



Architas 2019
value assessment report
The Architas Multi-Asset Passive 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:

Architas Multi-Asset Passive Reserve Fund

Architas Multi-Asset Passive Prudent Fund

Architas Multi-Asset Passive Moderate Fund

Architas Multi-Asset Passive Intermediate Fund

Architas Multi-Asset Passive Progressive Fund

Architas Multi-Asset Passive Growth Fund

Architas Multi-Asset Passive Dynamic Fund



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 Multi-Asset (MA) Passive 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 MA Passive Funds invests in a range of passive funds* – known as the ‘underlying’ funds. The Architas MA Passive Funds aim to give a positive return and have a recommended investment period of at least five years. We also aim to make sure that, for each fund, we manage your money within a certain range of risk so that the value of each fund only moves up or down to an extent that matches the level of risk that you are prepared to take with your money.

We found that, overall, all the funds within the Architas MA Passive Fund funds offered value in 2019, when assessed against what they aim to do and the seven areas mentioned previously.

* *The funds in the range aim to invest, wherever possible, in ‘passive’ investments, also commonly known as ‘tracker’ funds. These are funds that seek to replicate the overall performance of an investment index (for example the FTSE 100) rather than by actively seeking to pick the best investments from that index. Passive funds tend to use computer programmes to track indexes, rather than the skill of a manager to “beat” those indexes.*



OUR VALUE ASSESSMENT

1

QUALITY OF SERVICE

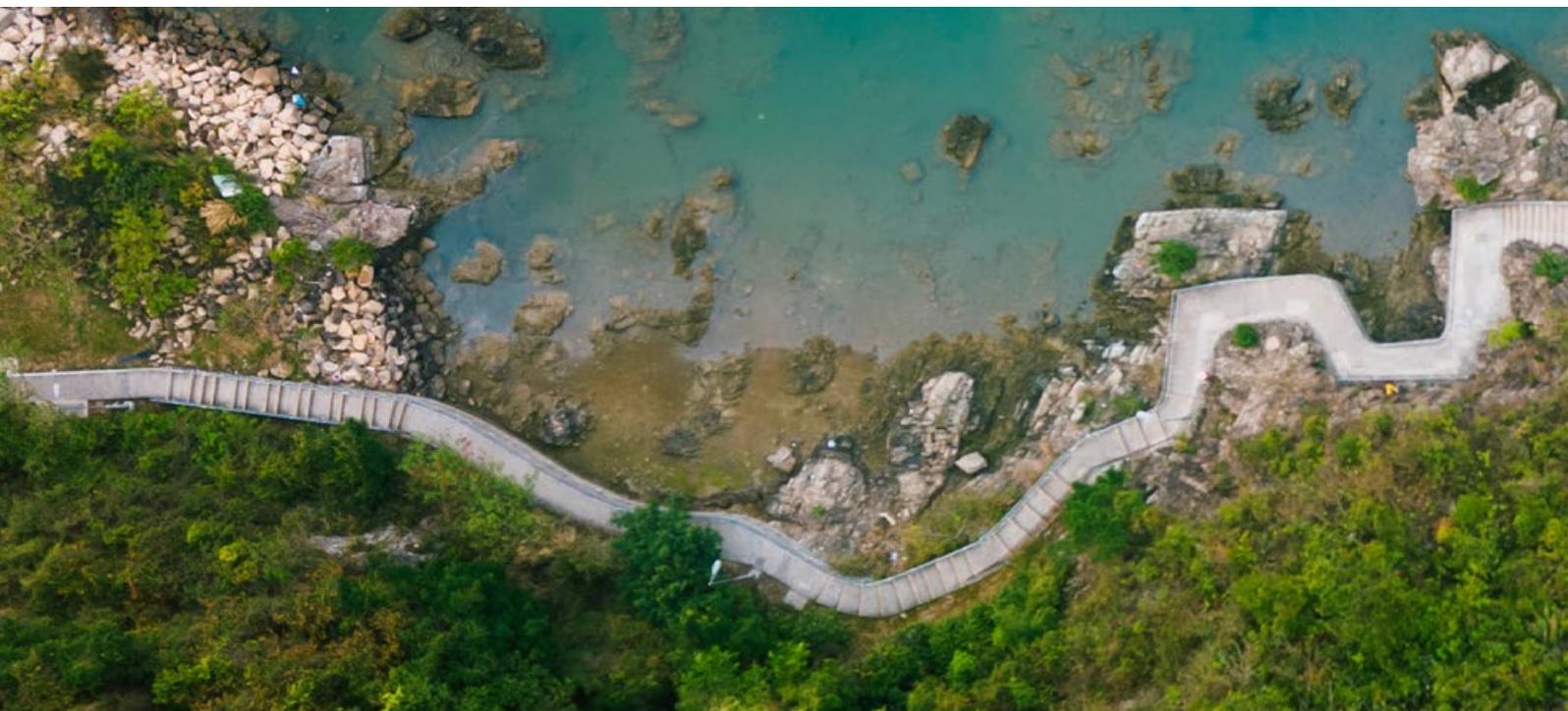
What we looked at

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 Multi-Asset Passive 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. We did this taking into account all fees, costs and charges.

The Architas Multi-Asset Passive funds are managed in line with a certain level of risk – some funds take more risk than others and all funds have maximum upper and lower risk. We looked at whether each fund stayed within its limits of risk over the course of the year. The information we used for this assessment is provided by an independent company.

Did we deliver value?

We believe we delivered value for all the Architas Multi-Asset Passive funds.

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

- provided a positive return over five years to the end of 2019;
- stayed within the risk limits set for the fund; and
- performed in line with or better than similar funds.

3

AFM COSTS

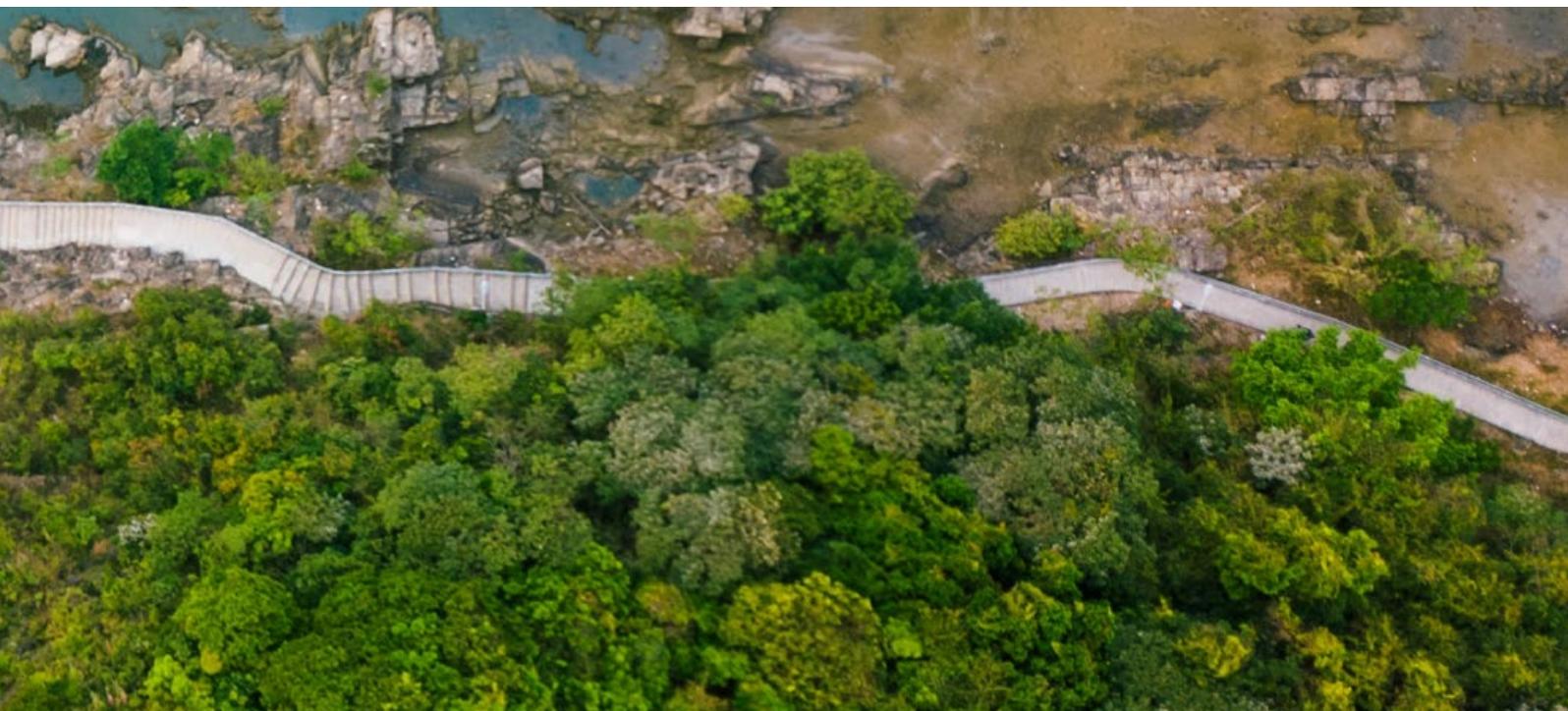
What we considered

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 Multi-Asset Passive funds paid charges that fairly reflected the costs of managing the funds.

We found that the current level of the registrar fee (0.05%) was appropriate in relation to the costs of providing the service and necessary oversight.



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 were 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 achieved in 2019, but investors continue to benefit from the savings we negotiated in 2018.

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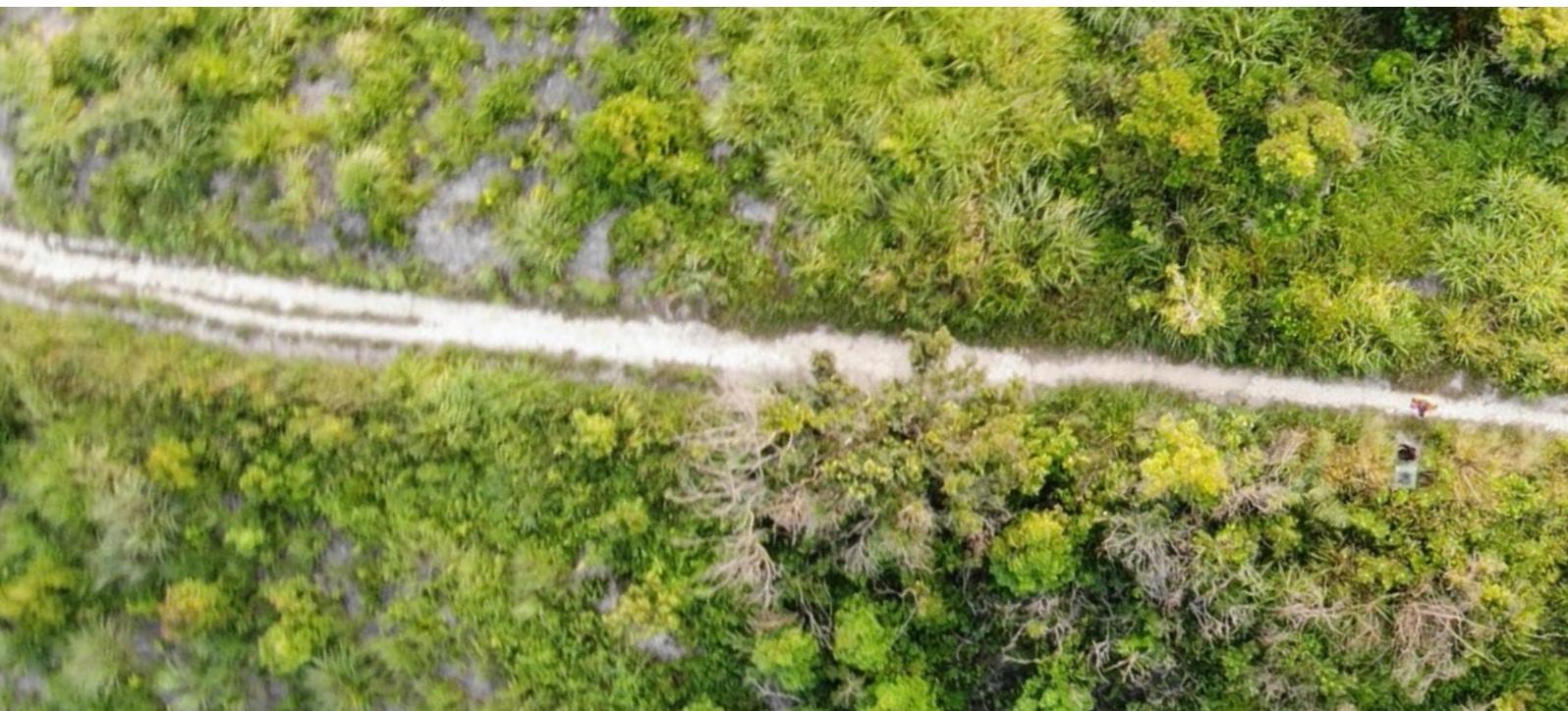
COMPARABLE SERVICES

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 Multi-Asset Passive 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.

- **S-class** – people can only invest in this share class through an investment platform. Investment platforms are online services which allow investors to buy, sell and hold funds. People who choose to invest in our funds through an investment platform pay a platform fee on top of the fund charges.
- **A-class** – this share class is available, normally directly through us, to any investor who meets the minimum investment amount. Investors can also hold this share class through an investment platform. People who invest in this share class through an investment platform pay a platform fee on top of the fund charges we take. In 2018 and 2019 we talked to investment platforms to tell them about the availability of the cheaper S-class and encourage them to move their investors.

For this part of the report, we looked at the costs and the charges of the A-class and S-class and compared them against similar share classes of a group of funds managed by other fund managers.

The costs and charges we compared are as follows.

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

Did we deliver value?

Annual Management Charge (AMC)

We found the following.

- The AMC for A-class is cheaper than the average for equivalent share classes of comparable funds.
- The AMC for S-class is cheaper than the average for equivalent share classes of comparable funds.

Ongoing Charge Fee (OCF)

We found the following.

- The OCF for A-class is cheaper than the average of equivalent share classes of comparable funds.
- The OCF for S-class is cheaper than the average of equivalent share classes of comparable funds.

Based on our analysis, we believe that, overall, both A- and S-class are competitively priced and so provide value.

Fee comparisons are shown in appendix 1.



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

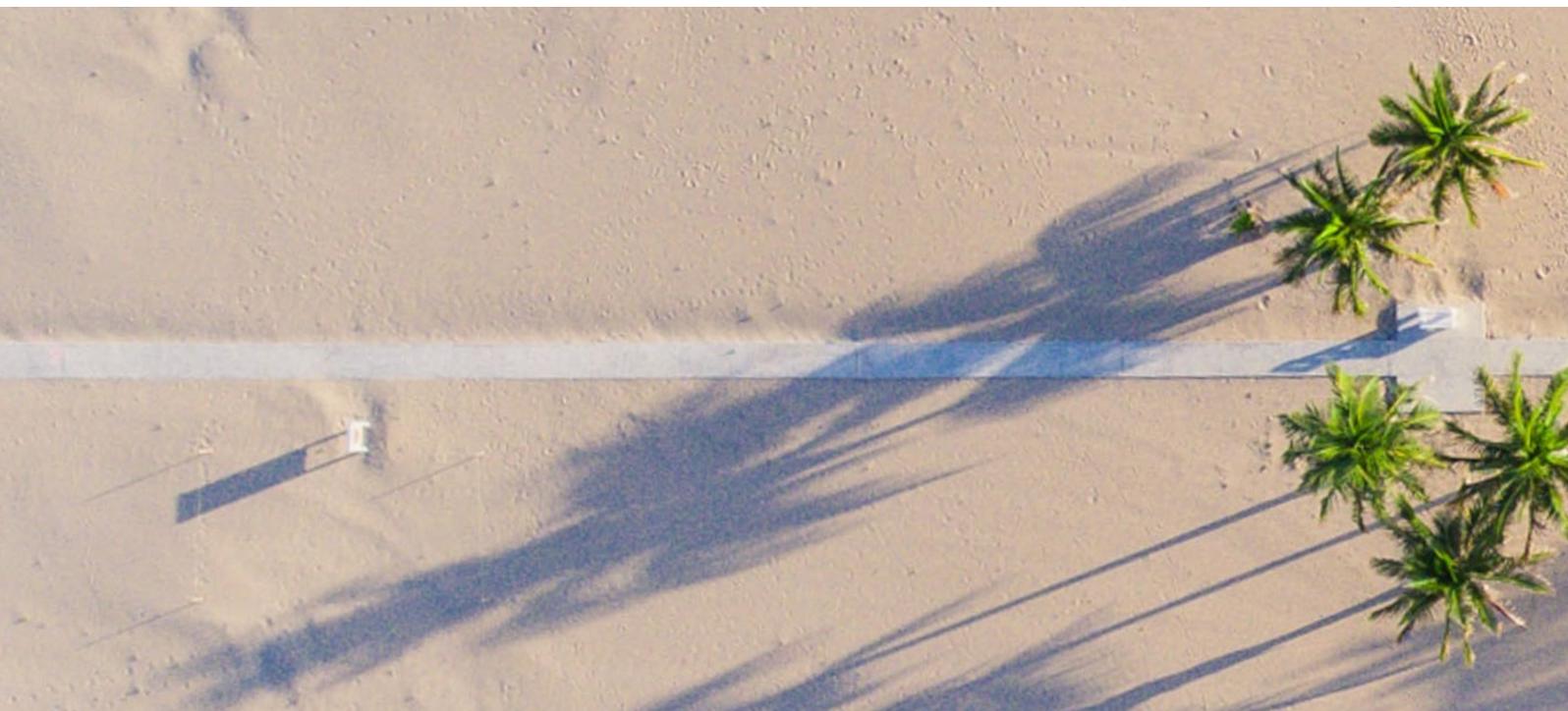
There are six types of share classes in the Architas Multi-Asset Passive funds.

Share class	Types of shares available	Annual Management Charge	Initial charge	Minimum Investment
Z	Accumulation	0.00%	1.00%	£1,000,000*
S	Accumulation and Income	0.25%	Does not apply	£1,000,000*
T**	Accumulation	0.26%	Does not apply	£1,000,000*
D	Accumulation and Income	0.30%	Does not apply	£1,000,000*
A	Accumulation	0.45%	Does not apply	£1,000,000*
R	Accumulation and Income	1.00%	Does not apply	£500

* (which may be waived at the discretion of Architas)

** Closed in December 2019

We considered the Annual Management Charge (AMC) of each share class in the Multi-Asset Passive funds. We assessed whether it was appropriate for investors to be paying more than the lowest-cost share class (S-class).





Did we deliver value?

Investors in the Z-class who remained invested for the minimum recommended period of 5 years would pay less in charges than S class investors, so we believe they were receiving good value.

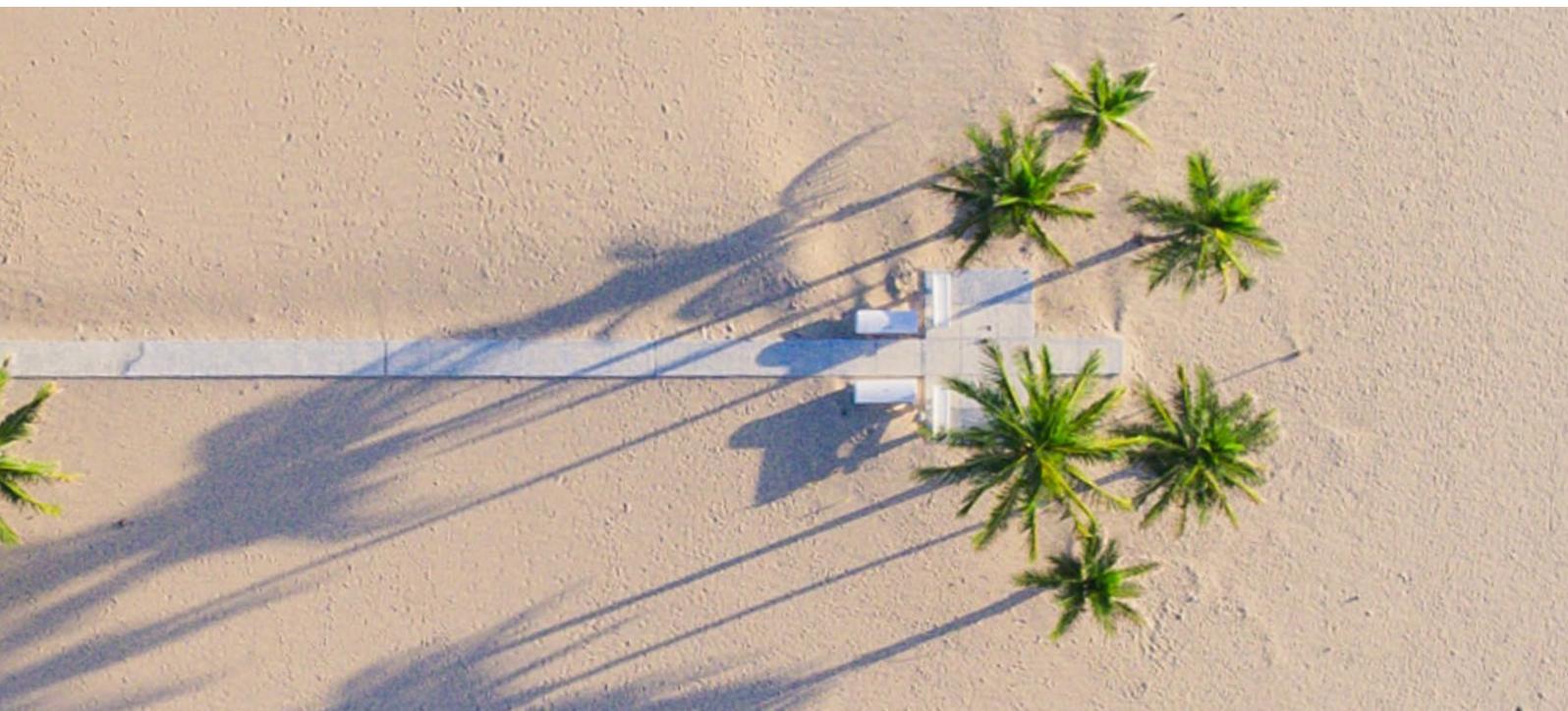
We believe that the charges paid by T-class customers were broadly in line with those in the S-class, so we believe they were receiving good value. When we closed the T-class, we moved investors into the S-class.

We believe A-class customers investing directly with us were paying an appropriate charge compared those in the S-class as their overall charge is likely to be lower than that paid by investors in S-class who were also paying platform charges.

However, we believe that investors accessing the A-class through an investment platform may have been paying more than they could have if invested in the S-class on the same platform.

Investors in R- class whose financial advisers were receiving trail commission payments were paying an overall charge in line with those invested in the S- or A-classes.

However, investors in R-class whose financial advisers were not receiving trail commission and investors in D-class, could be better off invested in cheaper share classes.



IMPROVEMENTS

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 moved some direct investors in the R-classes to a cheaper priced shares class, as we found that they would be better off in a similar but cheaper share class.
- ✓ In December 2019 we closed the T-classes, which were accessible only via investment platforms and moved investors to a cheaper priced share class.
- ✓ We have renegotiated with some of our suppliers, using the strength of the AXA Group, to reduce some of the costs we pay them.
- ✓ In 2018 and 2019 we talked to investment platforms to inform them that the cheaper S-class was available to their investors in the A-class and encourage them to move their investors. We will be continuing this work throughout 2020.
- ✓ In February 2020 we lowered the minimum investment amount for the A-class from £1,000,000 to £500.



What we will be doing

- ✓ We will work out which investors with D- and R-classes might benefit from being moved to a cheaper alternative share class.
- ✓ 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.

APPENDIX

In this appendix we show the Annual Management Charge (AMC) and Ongoing Charge Fee for our funds and for comparable funds. To compare funds, we have used funds in the Investment Association’s Volatility Managed sector which had a similar business model to us.

You can click on the following links for more information on the Investment Association’s sectors.

[Presentation of the sector](#)

[Funds in the sector](#)

Comparable funds: Multi-manager funds (mainly third-party funds) in the Investment Association’s Volatility Managed sector.

		AMC	OCF
Architas MA Passive Prudent Fund	A-class	0.45%	0.65%
	S-class	0.25%	0.45%
Architas MA Passive Reserve Fund	A-class	0.45%	0.63%
	S-class	0.25%	0.43%
Architas MA Passive Moderate Fund	A-class	0.45%	0.62%
	S-class	0.25%	0.42%
Architas MA Passive Intermediate Fund	A-class	0.45%	0.62%
	S-class	0.25%	0.42%
Architas MA Passive Progressive Fund	A-class	0.45%	0.63%
	S-class	0.25%	0.43%
Architas MA Passive Growth Fund	A-class	0.45%	0.65%
	S-class	0.25%	0.45%
Architas MA Passive Dynamic Fund	A-class	0.45%	0.65%
	S-class	0.25%	0.45%
Average for comparable funds		0.50%	0.88%

Source: Morningstar Direct

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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