MULTI-ASSET FUNDS

COLUMBIA THREADNEEDLE INVESTMENTS

Your success. Our priority.

MULTI-ASSET FUNDS

The central goal of multi-asset investing is to create a portfolio with a superior risk-adjusted return profile to a single asset class portfolio; getting it right is vital to building a multi-asset portfolio that delivers consistently for investors.

WHY MULTI-ASSET REAL RETURN FUNDS?

Multi-asset real return funds aim to deliver positive returns above inflation – in line with the long run real return of equities – but with significantly less risk. While equities will continue to deliver good returns over the longer term, they are volatile and can suffer significant drawdowns. Long-dated bonds also look vulnerable in a rising rate environment and are challenged in providing effective diversification and offer low risk-adjusted returns.

Further, the divergence in performance of any asset class can vary significantly over time, illustrating just how difficult it is for individual investors to consistently pick the winners from individual asset classes (see Figure 1).

Therefore, having a specialist multi-asset manager that looks to allocate dynamically between and within a wide range of uncorrelated asset classes, to participate in growth opportunities while minimising drawdowns, should enhance the overall returns per unit of risk.

Within multi-asset real return portfolios, the goal is to deliver consistent, sustainable risk-adjusted returns irrespective of the investment environment. It is this combination of positive long-term capital growth potential with less volatility and protection against inflation, which lies behind the appeal of multi-asset real return funds.

FIGURE 1: WHY AN ACTIVE MULTI-ASSET APPROACH IS IMPORTANT

2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Global Government Bonds 50.8%	Emerging Market Equities 61.6%	Emerging Market Equities 23.5%	Global Government Bonds 6.8%	Global High Yield Bonds 19.1%	US Equities 30.2%	US Equities 20.5%	Japan Equities 16.2%	US Equities 33.3%	Emerging Market Equities 25.8%	Global Government Bonds 5.1%
Japan Equities -3.6%	Global High Yield Bonds 57.3%	Commodities 21.0%	UK Corporate Bonds 6.5%	UK Corporate Bonds 15.5%	Japan Equities 25.0%	UK Corporate Bonds 12.5%	US Equities 7.1%	Emerging Market Equities 33.3%	Euro Equities 15.3%	US Equities 1.2%
UK Corporate Bonds -10.0%	UK Equities 29.4%	Japan Equities 19.7%	Global High Yield Bonds 3.4%	Euro Equities 14.7%	Euro Equities 23.7%	Global Government Bonds 5.8%	Euro Equities 3.2%	Commodities 33.0%	Japan Equities 13.6%	UK Corporate Bonds -2.2%
Commodities -12.5%	Euro Equities 23.5%	US Equities 19.6%	US Equities 2.4%	Emerging Market Equities 13.4%	UK Equities 18.5%	Emerging Market Equities 4.4%	Global Government Bonds 1.9%	Japan Equities 22.7%	UK Equities 11.8%	Global High Yield Bonds -4.5%
US Equities -14.5%	US Equities 14.7%	Global High Yield Bonds 15.7%	UK Equities -2.1%	US Equities 11.0%	Global High Yield Bonds 6.7%	Global High Yield Bonds 2.7%	UK Corporate Bonds 0.7%	Global Government Bonds 21.3%	US Equities 11.3%	Japan Equities -7.4%
Euro Equities -26.7%	UK Corporate Bonds 14.7%	UK Equities 12.7%	Euro Equities -10.1%	UK Equities 10.3%	UK Corporate Bonds 1.6%	Japan Equities 2.3%	Global High Yield Bonds 0.8%	Euro Equities 19.7%	Global High Yield Bonds 7.2%	Commodities -7.8%
Global High Yield Bonds -26.9%	Commodities 7.3%	Global Government Bonds 8.9%	Commodities -12.9%	Japan Equities 3.6%	Emerging Market Equities -4.0%	UK Equities 0.6%	UK Equities -2.2%	UK Equities 19.4%	UK Corporate Bonds 4.9%	UK Equities -9.0%
UK Equities -7.0%	Japan Equities -4.0%	UK Corporate Bonds 8.9%	Japan Equities -13.8%	Global Government Bonds -2.8%	Global Government Bonds -5.7%	Euro Equities 0.3%	Emerging Market Equities -9.7%	Global High Yield Bonds 15.0%	Global Government Bonds -1.8%	Emerging Market Equities -9.1%
Emerging Market Equities -36.3%	Global Government Bonds -7.4%	Euro Equities 8.2%	Emerging Market Equities -17.8%	Commodities -5.4%	Commodities -11.2%	Commodities -11.8%	Commodities -20.4%	UK Corporate Bonds 12.3%	Commodities -8.0%	Euro Equities -9.2%

Japan Equities | Euro Equities | Emerging Market Equities | UK Equities

Commodities | Global Government Bonds | UK Corporate Bonds | Global High Yield Bonds

Source: Columbia Threadneedle Investments and Bloomberg, in GBP as at 31 December 2018. UK equities is the FTSE All Share Index, European equities is the FTSE World Euro ex UK Index, Commodities is the Bloomberg Commodity Index, UK corporate bonds is the Bloomberg Barclays Sterling Corporate Index, US equities is the S&P 500 Composite Index, Emerging markets equities is the MSCI Emerging Markets Index, Global bonds is JPMorgan GBI Global (trade) (GBP Unhedged) Index, Japan equities is the MSCI Japan Index, Global High Yield is the Bloomberg Barclays Global High Yield Index. Past performance is not a guide to future performance. Your capital is at risk. The value of investments and any income is not guaranteed and can go down as well as up and may be affected by exchange rate fluctuations. This means that an investor may not get back the amount invested.

> "A common goal for investors is to achieve consistent rates of growth, even in times of market volatility. Having the ability to rebalance multi-asset real return portfolios actively is key to navigating the current environment and ultimately meeting the aim of delivering a smoother overall investment ride."
>
> – Toby Nangle, Global Head of Asset Allocation

"In a market where yields across many asset classes are low, well-managed global multi-asset income portfolios can provide an effective solution for investors seeking a good level of income whilst keeping volatility in check."

– Maya Bhandari, Portfolio Manager

WHY MULTI-ASSET INCOME FUNDS?

In an environment where yields across many asset classes are low, should investors searching for income invest solely in equities? Or must they look to lower-rated fixed income securities to achieve the required yield? It's a conundrum that gets more complex with equity volatility here to stay, and with the prospect of monetary policy tightening leaving core bond markets appearing vulnerable.

While equities tend to be the best performing asset class over the longer term, equity markets are prone to periods of significant volatility, posing a challenge for those seeking a sustainable income stream. In core government bonds meanwhile, a 35-year bull market has left valuations very rich and income potential, marginal.

We believe there is another way to achieve attractive levels of income without taking on unnecessary risk. With a focus on diversification, actively managed multi-asset income funds can dynamically allocate between income-generating and downside protecting assets to achieve strong a sustainable levels of income, whilst keeping volatility in check, irrespective of the global macro environment.

THREE REASONS TO INVEST IN MULTI-ASSET FUNDS

1. Potential to receive attractive levels of growth and/or income with less volatility than equities.

2. Active allocation of risk, when managed efficiently, can provide investors with more return per unit of risk.

3. Uncorrelated sources of return can deliver important diversification benefits.

WHY COLUMBIA THREADNEEDLE INVESTMENTS FOR MULTI-ASSET INVESTING?

Multi-asset investing is at the heart of what we do at Columbia Threadneedle Investments. With total firm assets of £339 billion, of which £100 billion is in multi-asset, and 25 years' experience, we are well-placed to deliver a range of multi-asset strategies and solutions for clients.[1]

PROFESSIONAL PENSIONS INVESTMENT AWARDS 2018

WINNER

Multi Asset Manager of the Year

Columbia Threadneedle Investments

A DISTINCTIVE AND COLLABORATIVE INVESTMENT APPROACH

Our multi-asset experts are at the hub of the firm's distinctive investment framework, which is built around our specialist investment teams. While each team follows its own unique process and style, ideas are shared, debated and challenged rigorously across asset classes and geographies.

Our specialist Multi-Asset team takes a collaborative approach to investment, tapping into this rich source of collective intellectual capital to ensure that every multi-asset portfolio benefits from the very best ideas across the firm.

Key members of the Multi-Asset team are also part of the Asset Allocation Strategy Group, which consists of senior investment professionals with extensive experience across asset classes and investment markets. The Group contributes strategic analysis, tactical asset allocation, fundamental research and risk intelligence to the multi-asset investment process.

As better-informed investors, our Multi-Asset team is therefore well-positioned to deliver better investment outcomes for clients, whatever their needs.

1. Source: Columbia Threadneedle Investments, data as at 31 December 2018.

The Multi-Asset team manages all multi-asset strategies using the same tried and tested investment process (see Figure 2). The Asset Allocation Strategy Group uses the output from three proprietary research groups to formulate its macroeconomic and thematic views, and defines the investment environment used to build multi-asset portfolios. This is combined with a valuation framework across all asset classes, and is used by the group to determine its preferred asset allocation and risk preferences.

The Multi-Asset portfolio managers will then determine the optimal portfolio allocation that is consistent with not just the decisions of the Asset Allocation Strategy Group but also the investment objective of the relevant strategy.

Where multi-asset portfolios invest in other Threadneedle funds, they benefit from active bottom-up security selection undertaken by the specialist investment team.

FIGURE 2: A PROVEN AND REPEATABLE INVESTMENT PROCESS

FIRM-WIDE RESEARCH	ASSET ALLOCATION STRATEGY GROUP	PORTFOLIO MANAGEMENT
Economic Research Group **WHAT IS GOING TO HAPPEN?**	**IDENTIFY** investment regime	Attribute and size risk budget according to value conviction
Valuation Research Group **WHAT IS IN THE PRICE?**	**IDENTIFY** asset preference	Implement via internal funds, direct holdings, and passive strategies
Sector & Thematic Research Group **CREATE INVESTMENT THEMES**	**IDENTIFY** our key differentiators to the consensus	Full look-through bottom-up risk analysis ex post
	SET current risk tolerance levels	

Risk is our starting point for portfolio construction. Not just the overall risk, but also the risk associated with individual positions and how they interact.

OUR APPROACH TO RISK

In an uncertain investment climate, where volatility is heightened, managing risk is key to achieving a successful outcome. Multi-asset funds aim to navigate markets by investing more conservatively when threats appear on the horizon and participating actively when opportunities develop.

So, in an environment where we like risk, we will invest in assets that have greater volatility in the expectation that volatility will be rewarded. But in an environment where we strongly dislike risk, we will invest in lower volatility assets, seeking to protect investors' capital.

Put simply, by dynamically allocating between and within asset classes, to minimise drawdowns and participate in growth and/or income opportunities, our multi-asset portfolios are well placed to enhance the overall return per unit of risk.

"Risk is undertaken deliberately, rather than by accident, and it is taken with the view that portfolio positions will have an attractive reward attached to them."

– Maya Bhandari, Portfolio Manager

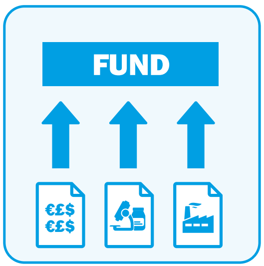
THREADNEEDLE DYNAMIC REAL RETURN FUND

Since its inception in 2013, the fund has been able to take advantage of a wide range of investment opportunities thanks to its unconstrained approach, and has delivered strong and consistent risk-adjusted returns.

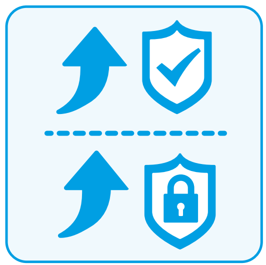
- The aim of the fund is to deliver a real return of 4% above UK inflation (CPI), in line with the long-run real return of equities, with up to two-thirds of equity volatility.[2]
- The portfolio is dynamically managed across equities, fixed income, commodities, alternatives and cash. Importantly, the portfolio is not constrained by any benchmark and can be zero-weighted in any asset class, so each position has to earn its way into the portfolio from a risk/return perspective.
- The fund is straightforward, long only and unlevered, so investors can easily understand how we are invested and what is driving the performance of the fund.

2. Please note that the performance target may not be attained. The performance target is gross of fees and over a 3-5 year investment horizon.

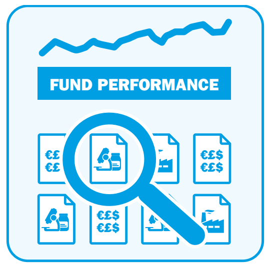
Dynamically managed



Volatility controlled



Straightforward and transparent

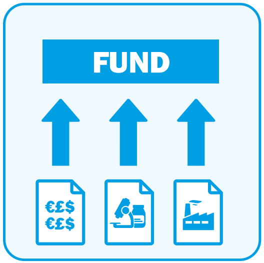


THREADNEEDLE GLOBAL MULTI ASSET INCOME FUND

Since its inception in 2014, the fund has delivered attractive and consistent levels of income, as well as generating steady capital appreciation.

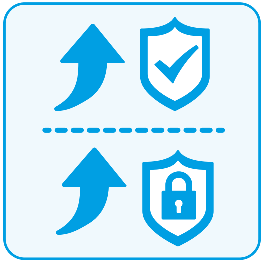
- We target an attractive, sustainable level of income by investing in high-yielding, higher-quality equity, fixed income and property securities.
- Balancing the need for sustainable income with longer-term capital preservation is key. We avoid the temptation to pay out headline-grabbing dividends so as to preserve capital.
- A combination of flexibility and active management lies behind the approach of this fund as it seeks to provide a yield pick-up over traditional bonds without the volatility of an equity-only income strategy.

Dynamically managed



Diversified sources of income

Volatility controlled



KEY RISKS

Investment risk: The value of investments can fall as well as rise and investors might not get back the sum originally invested.

Property Valuation Risk:* The value of a property is a matter of a valuer's opinion and the true value may not be recognised until the property is sold.

Investment in funds: The Investment Policy allows the fund to invest principally in units of other collective investment schemes. Investors should consider the investment policy and asset composition in the underlying funds when assessing their portfolio exposure.

Currency risk: Where investments are made in assets that are denominated in multiple currencies, changes in exchange rates may affect the value of the investments.

No capital guarantee: Positive returns are not guaranteed and no form of capital protection applies.

Issuer risk: The fund invests in securities whose value would be significantly affected if the issuer either refused to pay or was unable to pay or perceived to be unable to pay.

Interest rate risk: Changes in interest rates are likely to affect the fund's value. In general, as interest rates rise, the price of a fixed rate bond will fall, and vice versa.

Valuation risk: The fund's assets may sometimes be difficult to value objectively and the actual value may not be recognised until assets are sold.

Investment in derivatives: The Investment Policy of the fund allows it to invest materially in derivatives.

Volatility risk: The fund may exhibit significant price volatility.

Inflation risk:* Most bond and cash funds offer limited capital growth potential and an income that is not linked to inflation. Inflation is likely to affect the value of capital and income over time.

*This only applies to the Threadneedle Global Multi Asset Income Fund.

To find out more visit
COLUMBIATHREADNEEDLE.CO.UK

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