progeny ASSET MANAGEMENT

MGTS PROGENY SYSTEMATIC PROFOLIO FUND

A range of evidence based funds with a global asset allocation, designed to provide capital growth and income

CONNECTED FINANCIAL THINKING

PROGENY ASSET MANAGEMENT ARE AN AWARD WINNING TEAM THAT HAVE BEEN BUILDING INVESTMENT SOLUTIONS TOGETHER SINCE 2016

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WHY SHOULD YOU CONSIDER PROGENY ASSET MANAGEMENT?

What do we do for you?

Progeny Asset Management's (PAM) experience of managing evidence-based solutions, and working in conjunction with specialist external consultants, has ensured that our solutions have evolved over time, reflecting the latest empirical evidence.

Our investment process is one of evolution, not revolution. While staying true to the core Nobel prize-winning evidence that underpins this fund range, we have remained agile and responsive to client needs and objectives and how best to deploy the current evidence-based thinking.

Our experienced team understands the importance of bringing professionals together to achieve good client outcomes and have used this to create products and self-rebalancing funds that have a focus on both performance and costs.

As fund of fund managers, we have access to institutional pricing and can review the entire investment market.

We're here to show that there's a better way to invest and make the most of balancing risk and return.

OUR INVESTMENT PHILOSOPHY AND BELIEFS

All our solutions are built on the foundations of our Investment Principles. Using these building blocks, we're able to offer clients a wide range of investment strategies which are risk-rated, and provide a style-agnostic approach.

Principle 1: Get the asset mix right

We start with getting the asset apportionment fine-tuned across our funds. The choice and adherence to our long-term investment policy and asset allocation, is the core driver of portfolio returns and managing risk.

Choosing the right mix, over the right time and for the right risk appetite, is the best means to deliver expected returns.

Our five principles for investing

PRINCIPLE 1: GET THE ASSET MIX RIGHT

PRINCIPLE 2: DIVERSIFY BROADLY

PRINCIPLE 3: MANAGE COSTS

PRINCIPLE 4: CONTROL EMOTIONS

PRINCIPLE 5: REBALANCE THE PORTFOLIO

Principle 2:
Diversify broadly

The next important step is to ensure that an investor is not overly exposed to one sector, fund or geography, because of the diversification benefits on offer. We believe that owning a well-diversified portfolio is critical to long-term portfolio success.

Diversification is a way to take an element of control over market changes that are essentially uncontrollable, such as: economic shocks, political regime changes, natural disaster, wars and geopolitics.

Principle 3:
Manage costs

Investors are often unaware of the effects ongoing and compounding fees have on returns and the severe deductions over the long-term. These include the effects of inflation on returns and the severe deductions over the long-term.

These include the effects of inflation on purchasing power; the cost of tax; and the significant ‘all-in’ cost of investing (e.g. ongoing charges and turnover costs). Controlling costs within the fund has significant benefits, especially given the multiplying effects over the life-time of an investment.

Principle 5:
Rebalance the portfolio

Rebalancing is where a portfolio is brought back to its originally designed asset allocation when market performance has caused it to change.

The purpose of rebalancing is to control risk, and to ensure that investors are not exposed to more risk than they agreed. Rebalancing can be achieved either by buying and selling funds, or by directing new money into the right asset to achieve the original balance.

Principle 4:
Control emotions

Behavioural finance studies have revealed that investors suffer a number of wealth damaging psychological preconceptions and biases.

The emotional impacts of regret, pride, greed and panic tend to result in trying to guess market timing and the excessive taking or avoidance of risk. Poor investment behaviour is likely to have a negative effect on investment returns. We take the emotion out and base decisions on academic evidence rather than making behavioural choices.

PROGENY ASSET MANAGEMENT IS INDEPENDENT AND IMPARTIAL

We are not tied to any fund manager, bank or insurance company.

WHY SHOULD YOU CONSIDER OUR SYSTEMATIC PROFOLIO RANGE?

The funds aim to achieve overall investment growth through a strategy that combines capital gains along with the potential to generate income, building wealth over time.

Designed based on academic evidence, the funds seeks to outperform the wider market, while keeping costs low.

We have chosen to work with Margetts as our Authorised Corporate Director due to their wealth of experience within the complex regulatory landscape of fund management. This allows our Fund Managers to focus on the management of the investment and gives confidence that the funds are managed professionally and responsibly.

Systematic ProFolio is a range of self-rebalancing funds that use academic evidence to support its construction, making it ideal for clients who want a cost controlled, multi -asset single fund with a global asset allocation.

Matched using our selected risk profiling tool, this fund range ensures investors have a range of risk rated options to suit their needs and in the long-term meet their financial goals.

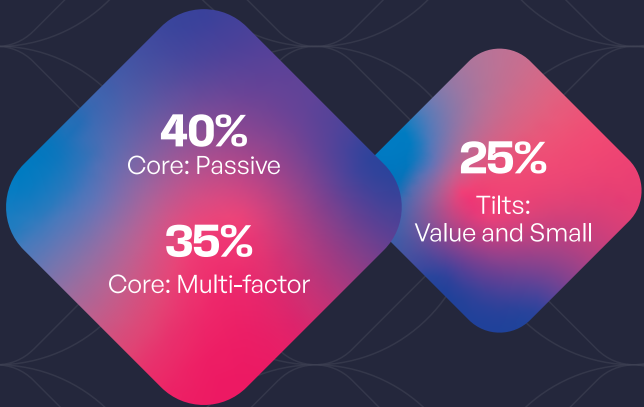
Consisting of three single funds, Systematic ProFolio 40, Systematic ProFolio 60 and Systematic ProFolio 80 corresponds to the different level of total equity market exposure within each solution.

These funds are available on many retail platforms in GBP, offering both accumulation and income units.

OCF - 0.31% to 0.34%.

WHAT IS SYSTEMATIC PROFOLIO AND THE EVIDENCE UNDERPINS THE SOLUTION?

Based on our five principles of investing, getting the asset mix right is important. Systematic ProFolio utilises both Growth Assets (equities) and Defensive Assets (bonds) to provide a balance between growth and stability.



Within the growth assets, 75% of the portfolio is invested in the “core” element. This core provides a broad exposure to the global stock market, which includes thousands of companies that behave differently over time. By holding a wide mix of companies, this helps reduce risk, as when some companies aren't doing well, others may be performing better, balancing out the overall return. The objective for the core part of the portfolio is to outperform the overall market over the long term but not be too far away from the market.

To achieve this, we use a combination of index funds and multi-factor funds. Index funds are predictable and low cost whilst multi-factor funds allow us to invest in different types of equities, such as those that are growing quickly, or ones that are more profitable.

Within the growth assets, there is also a greater exposure to emerging markets within the portfolio, as evidence shows that emerging market countries have a higher potential return compared to developed markets.

To balance the portfolio, we add defensive assets, which are generally more stable but tend to offer lower potential returns. We buy high quality Government and Corporate bonds. Corporate bonds have a higher expected return than Government bonds and for that reason we "tilt" the portfolio towards Corporate bonds.

Additionally, we hold commercial property within the portfolio, which has been shown to help balance and diversify the risk of equities and bonds over the long term.

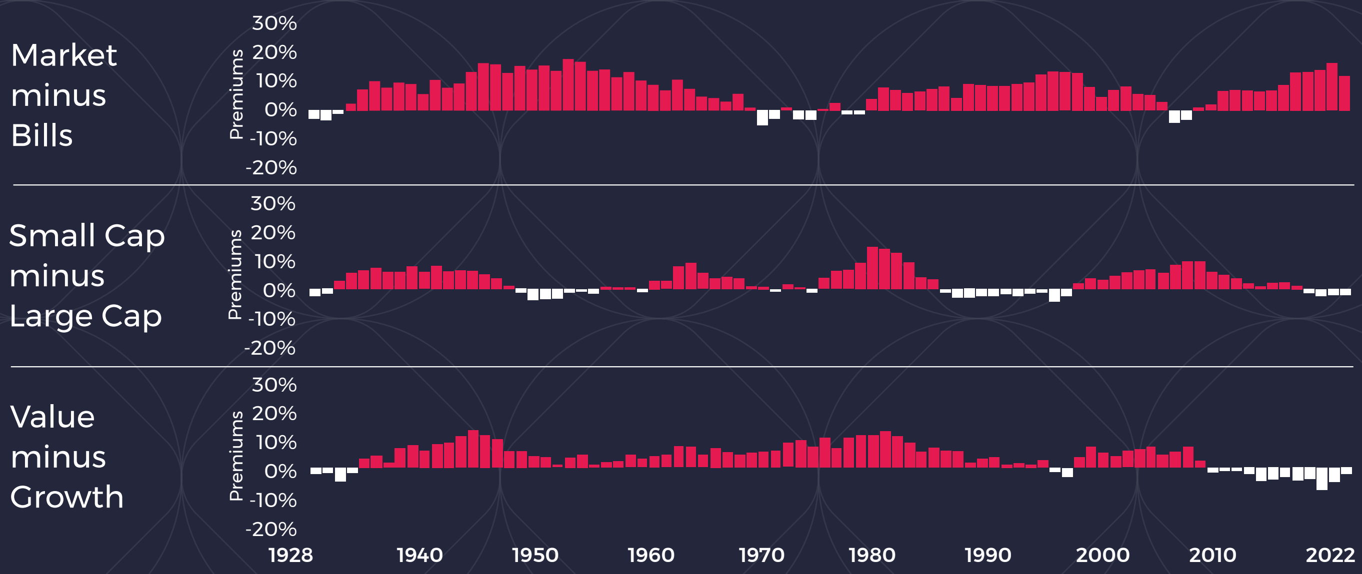
Core drivers of long - term returns

The remaining 25% of growth assets are made up of Smaller Companies and cheaper companies (Value companies).

We "tilt" the portfolio towards these areas as they have a higher expected return than the rest of the market.

The use of 25% "tilts" in the portfolio applies Fama & French academic evidence, which shows that since 1928, two types of companies have generally outperformed the wider market in the U.S: cheaper companies (or value companies) and smaller companies. In periods where these companies are not in favour, having 75% core allocation in the portfolio, helps to avoid sustained underperformance overall.

The illustration below shows the performance since 1928 of the wider market against smaller and cheaper (value) companies.



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theprogenygroup.com

@theprogenygroup

+44 344 225 0660