds, instruments and strategies that would not typically be available on platform. These include ETFs, Factor ETFs, Direct Securities, Closed End Funds, Commodity ETCs, Listed REITS, Passive Alternatives like Alternative Risk Premia.



CGT EFFICIENT:

Because all investment management occurs within one of PAM's regulated UCITS fund structures, tactical allocation changes within the fund do not trigger CGT events, unlike traditional DFM portfolios.

KEY BENEFITS: MODERN MPS

OPTIMUM PORTFOLIO DIVERSIFICATION:

PAM's Overlay funds expand the investment universe, offering access to strategies and asset classes usually inaccessible on retail platforms. These include ETFs, Direct Securities, Investment Trusts, Factor Investments, REITs, Commodities, and uncorrelated strategies like global macro and Alternative Risk Premia. These diversifiers can significantly enhance portfolios by broadening the investable toolkit, enabling us to achieve optimal diversification and deliver more robust outcomes for investors.



REPLICATION ACROSS PLATFORMS:

Portfolios are identically implemented across all investment platforms, ensuring the same outcomes for all clients and ensuring our investment approach is not constrained by platform availability.



NO CHARGING ON PAM FUNDS:

Where our multi-asset investment team invest in internal PAM managers, we do not charge a management fee for this allocation, providing investors exposure to world-class active asset management with no explicit strategy fees.



IMPLEMENTATION:

Our multi-asset team's use of a UCITS overlay provides flexibility across the investment universe, enabling us to implement our philosophy and strategy in the most efficient way.



0% DFM CHARGE:

PAM does not charge a DFM charge. Our fee is derived from the allocation to the PAM multi-asset fund. Although there is no separate DFM fee, PAM remains responsible for managing the entire portfolio as the DFM.



FLEXIBILITY:

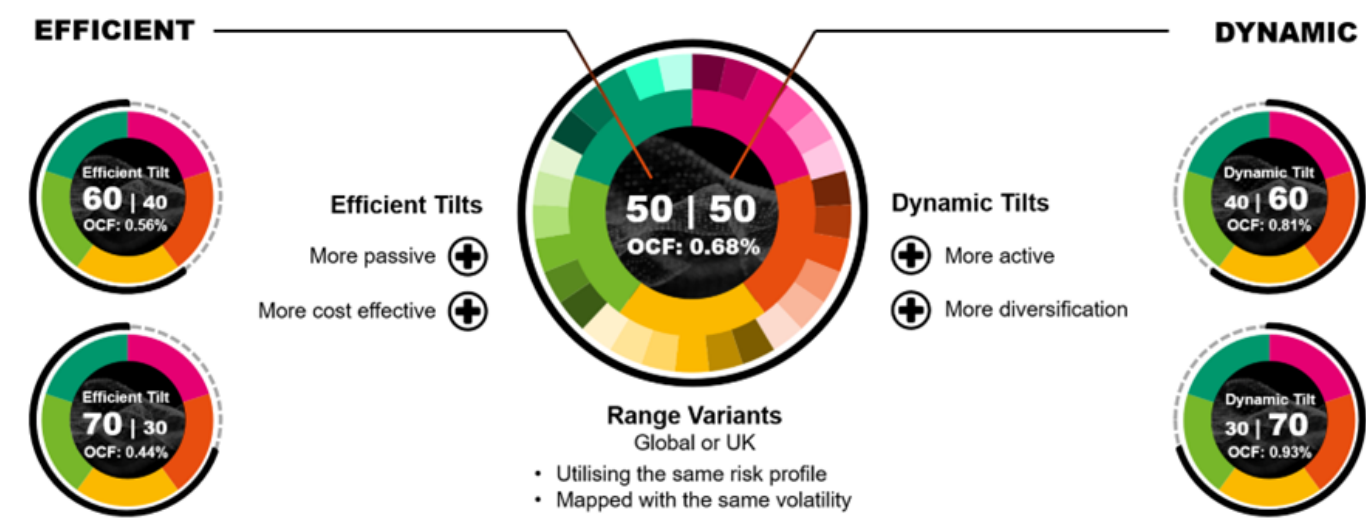
Although the PAM Balanced MPS holds an equal weighting to our Efficient and Dynamic exposure, our unique structure provides the ability to 'tilt' the portfolio towards more passive or active exposure, without compromising portfolio integrity or the risk profile.



CUSTOMISING PAM'S INVESTMENT PORTFOLIOS

The flexibility offered within PAM's model portfolios provides access to leading investment management, tailored to your Central Investment Proposition.

One, or all the portfolio tilts below are available for investment and have a full track-record and supporting literature.



WHAT ARE THE COSTS OF THE PAM MPS?

The figures below are based on the PAM Balanced MPS as at 31/07/2024.

DFM Fee	Ongoing Fund Charges	Transaction Fees	Total Charges
0.00%	0.68%	0.09%	0.77%

Source: Pacific Asset Management 31st July, 2024

WHAT REPORTING DOES PAM PROVIDE TO SHOW TRUE PORTFOLIO DIVERSIFICATION?

SUPPORT FROM PACIFIC ASSET MANAGEMENT

Service is extremely important to our team at PAM. With a dedicated team, we can ensure first-class service and support. We don't work with everyone and so we can focus our efforts and attention on those partners we do work with.

PAM take care of the day-to-day management of your client portfolios; allowing you to focus on providing financial planning.

ADVISERLABS

Through the development of our proprietary portal, AdviserLabs, we provide a hub for the Pacific Asset Management model portfolios and our adviser support technology, including: cashflow forecasting, performance reporting, bespoke client investment proposals, automated review packs and more.





MOVE FORWARD

**We promise to never stand still, always moving
our asset management solutions forward to provide
imaginative and smarter solutions for all.**

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> GET IN TOUCH:

Pacific Asset Management
74 Wigmore Street, London
W1U 2SQ, United Kingdom

T +44 20 3970 3100
E info@pacificam.co.uk
pacificam.co.uk

P>CIFIC
ASSET MANAGEMENT