



Architas 2019  
*value assessment report*  
The Architas BirthStar Fund Range

architas 

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# A MESSAGE FROM THE CHAIRMAN OF THE ARCHITAS BOARD

**Dear investor,**

I wanted to inform you personally that Architas has published its first Value Assessment.

You might wonder how this report impacts you and your investments.

Introduced by our regulator, the Financial Conduct Authority, it requires UK asset managers to evaluate their funds every year and report on whether they provide value for investors and when they do not, to explain what action is being taken to fix this. This aims to help investors like you make more informed choices when it comes to your investments.

The Board and I are here to ensure that the Value Assessment is carried out diligently, with our investors' best interests in mind, and to hold Architas accountable if value has not been delivered.

Consequently, the Board and I would like to confirm that:

- we have approved the 2019 Value Assessment report for all Architas' UK funds
- we have concluded that all of the Architas UK funds offered overall good value
- where we have identified areas we could improve, we have asked our teams to report on their progress throughout 2020

I would urge you to read the Value Assessment for the specific fund(s) we manage on your behalf, and the improvement work planned in 2020. On behalf of all of us at Architas, I would like to thank you for trusting us with your savings, especially in these uncertain times and wish you and your loved ones the best of health.

Yours sincerely



**Peter Hazell**  
Chairman of the Board

# INTRODUCTION

The information in this report is about your investment and is important.

Our regulator, the Financial Conduct Authority (FCA), has asked fund managers to assess the value our funds provide to investors. The period we are looking at in this report is from the start of January to the end of December 2019.

In this report you will see a summary of how we have assessed whether you are getting value – not just in terms of the charges you have paid, but also in the service and performance we have provided.



## Which funds?

This report covers the following funds:

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Architas BirthStar Target Date 2015-20

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Architas BirthStar Target Date 2021-25

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Architas BirthStar Target Date 2026-30

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Architas BirthStar Target Date 2031-35

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Architas BirthStar Target Date 2036-40

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Architas BirthStar Target Date 2041-45

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Architas BirthStar Target Date 2046-50



## How we assess value

The FCA gave us seven areas that we need to look at in our assessment.

These were as follows:

- 1 The **quality of the service** we provided.
- 2 The **performance** of a fund compared with its objectives.
- 3 The **AFM costs**, which compares what it costs us to provide our services with what we charge you.
- 4 **Economies of scale**, that is, any savings we could have passed on to you because of the size of our business or the size of our funds.
- 5 **Comparable market rates**, which consists in comparing the charges we took from your fund against the charges of similar funds managed by other fund managers.
- 6 **Comparable services** – which consists in comparing the services we provided to other customers with similar investments to yours.
- 7 **Classes of units**, which consists in a review of the different types of classes of shares (share classes) that are available for the same fund and, if there are different share classes with different charges, whether the higher charge is justified if there is a cheaper share class available.



## What we found

We designed the Architas BirthStar Target Date funds to offer investors a mixed portfolio of investments from different fund managers, managed in an active way and competitively priced.

Each of the Architas BirthStar Target Date fund(s) aims to grow the value of your investments and, gradually over time, to reduce the risk of your investments decreasing once the target date of your investment has been reached or passed, and you are looking to withdraw some, or all, of your investments.

We found that, overall, all the Architas BirthStar Target Date funds offered value in 2019, when assessed against what they aim to do and the seven areas mentioned previously.



# OUR VALUE ASSESSMENT

1

## QUALITY OF SERVICE

### What we looked at

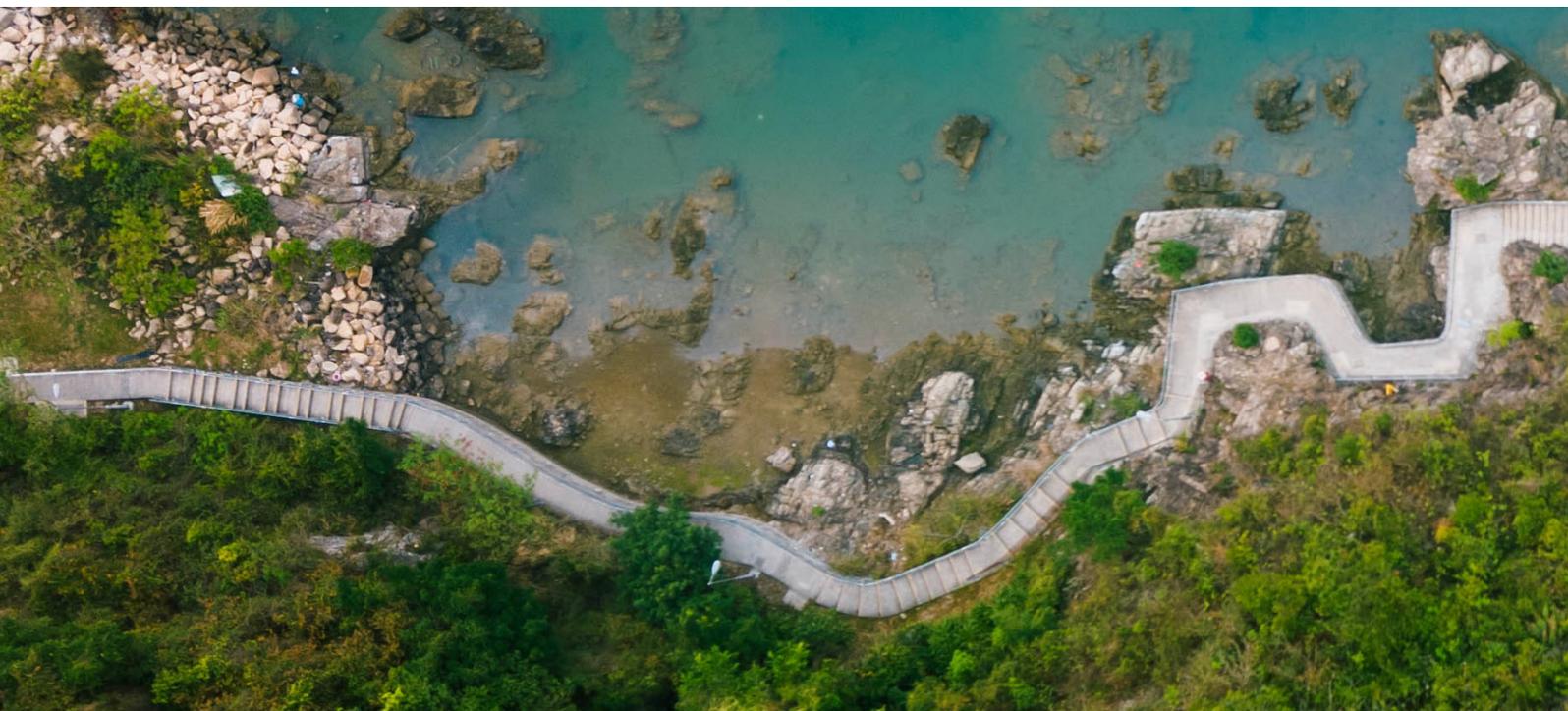
For this part of the assessment, we looked at the following.

- The way we manage investments, including the knowledge and experience of our investment team, the relevant awards and ratings our funds received, and the strength of our research.
- How we monitor our business, including how well we follow regulations, guidelines and our own procedures.
- The customer service we provide, using a number of measures and feedback we get from our investors, including any complaints we have received.
- The information we provide to our clients (including reports, fund information, social media and our website) and how easy it is to understand.

### Did we deliver value?

We believe we delivered value for all Architas BirthStar Target Date funds.

- We have a well-resourced and experienced investment team who provide a quality service to our investors.
- We have the right operational structure so we can effectively monitor the quality of service we provide and to make changes when needed. This includes effective management of third parties we use to help us provide services to you.
- We have dedicated staff to oversee complaints and carry out regular checks to maintain quality.
- We keep in touch on a regular basis with our investors and their financial advisors in various ways, such as through our company website, our client reports, several digital tools, investment reports, and by holding investment conferences.





## 2

### PERFORMANCE

#### What we considered

We measured each fund's performance against its investment objectives (what it's designed to do). We also compared performance against funds with similar features and objectives managed by other fund managers. When doing this we took account of all fees, costs and charges.

#### Did we deliver value?

We believe we delivered value for all the Architas BirthStar Target Date funds.

We say this because we found that each of the funds:

- provided a positive return over five years to the end of 2019; and
- demonstrated a level of risk consistent with its objective to reduce the risk of your investments decreasing once the target date of your investment has been reached or passed.

## 3

### AFM COSTS

#### What we considered

We looked at what it costs us to manage the funds. These included staff salaries, overheads like rent and rates, costs of computers and software, research costs, and the costs associated with marketing the funds to new investors. We also looked at the cost we paid to an external company to carry out the registration of investors' shareholdings.

#### Did we deliver value?

We found that investors in the Architas BirthStar Target Date funds paid charges that fairly reflected the costs of managing the funds.

We found that the current level of the registrar fee (0.05%) is appropriate when compared with the costs of providing the service.



## 4

### **ECONOMIES OF SCALE**

#### **What we considered**

When it comes to our funds, we achieve economies of scale through the size of our business and the size of our funds. As we use other companies to help us, we can sometimes negotiate better rates from those companies. If we get larger as a company, we may be able to negotiate even better rates.

We last negotiated the rates we pay other companies in 2018. At that time we reviewed lots of other providers in the market. This gave us an opportunity to find better services and better rates. As a result of our review we were able to negotiate a discount on our charges. As these charges are passed directly to the fund, you, as an investor, directly benefited from this saving.

We carry out this type of review every five years.

#### **Did we deliver value?**

There were no new economies of scale in 2019, but investors continue to benefit from the savings we negotiated in 2018.

## 5

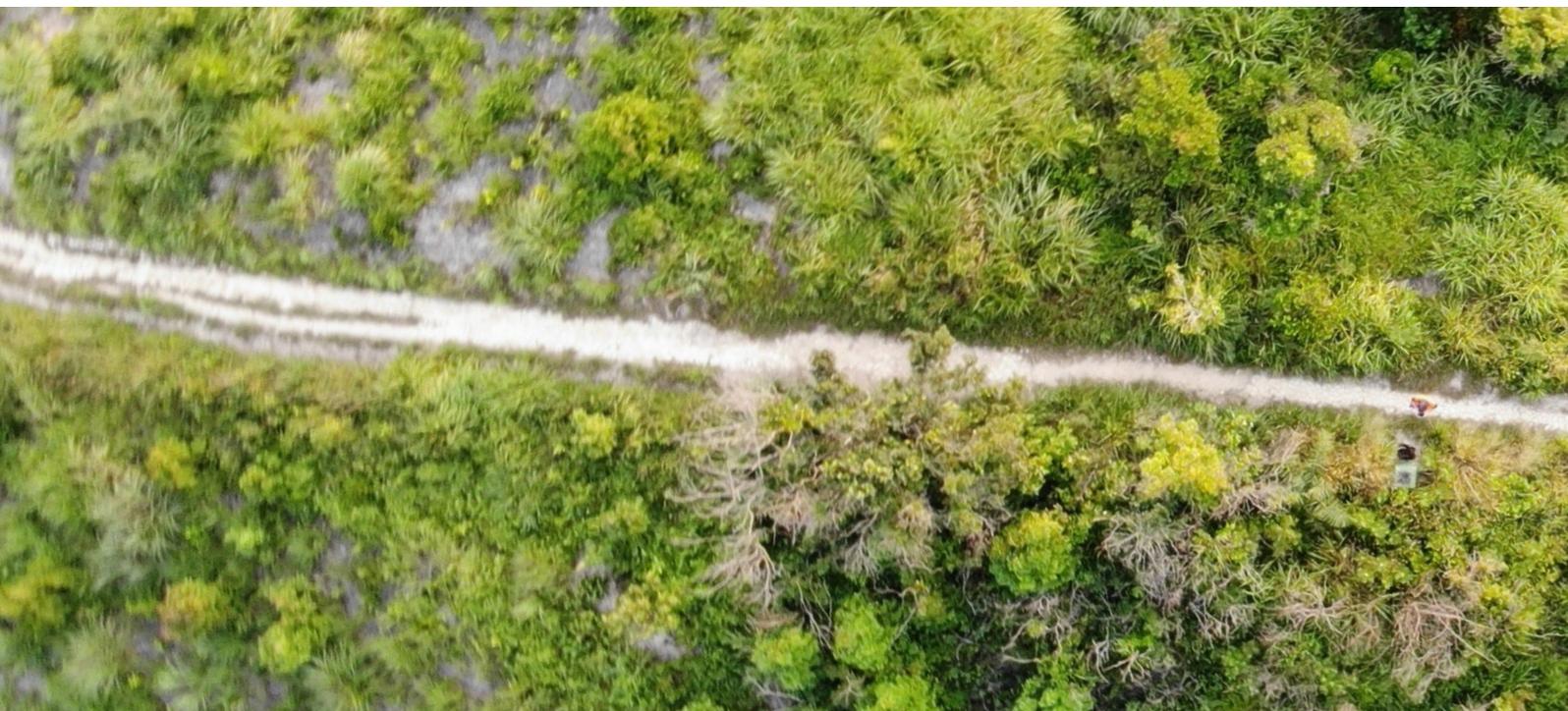
### **COMPARABLE SERVICES**

#### **What we considered**

We looked at the costs and charges that we take from investments run by other parts of our business and compared them against the costs and charges we apply to the Architas BirthStar Target Date funds. We did this to make sure there weren't any unexplained difference in costs for providing a similar service to different types of clients.

#### **Did we deliver value?**

We found that, overall, the costs and charges were broadly similar to those our group charges to other clients for comparable services





# 6

## COMPARABLE MARKET RATES

### What we considered

We offer investors two main classes of shares.

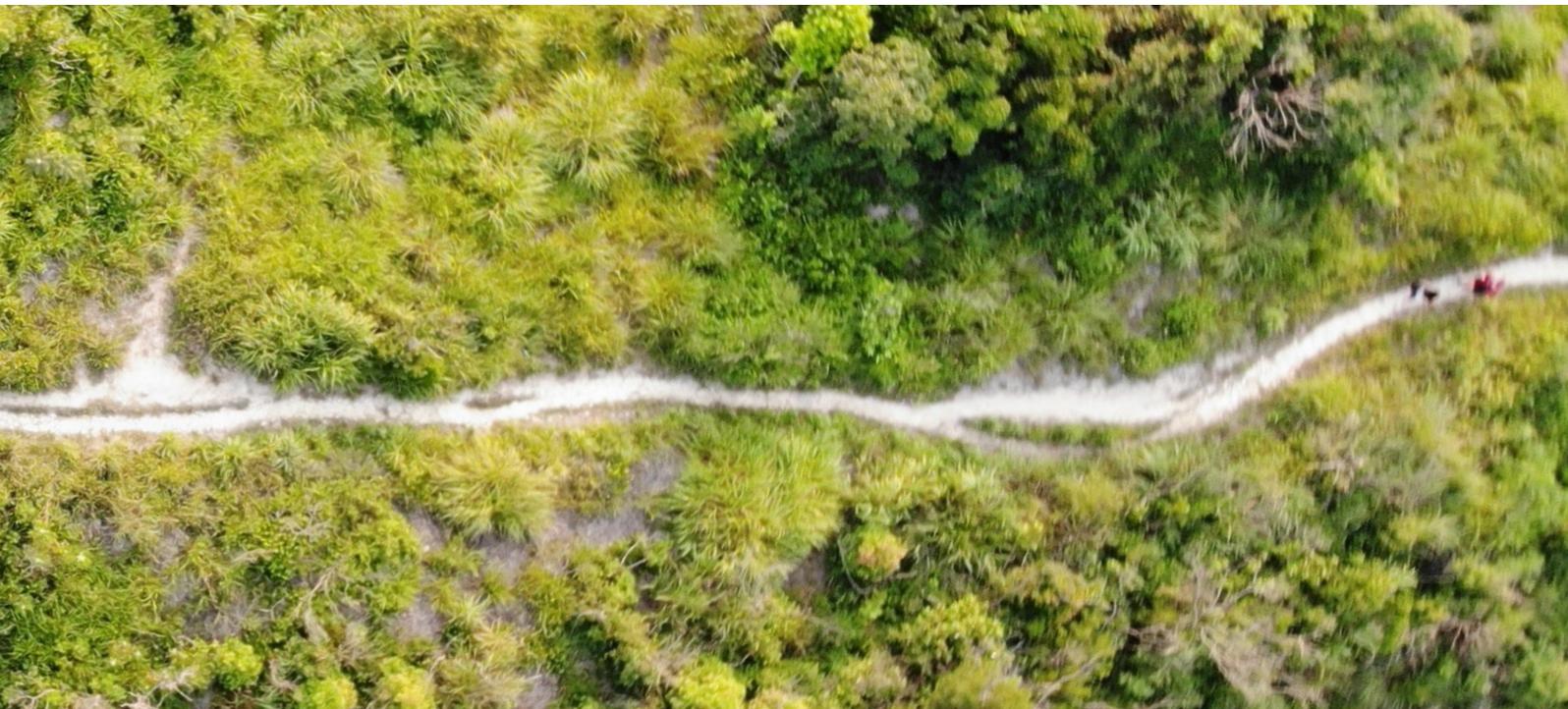
- **R-class** – this share class is available to any investor who meets the minimum investment amount;
- **I-class** – this share class is only available to institutional investors.

For this part of the report, we aimed to look at the costs and the charges of the R-class and I-class and compare them against similar share classes of a group of funds managed by other fund managers. Unfortunately, we could not identify any comparable fund in the Investment Association sector or in the Morningstar Target Date categories.

We therefore could not compare the following costs and charges:

- **The Annual Management Charge**
- **The Ongoing Charge Fee** (the Annual Management Charge plus all the expenses needed to run a fund)

We will actively monitor any new fund launch in the UK Target Date sector that could be a like-for-like comparison to the Architas BirthStar Target Date funds.



# 7

## CLASSES OF UNITS

Classes of units consists in a review of the different types of classes of shares (share classes) that are available for the same fund and, if there are different share classes with different charges, whether the higher charge is justified if there is a cheaper share class available.

### What we considered

There are two types of share classes in the Architas BirthStar Target Date funds.

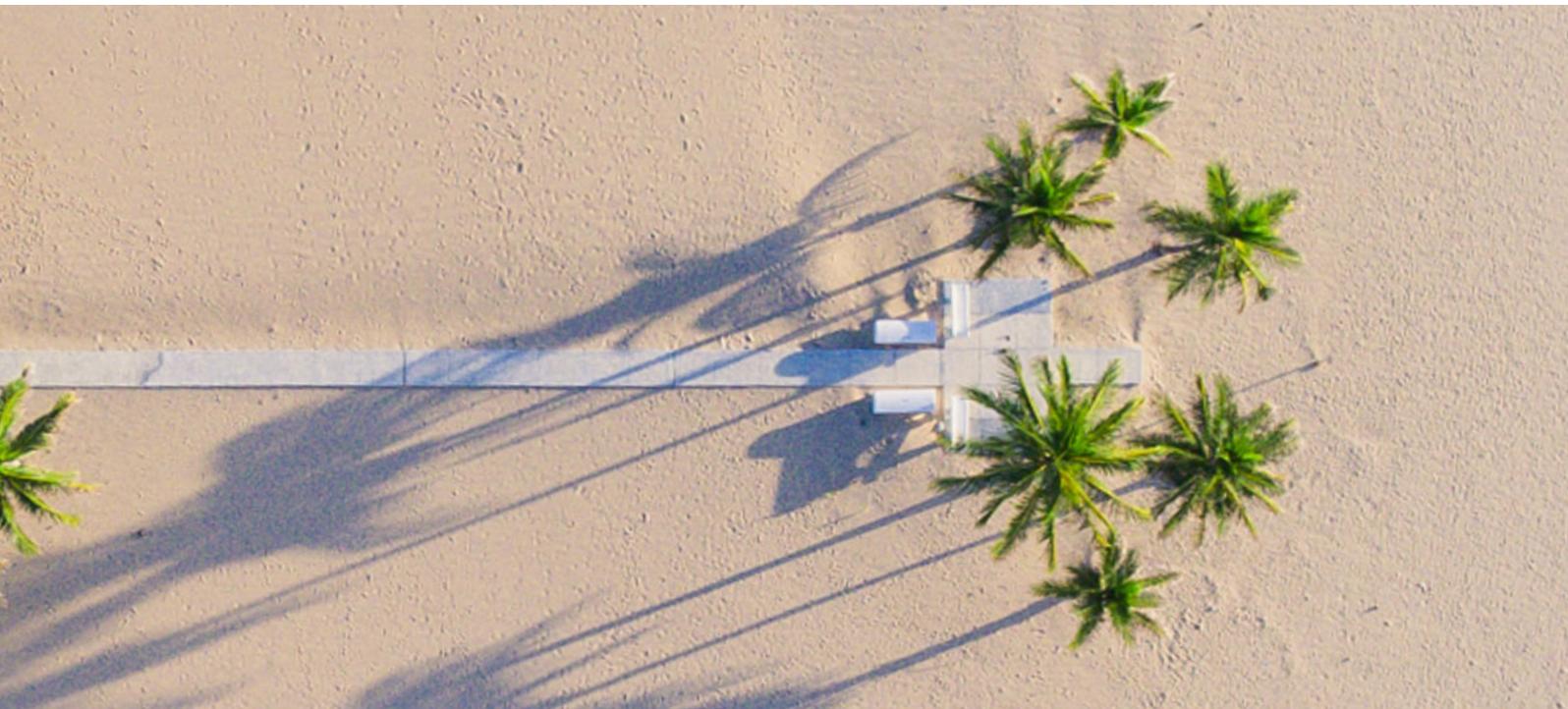
Share class	Types of shares available	Annual Management Charge	Initial charge	Minimum Investment
I	Accumulation	0.55%	Does not apply	£1,000,000
R	Accumulation	0.55%	Does not apply	£500

The Annual Management Charge (AMC) of each share class in the Architas BirthStar Target Date funds are equal.

### Did we deliver value?

We believe that for I- and R-classes, investors are paying an appropriate charge.





# IMPROVEMENTS

We believe that this value assessment gives us the opportunity to tell you about our behind-the-scenes work of running funds, including the improvements we are planning to our services and the way our investors can get access to our funds.



## What we have done recently to give you better value

- ✓ We have rewritten the investment objectives of our funds to make the language clearer for investors.
- ✓ We have renegotiated with some of our suppliers, using the strength of the AXA Group, to reduce some of the costs we pay them.



## What we will be doing

- ✓ We are looking at how some of our costs, and the costs of some of the companies we use to help deliver services for the funds, are managed to see if we can make this clearer to our investors and make sure they are being managed as efficiently as possible.
- ✓ We will be clearer about how we refer to our range of share classes.



# IMPORTANT INFORMATION

Past performance is not a guide to future performance. The value of investments and any income provided by them can go down as well as up and is not guaranteed. You may get back less than you invested.

The funds can invest entirely in units of collective investment schemes.

You can invest in these funds through a number of financial products. These funds may not be appropriate for investors who plan to withdraw their money within five years.

We take charges to cover the costs of managing the fund. If you are investing using a financial product, the product provider may take extra charges, and, if so, should give you details of these charges before you invest.

The AXA Group includes other fund management companies which we refer to as in-house managers, such as AXA Investment Managers, Architas Multi-Manager Europe Limited and AllianceBernstein. We, Architas, may choose to include funds managed by in-house managers, which we refer to as in-house funds, within our multi-manager funds.

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In the UK, we follow an in-depth research process that ensures that the funds selected for our multi-manager funds are included on the potential benefits they could bring to our Architas funds. We are not influenced by the AXA Group to include in-house funds over funds from other fund managers; funds are selected on their consistency to meet their objectives. We regularly review our selection of funds, including those from in-house managers, to ensure they continue to be appropriate and in your clients' best interests.

More information about our use of funds from in-house managers is available at **[architas.com/inhousemanagers](https://www.architas.com/inhousemanagers)**

If you need more information on any of our funds, you can ask us for a free copy of the Key Investor Information document (KIID) and the prospectus. The KIID is designed to help you make an informed decision before investing. You can also view or download all of our funds' KIIDs from our website at **[architas.com](https://www.architas.com)**

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Architas was set up in 2008 and is authorised and regulated by the Financial Conduct Authority (FCA). We provide access to investment managers' services through a range of solutions, including regulated collective investment schemes. For more information on our funds, please contact your financial adviser.

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The Architas customer support team is on hand to answer your questions.

**Call 0800 953 0197**

*Monday to Friday 9.00am–5.30pm;  
calls may be recorded. Calls are free from  
landlines and mobiles within the UK.*

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