



EdenTree Investment Management Risk Profile Report

August, 2021



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Executive summary

Dynamic Planner has reviewed 3 solutions offered by EdenTree Investments within the risk profiles used on the Dynamic Planner platform.

The main objective of the Dynamic Planner Risk Profiles and Fund Risk Profiling Service is to provide financial advisers and their clients with a meaningful measure of the long-term investment risk of fund strategies and a mechanism for selecting solutions appropriate for investor risk appetites and capacity for risk.

The profiles which Dynamic Planner has assigned to the solutions are set out in Table 1.

Fund	Assigned risk profile	Profile type
Responsible & Sustainable Cautious	5	Risk Profiled
Responsible & Sustainable Balanced	6	Risk Profiled
Responsible & Sustainable Growth	7	Risk Profiled

Table 1: Risk profiles

The information contained in this report supplements methodologies used on the Platform. The report should be used in the context of these methodologies and advice provided on the Platform and not in isolation.

1 Introduction

This report was commissioned by EdenTree, who contracted Dynamic Planner to assess the appropriate risk profiles for some solutions within the risk profiles used in the Dynamic Planner platform. The following solutions are reviewed in this report:

- Responsible and Sustainable Cautious
- Responsible and Sustainable Balanced
- Responsible and Sustainable Growth

The profiles provided in this report are based on Dynamic Planner's Q2 2021 capital market assumptions, which are discussed in appendix A. The risk bands based on Dynamic Planner's assumptions are set out in appendix B.

Dynamic Planner provides this analysis on the understanding that investors will access the solutions through a regulated advice process. The recommendation on whether or not to include these solutions in an investor's portfolio and the amount to include should be made by advisers with the necessary Financial Conduct Authority permission to advise on investments. Dynamic Planner accepts no liability in respect of any advice given to investors relating to investment strategy or the purchase of specific products.

The analysis in this report has been based on data and information provided by EdenTree and other third parties as set out in the appendices. Data received has been assumed by Dynamic Planner to be correct as of the date of this report.

The following section sets out the results of our analysis and subsequent sections set out the methodology and assumptions in more detail.

2 Investment objectives

EdenTree Responsible & Sustainable Cautious

- The Fund aims to provide long term capital growth and income over five years or more.
- It aims to achieve its objectives with a lower level of risk relative to the other funds within the EdenTree Responsible & Sustainable Multi-Asset fund range.
- The Fund will invest in a mixed investment portfolio of UK and international shares, bonds and other assets that has a bias towards bonds. Bonds are securities issued by governments and companies that pay a fixed interest.
- The Fund is actively managed. It uses a mixture of techniques to blend assets, aiming to provide returns consistent with the Fund's risk and return profile.
- The Fund will invest indirectly in assets through units of other funds including those within the EdenTree range of funds.
- It may also hold units of funds managed by other companies.
- The Fund will gain exposure to other assets including property or real estate investment trusts and listed infrastructure. It may also gain exposure to commodities through other funds, invest in exchange traded commodities and derivatives. Derivatives are financial instruments that can provide ways of benefiting from movements (up or down) in the price of underlying assets, such as stocks or bonds, without taking ownership of the assets themselves.
- The Fund seeks to avoid investment in certain areas such as companies which have a material involvement in alcohol and tobacco production, weapon production, gambling, publication of violent or explicit materials, oppressive regimes, companies using animals to test cosmetic or household products, intensive farming, fossil fuel exploration and production and high interest lending.
- The Fund favours companies that follow good Business Ethics, Corporate Governance, Employment & Labour practices, Environment and Climate Change Management, Human Rights, and Community Relations and is particularly positive on companies that contribute to Education, Health & Wellbeing, Social Infrastructure and Sustainable Solutions.
- The Fund may also invest in funds which target organisations whose core business is to address major social and/or environmental challenges. These investments may have different criteria for responsible investment to our own responsible and sustainable investment approach described above. Funds of this nature which are managed by external companies will be limited to 15% of the investment portfolio.

EdenTree Responsible & Sustainable Balanced

- The Fund aims to provide long term capital growth and income over five years or more.

- It aims to achieve its objectives with a moderate level of risk relative to the other funds within the EdenTree Responsible & Sustainable Multi-Asset fund range.
- The Fund will invest in a mixed investment portfolio of UK and international shares, bonds and other assets that has a bias towards bonds. Bonds are securities issued by governments and companies that pay a fixed interest.
- The Fund is actively managed. It uses a mixture of techniques to blend assets, aiming to provide returns consistent with the Fund's risk and return profile.
- The Fund will invest indirectly in assets through units of other funds including those within the EdenTree range of funds.
- It may also hold units of funds managed by other companies.
- The Fund will gain exposure to other assets including property or real estate investment trusts and listed infrastructure. It may also gain exposure to commodities through other funds, invest in exchange traded commodities and derivatives. Derivatives are financial instruments that can provide ways of benefiting from movements (up or down) in the price of underlying assets, such as stocks or bonds, without taking ownership of the assets themselves.
- The Fund seeks to avoid investment in certain areas such as companies which have a material involvement in alcohol and tobacco production, weapon production, gambling, publication of violent or explicit materials, oppressive regimes, companies using animals to test cosmetic or household products, intensive farming, fossil fuel exploration and production and high interest lending.
- The Fund favours companies that follow good Business Ethics, Corporate Governance, Employment & Labour practices, Environment and Climate Change Management, Human Rights, and Community Relations and is particularly positive on companies that contribute to Education, Health & Wellbeing, Social Infrastructure and Sustainable Solutions.
- The Fund may also invest in funds which target organisations whose core business is to address major social and/or environmental challenges. These investments may have different criteria for responsible investment to our own responsible and sustainable investment approach described above. Funds of this nature which are managed by external companies will be limited to 15% of the investment portfolio.

EdenTree Responsible & Sustainable Growth

- The Fund aims to provide long term capital growth and income over five years or more.
- It aims to achieve its objectives with a higher level of risk relative to the other funds within the EdenTree Responsible & Sustainable Multi-Asset fund range.
- The Fund will invest in a mixed investment portfolio of UK and international shares, bonds and other assets that has a bias towards bonds. Bonds are securities issued by governments and companies that pay a fixed interest.

- The Fund is actively managed. It uses a mixture of techniques to blend assets, aiming to provide returns consistent with the Fund’s risk and return profile.
- The Fund will invest indirectly in assets through units of other funds including those within the EdenTree range of funds.
- It may also hold units of funds managed by other companies.
- The Fund will gain exposure to other assets including property or real estate investment trusts and listed infrastructure. It may also gain exposure to commodities through other funds, invest in exchange traded commodities and derivatives. Derivatives are financial instruments that can provide ways of benefiting from movements (up or down) in the price of underlying assets, such as stocks or bonds, without taking ownership of the assets themselves.
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- The Fund may also invest in funds which target organisations whose core business is to address major social and/or environmental challenges. These investments may have different criteria for responsible investment to our own responsible and sustainable investment approach described above. Funds of this nature which are managed by external companies will be limited to 15% of the investment portfolio.

3 Analysis and methodology

One of the key tasks for an investor is to determine how much investment risk to take on. This decision will depend on psychological, financial and other factors. The investor will want to maximise the reward for taking on this risk through the selection of optimal weights for each asset category included in the investment portfolio.

Dynamic Planner's asset allocation methodology is based on the principles of modern portfolio theory. The risk profiles provided by Dynamic Planner are risk profiles of the long-term asset allocations adopted for a solution. The actual riskiness over the long term will depend on, among other things, the level of flexibility in the manager's mandate and how far any deviations from the long term position are and for how long.

The measure of risk Dynamic Planner has used for each solution is the estimated volatility as determined using the solution's internal asset allocations along with the estimates of the returns, volatilities and correlations of the Dynamic Planner primary asset classes. The analysis assumes that the actual holdings in each asset class can be broadly represented by the benchmark adopted for that asset.

The investment assumptions used in this review are those set by Dynamic Planner at the start of the second quarter of 2021. Risk bands based on the Dynamic Planner assumptions (as set out in appendix B) were used to ensure that the profiles assigned to each solution are consistent with profiles and practices adopted within the implementation of the Dynamic Planner platform. This ensures that the profiles can be used with outputs from psychometric risk profiling instruments used within the Dynamic Planner platform.

For the purposes of constructing the efficient frontier, estimating return distributions and profiling solutions, Dynamic Planner splits the investment universe into a range of asset classes.

For each of these asset classes, Dynamic Planner periodically reviews the appropriate set of investment assumptions for forecasting future returns and risk distributions. The assumptions are derived from historical and market data at each review date. Appendix A provides a summary of the methodology used to derive the investment planning assumptions used on the Dynamic Planner platform.

4 Results

The risk profiles assigned to these solutions are based on the tactical holdings as provided by the manager.

EdenTree provided us with the holdings of the solutions for varying periods. We have used the data to assess the Risk Profile of the solutions. We have mapped the holdings to our asset classes and calculated the expected volatilities for the solutions using our assumptions. These are summarised in the table below.

4.1 Analysis of the Responsible & Sustainable Portfolios

The range is a new launch. We have worked on a range of model portfolios which have been modelled within the Dynamic Planner Risk Framework. The final portfolio is most representative for the solutions at launch.

Fund	Risk boundaries based on tactical holdings
Responsible & Sustainable Cautious	5 (2)
Responsible & Sustainable Balanced	6 (2)
Responsible & Sustainable Growth	7 (2)

Table 2: Tactical asset allocation positions for the Responsible & Sustainable Portfolios

Since, this is a new launch as mentioned earlier, we have only two data points. Figure 1 shows the position of the different solutions of the Range. The solutions are comfortably within the profile boundaries. As can be seen from the figure, that the Growth solution is sitting at the boundaries of the Risk Profile 6 and 7.

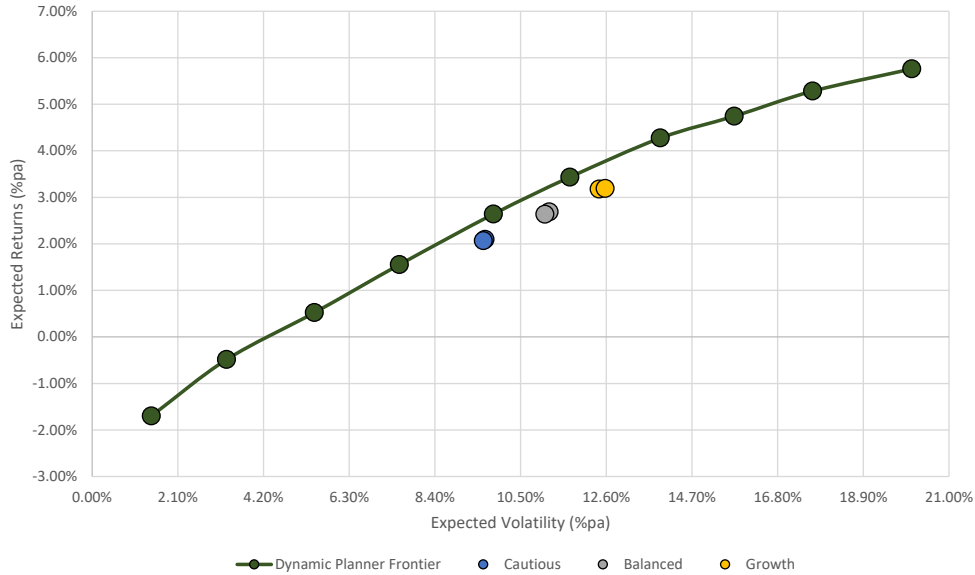


Figure 1: Responsible & Sustainable Range vis-à-vis the Dynamic Planner frontier

Figure 2 shows the relative allocations to the broad asset classes across the Range. The solutions are biased towards Equities. The Cautious portfolio is split almost 50-50 between Equities and Fixed Income. The quantum of allocation to Equities increase along the risk scale, with a maximum of c. 70% in the Growth solutions.

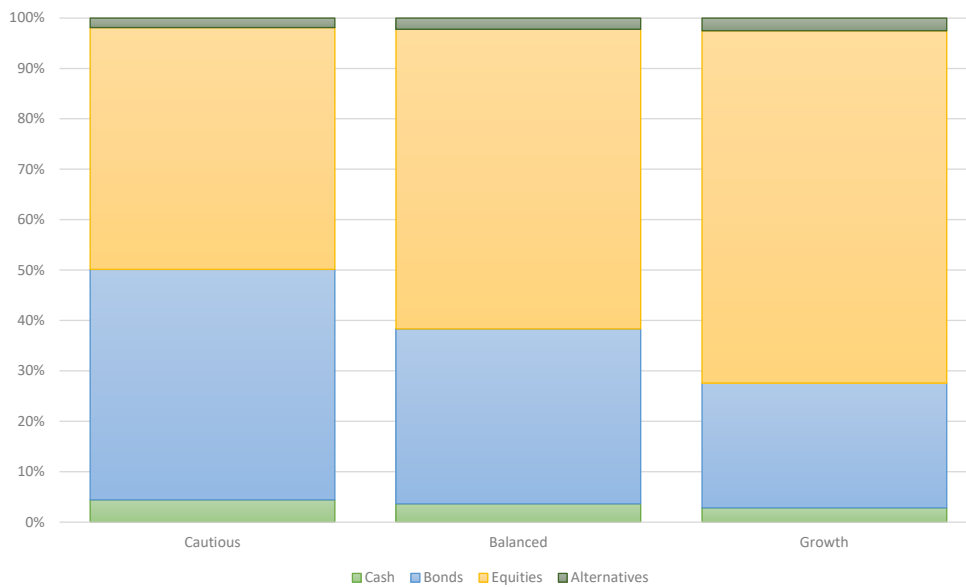


Figure 2: Broad Asset Allocations for Responsible & Sustainable Range

The contributions to risk from the broad asset classes are commensurate with the asset allocations. While a majority of the risk is contributed by the equities, there is a gradual increase, in line with the risk level, in the

risk contribution from equities – going from 80% to 90%, with the rest from Fixed Income. This can be seen in Figure 3.

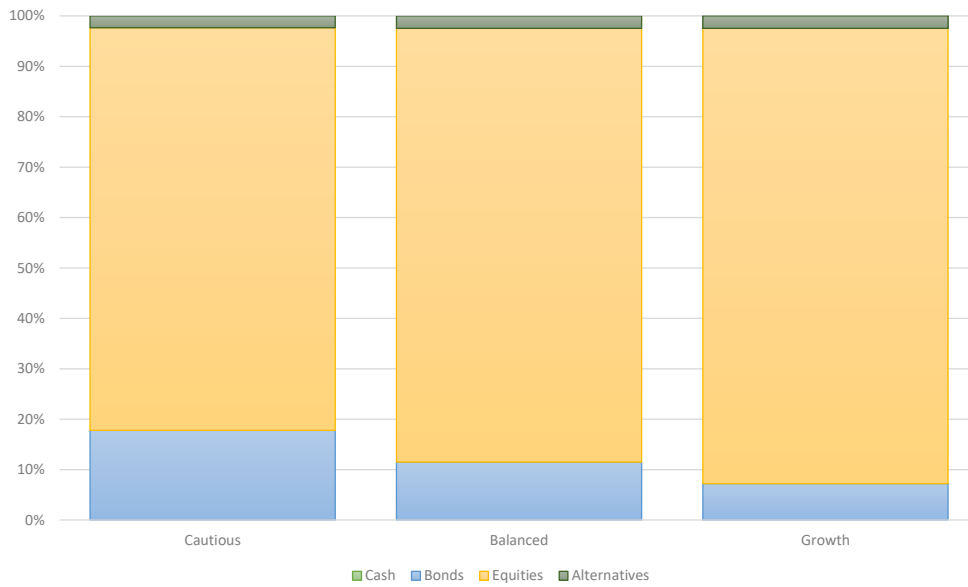


Figure 3: Risk Contribution from broad asset classes for the Responsible & Sustainable Range

The equity allocations are biased towards UK Equities, followed by Europe. The equity allocations are mainly invested across Developed Market Equities, with marginal allocations to Asia Pacific Ex Japan and Emerging Markets. This can be seen in Figure 4.

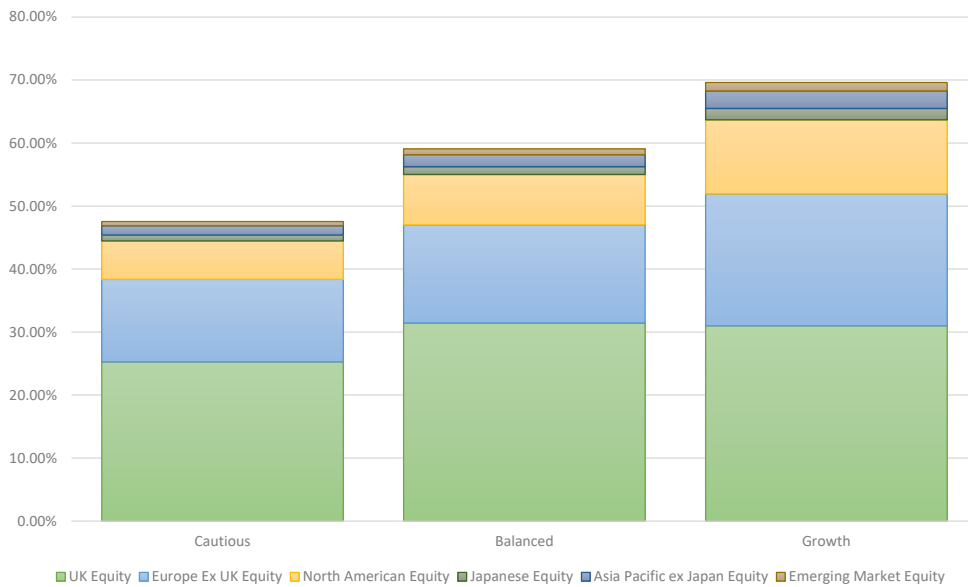


Figure 4: Equity Allocations for Responsible & Sustainable Range

In terms of market cap breakdown, the allocations are quite evenly spread across the Market Cap sizes, with a slight bias towards Large Cap equities. This can be seen in Figure 5.

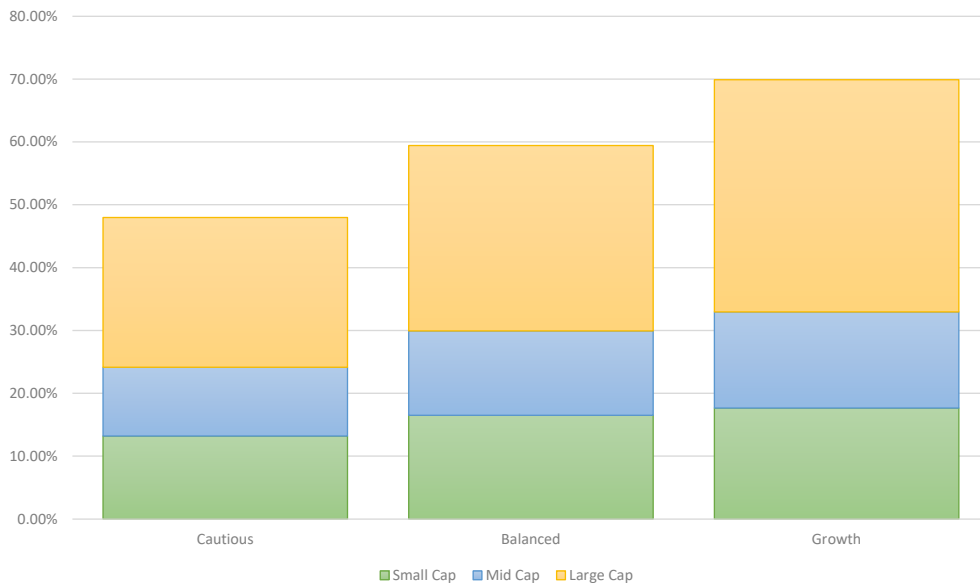


Figure 5: Market Cap breakdown of Equities in Responsible & Sustainable Range

In terms of Fixed Income, the solutions are predominantly composed of Investment Grade Fixed Income. There are marginal allocations to the Government and High Yield fixed Income. This can be seen in Figure 6.

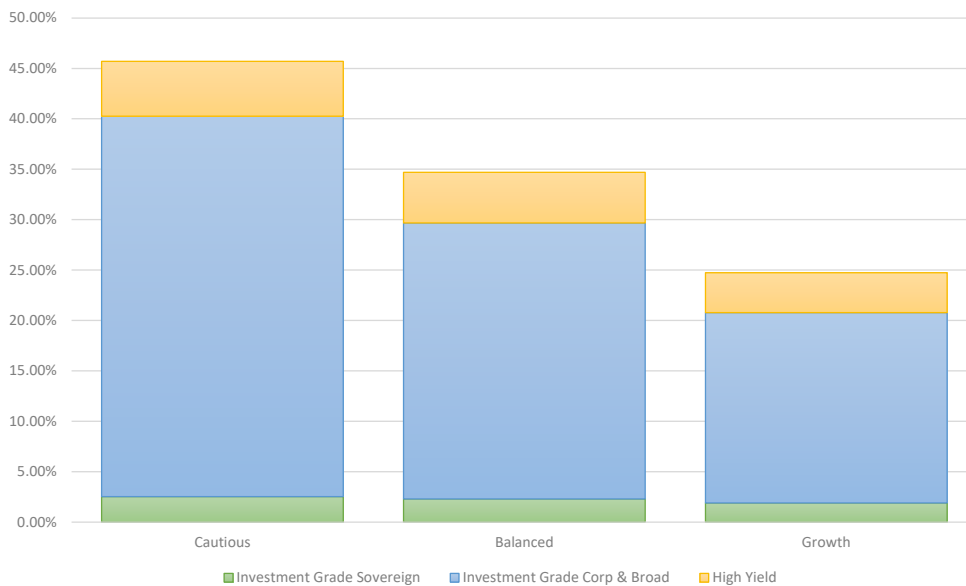


Figure 6: Fixed Income allocations of Portfolios

5 Summary

In Table 3 below, we summarise the risk profiles of the solutions based on the different measures set out above.

Fund	Tactical holdings	Assigned Risk Profile
Responsible & Sustainable Cautious	5	5
Responsible & Sustainable Balanced	6	6
Responsible & Sustainable Growth	7	7

Table 3: Summary of risk profiles

- Based on the analysis above, we are comfortable with the profiles assigned to the solutions.
- We will continue to assess the suitability of the assigned profiles in our quarterly reviews (QRP).

Appendix A: Investment assumptions

This appendix sets out the method used to generate the planning assumptions used on the Dynamic Planner platform.

The estimate of returns for equities, property and corporate bonds are calculated as a premium over gilts and then expressed as real returns (i.e. returns in excess of inflation). In addition to analysing historical index data, Dynamic Planner also use the following market data to arrive at expected return assumptions:

- Yields on UK Gilts; conventional and index-linked,
- UK corporate bond yields,
- Yields on global bonds,
- Equity earnings and dividend yields,
- Economic growth forecasts.

Details of the Dynamic Planner estimation methodology can be made available on request.

Appendix B: Risk profile boundaries

The following table sets out the lower and upper volatility boundary for each risk profile used in the implementation of the Dynamic Planner application.

Risk Profile	Volatility of asset		
	allocation	Lower boundary	Upper boundary
1	0.01%	0.0%	2.1%
2	3.28%	2.1%	4.2%
3	5.38%	4.2%	6.3%
4	7.46%	6.3%	8.4%
5	9.60%	8.4%	10.5%
6	11.69%	10.5%	12.6%
7	13.89%	12.6%	14.7%
8	15.85%	14.7%	16.8%
9	17.96%	16.8%	18.9%
10	20.01%	18.9%	21.0%

Table 4: Dynamic Planner Risk Profile boundaries

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