



Diversified Growth Fund investing

Is there a better way?

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Executive summary

Diversified Growth Funds (DGFs) have seen huge growth in the past decade, fuelled by a desire for a one-stop, multi-asset solution. These products have generated high returns since 2008, benefiting from strong performance across most asset classes.

Our analysis of the key drivers behind DGF performance shows that, in general, the high returns can be attributed to beta rather than alpha. Further, and crucially, we question how effective traditional, liquid DGFs will be if market returns are subdued. Going forward, we suggest that there are more dependable and superior value options and solutions for those investors who need to invest via a simple governance route.

Our conclusions on DGFs are as follows:

- DGFs provide diversification and breadth advantages over traditional balanced portfolios; there is value in the broader exposure to a wider range of assets that most DGFs bring.
- Returns have been largely driven by equity and credit beta.
- Most traditional, liquid DGF managers have actually detracted value through tactical asset allocation and other forms of active management.
- Risk management is not an explicit focus for many DGF managers.
- The fees charged are generally not commensurate with the alpha achieved.

In light of our analysis, we believe that many investors currently holding traditional, actively managed DGFs should be prepared to move their assets to more cost-effective and better structured solutions to improve the likelihood of a better investment outcome in the medium to long term.

We prefer innovative DGF solutions that offer one, or a combination, of the following:

- A focus on strategic asset allocation with index-tracking implementation. This provides diversified beta at a low cost, but we highlight that this is made up entirely of macro-sensitive assets.
- High quality, alternative smart betas to provide extra diversity in the return drivers at a cost significantly lower than would be achievable through other approaches such as hedge fund strategies.
- Genuinely differentiated and diverse manager skill and asset allocation, through broad strategy exposures and a multi-manager approach, with management fees that are appropriate for the level of expected alpha.

The options above are particularly suited for investors with investment or implementation constraints, such as is the case for UK defined contribution (DC) schemes. In a less constrained world, a more attractive proposition in our view would include alternative smart betas, illiquid assets, and true active management from hedge funds and private market investments. It should be noted, however, that this kind of solution, and some of those mentioned above, is unlikely to be a skill set of a single asset manager, therefore our preference would be for investors to adopt a multi-manager model to capture these various return drivers adequately, and at the same time limit the risk of manager concentration.

Introduction

DGFs are funds that invest across a range of asset classes, generally aiming to achieve equity-like returns with lower volatility, over the medium to long term.

DGFs started gaining prominence in the early-to-mid 2000s, evolving from traditional 'balanced' equity/bond funds. Demand for these products surged, particularly after 2008 as institutional investors sought to manage risk better through diversification in the wake of the financial crisis, which saw the erosion of their equity-heavy portfolios, and many funds were launched in response. Inflows into these funds have continued to increase since then – according to the Henderson Global Investors Report 2015, multi-asset funds in the UK saw assets under management grow six-fold over the 10 years to 2015. In the UK at least, we have observed a growing demand coming predominantly from DC pension schemes, which are relatively more constrained in terms of the level of illiquidity and charges they can accept.

While there are different types, DGFs generally establish strategic asset allocations, with some taking shorter-term tactical decisions, and implement their asset class views directly in the market and/or through some combination of passive, active, internal and external manager funds. Through this process, they have broadly delivered diversification benefits with improved risk-adjusted returns relative to traditional balanced funds. The strategies have been evolving, with some DGFs now resembling macro hedge funds, while others have adopted simpler implementation routes.

The analysis set out in this paper seeks to reveal whether DGFs have delivered what they promised. In doing so, we will drill down into the key drivers of their performance, primarily to determine how they are likely to fare going forward. We also explore alternatives to these funds, with a view to finding better solutions for investors that have historically relied on DGFs.

Typical DGF assets

- Global and emerging market equities
 - Global and emerging market bonds
 - Investment grade and high yield bonds
- } These usually represent around 75% of the allocation (equities can be up to 60%)
- Cash (typically up to 10%)
 - Alternatives (hedge funds, private equity, real estate, infrastructure, commodities)



Have DGFs delivered what they promised?

We feel the fairest way to answer this would be to assess whether DGFs have delivered their own stated performance objectives. These are typically expressed relative to local inflation or cash over a measurement period of around five years. Of the wide universe of funds that we analysed, the majority achieved their targets since their respective inception dates. This is not particularly surprising given the strength in growth assets during this period, especially relative to low cash rates.

Since there is a large variation in DGF performance objectives, we analysed the returns against a set of common CPI-plus targets and the results are shown in the box below.

Results from our analysis of returns (in GBP):

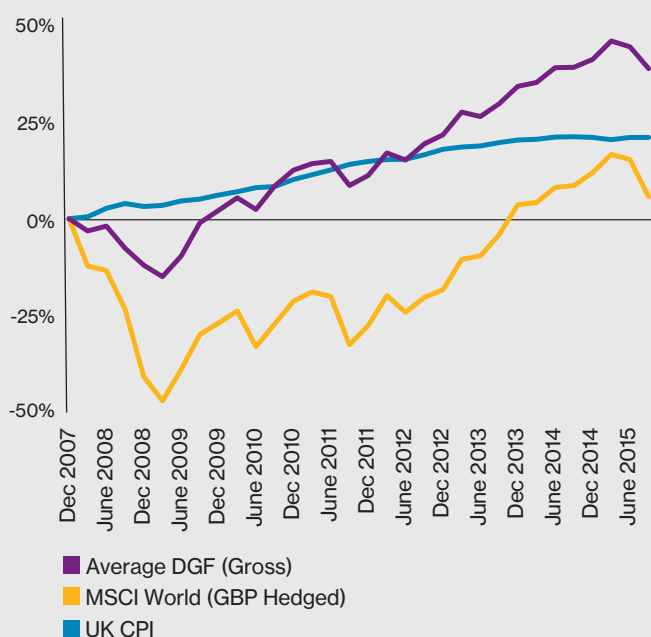
- Approximately 20% of funds have achieved gross returns between CPI +3% and CPI +4% per annum since their respective inception dates.
- 50% of the universe have returned below CPI +3%.
- The other 30% achieved more than CPI +4%.

Another objective that DGF managers state rather explicitly is their aim to produce equity-like returns for lower-than-equity volatility. When assessed against these metrics, our universe of funds has generally delivered good risk-adjusted returns since their respective inception dates, albeit with considerable dispersion in the returns – performance relative to equities ranged between 5% per annum outperformance and 8% per annum underperformance. On the other hand, funds across the board delivered on the risk metric, with volatilities typically ranging between around half to two-thirds that of equities, although we highlight that market volatility has been muted over the past few years compared to the historical average.

It is important to consider how the timing of investing in such strategies, and from the perspective of the manager launching the products, made a difference to the realised performance. *Figures 1a* and *1b* illustrate how the full range of DGFs considered in our analysis have generally performed, relative to inflation (UK CPI) and equities (MSCI World Index), since the start of 2008 and 2009.

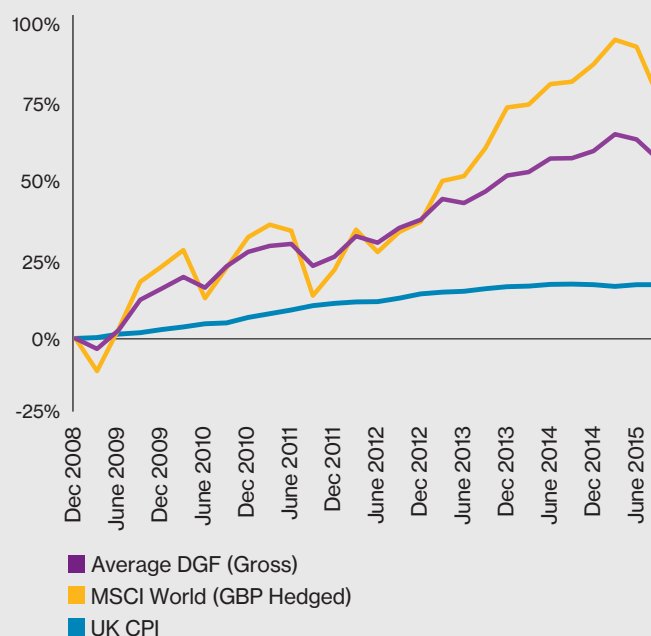
Figure 1a shows how, since the beginning of 2008, the diversification element of DGFs protected value during the 2008/2009 financial crisis, while *Figure 1b*, since the beginning of 2009, shows the extent to which DGFs can underperform equities in an upward market cycle. The relative attractiveness of these characteristics will depend on each investor's objectives.

Figure 1a. Cumulative return from January 2008 to September 2015 (GBP)



Source: Managers, eVestment, MSCI, Office for National Statistics

Figure 1b. Cumulative return from January 2009 to September 2015 (GBP)



Source: Managers, eVestment, MSCI, Office for National Statistics

Should we have expected anything else from DGFs?

It is one thing to ask if funds have done what they promised. We believe a better question to ask is if they delivered as well as they should have done. In order to assess this, we analysed the performance of each DGF against a traditional balanced portfolio of 60% global equities and 40% global bonds, from Q1 2009 to Q3 2015, with a particular focus on the drivers of performance. Our key findings are presented in *Figure 2* below.

Overall, we found that DGFs deliver breadth and diversification benefits, particularly improving Sharpe ratios. But tactical asset allocation decisions as well as idiosyncratic trading detracted from returns on average.

Please refer to the appendix for further details on the analysis, including commentary on the return drivers, as illustrated in the image below (*Figure 5* in the appendix).

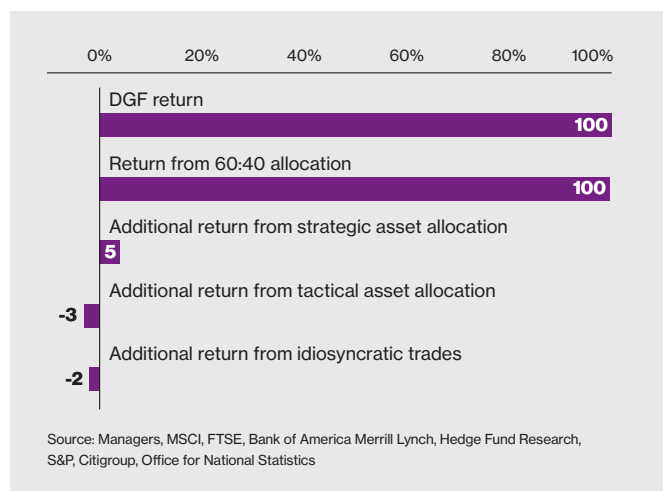


Figure 2. **Key findings**¹

Result	Comments
The average DGF return was in line with the balanced portfolio over the analysis period, on a gross-of-fees basis.	Some investors who moved from balanced portfolios to DGFs had a better outcome but fund selection was important.
There was a large dispersion in the results, with 60% of funds outperforming.	If DGF fees are considered to be higher than those of a balanced portfolio, then DGFs have underperformed on average net of fees.
Risk-adjusted returns, as measured by the Sharpe Ratio, were generally good.	DGFs deliver breadth and diversification benefits.
The average beta to equities and credit (beta to the balanced portfolio) was high at 0.8. Around 90% of the variance in returns of the majority of funds can be explained by their equity and bond correlations.	DGF performance is dominated by simple equity and credit market exposures, which are cheaply available.
Just looking at the beta to equities, over 40% had a beta of over 0.5.	
There were mixed results regarding value-add relative to each fund's specific long-term strategic asset allocation, with many DGFs performing worse. Continuously changing the asset allocation through tactical and idiosyncratic trading has been a drag on performance.	On average, active fund management appears not to be superior to passive fund management in the DGF sector.
Correlation between DGFs was high, on average being 0.7.	When investing in several DGFs, they must be carefully considered in combination to bring a diversification benefit.

¹ We analysed the performance of a wide range of managers, from Q1 2009 to Q3 2015. We were limited to this period as the track records of many of the products began post-2008 when most DGFs were launched. We highlight therefore that the results of the quantitative analysis could be sensitive to experience given the limited data. Past performance is not a reliable indicator of future performance. Our analysis places emphasis on qualitative factors in addition to quantitative. Data is presented in GBP.

The prospects going forward

Given the 'availability of alpha' across markets (active management is a zero sum game gross of fees after all), it is the case that the average manager will destroy value after all fees are deducted. Our analysis in this case is therefore not surprising and shows that the majority of DGF managers have shown limited ability to add alpha through active management, so we struggle to believe that they will suddenly start to do so in the future. Producing alpha in any asset class is difficult enough but doing so in DGFs is arguably even tougher given the skill required to produce alpha from both stock selection and asset allocation. Consequently, without some evolution in the structure of DGFs, our view is that they will find it challenging to achieve their performance objectives if the future is an environment of depressed and volatile returns, which is broadly what Willis Towers Watson and many respected market commentators expect in the medium term. Certainly, a period of disappointing returns would not be unusual following the relatively buoyant market of the last few years.

Some DGFs face a further headwind as they try to generate returns – the popularity of DGFs has led to many of them becoming very large, introducing capacity issues and thus further reducing their ability to add returns through being active.

While investors have experienced a good ride with DGFs since 2008, we expect that the returns from many products are likely to disappoint in the medium term.

Continued evolution of DGFs

The universe of DGFs continues to expand at pace. We have witnessed that with increased product proliferation has come a deterioration in average quality and a deviation from the original DGF agenda. However, some astute and innovative managers are looking to find better and more efficient ways of doing things and making improvements on the earlier versions of the DGF. Some of these improvements are discussed below.

Smart beta

Some DGF managers are of the opinion that they can enhance their future performance through using smart beta. We support this view; there are some excellent managers who run products that are priced closer to passive products but generate systematic returns closer to what would be expected from skilled active managers.

However, our main concerns on the feasibility of this option for DGF managers are:

- Very few DGF managers have credible smart beta capabilities. Although many can implement smart beta in traditional asset classes such as equities and bonds, this adds limited diversity and only improves risk-adjusted returns at the margin. More impactful would be alternative smart betas; while these strategies are not fully active, they tend to be quite niche and often about sourcing advantages, and thus not many managers have the full capabilities in-house to implement them successfully.
- Their external fund due diligence teams are generally very small, which limits their ability to work with third-party experts in this field, as would be necessary given the point above.
- Very few price the smart beta in their DGFs at the low level that the market demands for stand-alone smart beta funds.
- The smart beta approach can simply be a more efficient way of harnessing a return driver derived from market beta and this might not be attractive to investors who wish to limit beta exposure in the first place. This is a real challenge for DGFs using smart beta equity strategies only.

Smart beta is a term used to refer to a group of investment factors that can be managed systematically to generate a sometimes significant proportion of active manager returns in various asset classes.

Alternative investments (illiquid)

Some DGFs use illiquid alternatives (such as private equity, and direct property and infrastructure), and consider it another route to generate more alpha in the future. This is in addition to more liquid alternative strategies such as hedge funds which they have been employing. In general we welcome this – our research showed that these can improve portfolio returns, especially when returns are adjusted for risk. But investors need to be aware that this can present a liquidity mismatch for DGFs, which offer daily dealing to investors, as most do. In addition, it is unlikely that the DGF manager will be best-in-class in this field, so again their lack of a credible external fund due diligence team is a drawback.

We advocate the use of alternative smart betas in DGF portfolios, but not many managers have the requisite skills in-house to implement such strategies and their external fund due diligence teams lack the depth to find and work with third-party experts.



Further considerations

Risk control

In many (some would say most) DGFs, risk controls have not been sufficiently incorporated within the design of the products.

Some investors in DGFs are actively seeking downside protection, but we have found that risk management is not an explicit focus for many of the DGF portfolio managers. With a wide range of risk exposures and factors, DGFs can benefit from the sophisticated risk tools that some hedge funds and absolute return funds utilise, yet many managers appear weak in this area, thereby exposing themselves to unwanted but avoidable risks.

A further notable concern is that active risk in a traditional, liquid, actively managed DGF tends to be highly concentrated with a single person or a small team. Certainly we would not recommend any client to have all its active risk coming from, say, one macro hedge fund, and yet if you strip away the wrapper, many DGFs are running tactical asset allocation risks that can make or lose investors substantial sums. In addition, some are trading in single securities in a size that would surpass the risk limits in a portfolio of hedge funds. We do not believe that this is prudent. If investors want active risk in their DGFs, we would prefer to see diversification in the decision-making and active management process. A range of skilled internal teams or ideally an open-architecture approach (expenses allowing) are preferred solutions. However, where external products are incorporated into DGFs, we feel it is important that they have a deep and skilled external fund due diligence team. The solution of having several DGFs to address this risk might work, but if an investor has the time to find and monitor several DGFs, they may as well find other, better ways of structuring their portfolio to meet their exact investment objectives at a low cost – especially since we found high correlation of returns between DGFs.

Management fees

An important factor for any investor is whether the investment provides value for money, that is, are the fees charged commensurate with the expected (risk-adjusted) returns. Our view is that the fees charged by the traditional, liquid, actively managed DGFs are too high. We believe many DGFs have created the illusion that their insights and active management are valuable, whereas so far most have only delivered market beta (which is almost freely available) through long-term strategic asset allocation. If managers lowered their fees, the products would have a better chance of delivering closer to their targets in future. Encouragingly, there has been a recent trend in managers reducing fees to some extent, particularly in the UK to meet DC pension fund fee caps. Even at the current ranges, most fees and expenses are not justified given what DGFs will likely deliver (total expense ratios of 50-120 bps typically for liquid, actively managed DGFs).

If managers lowered their fees, the products would have a better chance of delivering closer to their targets in future.

What are the best solutions within the multi-asset framework for investors?

We are supportive of managers thinking in a more outcome-oriented way rather than being too benchmark-driven. To this end, we view the creation of some DGF-type products as positive in principle.

However, we do not believe that all investment eggs should be placed in one basket, or risk bucket. Allowing a single manager to have responsibility for the risk in an asset owner's entire portfolio is unwise. We recommend diversification, not just in asset classes but across the different sources of return, including skill or alpha generation.

If the investor is constrained to a single product approach, we see the first step as considering an index-tracking implementation DGF, which aims to deliver only the strategic asset allocation capability. This resonates with the results of our analysis which found that, in most cases, active management has not added alpha (but has added cost). Clearly, this strategy is limited to the index universe, but for many investors wanting diversified beta at a low cost, this will be an adequate solution – the lack of alternative investment strategies may limit returns but will provide better liquidity, at significantly reduced costs. Investors should also be aware that such a strategy is made up entirely of macro-sensitive assets, so whilst this may be acceptable in the long term, it may not be ideal in the kind of subdued market environment expected over the next 5-10 years. These products have recently come to market and have limited track records (but do have valid back-tests). The returns have been comparable to actively managed DGFs, but are available at a fraction of the costs.

The next step for investors looking for higher returns (and with the scope to devote time understanding the risks that come with higher returns) should be to look at DGFs that include alternative smart beta options, although bearing in mind the concerns raised earlier about the capability of DGF managers in this area. These can improve the efficiency of a DGF, allowing it to capture a greater range of return drivers and market risk premia, as well as reduce volatility.

For investors that are particularly interested in downside protection, we have identified some of the more absolute return-focused DGFs that have an emphasis on reducing the volatility of the overall portfolio and limiting the equity beta. However, they are relatively expensive, given their exposure-constraining mandates.

If an investor can accept a less liquid strategy, our preference would be a truly multi-asset portfolio that covers the full spectrum of alternative asset classes.

Moreover, to achieve genuinely differentiated and diverse manager skill and asset allocation, we believe that a multi-manager approach that makes extensive use of best-in-class managers in each space is the optimal solution for investors. Whilst this route may often appear more expensive at first glance, on further analysis it can often be far less expensive in terms of fees as a proportion of true alpha.

Ultimately, the best solution for multi-asset investors will depend on their investment beliefs and objectives, taking into account factors such as diversification, risk control, liquidity and value for money.

Investors should consider an index-tracking implementation DGF, which aims to deliver only the strategic asset allocation capability and to further complement with high quality alternative smart betas which can provide extra diversity in the return drivers at a low cost.



Conclusion

The DGF market has evolved from being an improved one-stop-shop solution over traditional balanced portfolios (measured by Sharpe ratios) to a huge market where many asset managers are capitalising on the popularity of the products to launch further products with little differentiation.

While investors have experienced a good ride with DGFs since 2008, benefiting from strong equity and bond markets in a low volatility environment, we expect that the returns from many products are likely to disappoint in the future. Not only have the managers of most (not all) funds exhibited low skill in tactical asset allocation, but many have also destroyed value in their attempts to deliver alpha through idiosyncratic trading. In a world of more moderate returns, which we expect for the medium term, we fear that many DGF managers will be shown to have limited skill.

In such an environment of subdued investment markets, managers would need to look to strategies that capture a diverse range of return drivers and market risk premia, but we have found that many DGF managers do not have sufficient expertise internally across this diverse spectrum of assets.

Furthermore, some of those managers whose funds have been popular are having to cope with the burden of increasing assets under management, which makes the task of adding alpha even harder. On top of all of this, many DGFs have high fees and significant expenses, making them poor value and even less likely to give investors good returns.

In light of the limitations above, DGF investors need to consider their options very carefully as they seek to balance the often conflicting objectives of achieving optimal risk-adjusted returns and doing so within reasonable costs. In this regard, we suggest that investors consider innovative DGFs that offer one, or a combination, of the following:

- A focus on strategic asset allocation with index-tracking implementation to provide diversified beta at a low cost.
- High quality, alternative smart betas to provide extra diversity in the return drivers at a cost significantly lower than achievable through other approaches like hedge fund strategies.
- Genuinely differentiated and diverse manager skill and asset allocation (at an appropriate cost), through:
 - broad strategy exposures;
 - less liquid alternative strategies, including hedge funds and private market funds where appropriate;
 - the use of multiple specialist managers to capture the capabilities of the strongest players in each field.

When pondering their options in this saturated DGF market, investors should venture beyond the seemingly obvious solutions and ask themselves: is there a better way?

Appendix

Further analysis

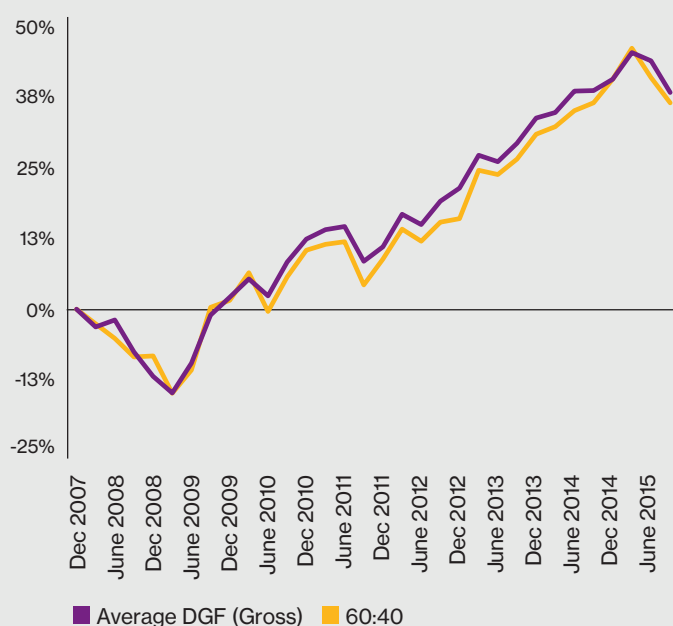
Absolute returns and market betas

First, let us compare returns of DGFs to a traditional balanced portfolio (60% allocation to global equities and 40% allocation to global bonds) since January 2009:

- Mean returns have only been in line, despite general expectations that DGFs would outperform given the additional tools DGF managers have at their disposal.
- Looking only at the number of funds, 60% outperformed, however the negative skew of returns dragged down the mean.
- Dispersion of returns has been high: the mean outperforming DGF increased the return of the balanced portfolio by 28% while the mean underperforming DGF detracted 35% of the return of the balanced portfolio.
- Further, if fees were incorporated, then the average DGF has underperformed considering that DGFs tend to charge higher fees than balanced portfolios.

Figure 3 below shows how the cumulative mean DGF return has moved in line with the balanced portfolio over the period from January 2008 to September 2015.

Figure 3. Cumulative return from January 2008 to September 2015 (GBP)

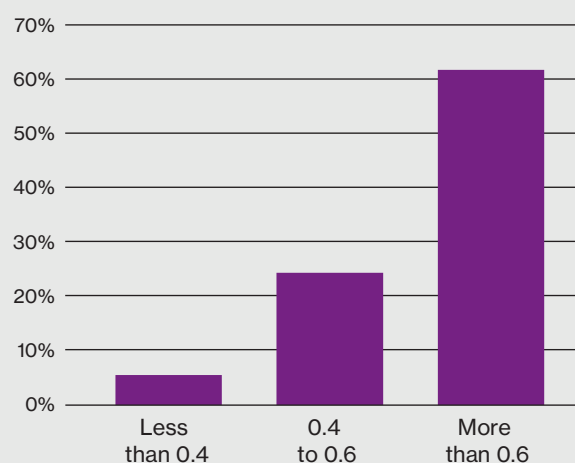


Source: Managers, MSCI, FTSE

Furthermore, Figure 3 illustrates that the performance of the average DGF has been driven by market beta. We analysed this and found that (from January 2009 to September 2015):

- The average DGF beta against the balanced portfolio was 0.8, and as Figure 4 below shows, over 60% of the funds had a beta of 0.6 or more and only 5% had a beta below 0.4 (which we would consider appropriate for effective diversification).
- Around 90% of the variance in returns of the majority of funds can be explained by their equity and bond correlations.
- Looking at the beta to equities only, over 40% had a beta greater than 0.5.

Figure 4. Beta to the 60:40 portfolio from January 2009 to September 2015



Source: Managers, MSCI, FTSE

These levels of beta are high and indicate that DGFs are reliant on equity and credit beta to drive their returns – investors who seek diversification away from equity and credit markets when considering investing in DGFs have been disappointed by this. Moreover, exposure to market beta is cheaply available, and investors should not be paying alpha-like fees for this simple exposure.



Risk-adjusted returns

Having shown that, from an absolute performance viewpoint, DGFs have had fairly mixed returns compared to the balanced portfolio, let us compare the risk-adjusted returns through the Sharpe ratios:

- For each unit of risk, DGFs delivered slightly more returns than a balanced portfolio: the average DGF Sharpe ratio was 0.8, while that of the balanced portfolio was 0.7.
- 76% of the funds had a better Sharpe ratio than the balanced portfolio.
- Of these outperforming funds, the average Sharpe ratio was 0.9.
- 38% of DGFs improved the Sharpe ratio of the balanced portfolio by 30% or more (about one-third more return per unit of risk).

This enhancement to the risk-adjusted return of the balanced portfolio is thanks to breadth and diversification across asset classes.

Correlation of returns

Whilst DGF managers have a wide range of tools at their disposal, it was found that the correlation of returns of the funds analysed was high, on average being 0.7. This indicates that there are similarities in the broad asset allocations and implementation methods employed by competing products and so there is little benefit in investing in several DGFs. Some investors prefer to limit their exposure to a single manager, however, in such a case, the better route would be to allocate to specialist asset class or strategy managers, where possible. Below are some of the analysis results:

- **Strong diversification:** 1% of the analysed universe had a pair-wise correlation of less than 0.3.
- **Weak diversification:** 89% had a correlation of over 0.5
 - 13% between 0.5-0.6
 - 21% between 0.6-0.7
 - 25% between 0.7-0.8
 - 20% between 0.8-0.9
 - 10% over 0.9
- **Medium diversification:** 10% had a correlation between 0.3-0.5.

This correlation may reduce a little over time as DGF styles evolve, but may be hampered by copy-cat product proliferation.

Performance attribution

Now let us look more closely at what these funds do. Most multi-asset managers think of the world in macroeconomic terms and project their forward-looking views into their funds by means of asset allocation. Managers have different approaches, but typically they start with traditional asset classes and then consider the inclusion of diversifying ones to build a portfolio that reflects their long-term view. These asset class allocations can be tweaked by some managers in the hope of exploiting shorter-term opportunities. They can also look to add value by forming geographic or other biases, and through selecting active strategies. Accordingly, in our analysis we assess fund managers on all of these return drivers:

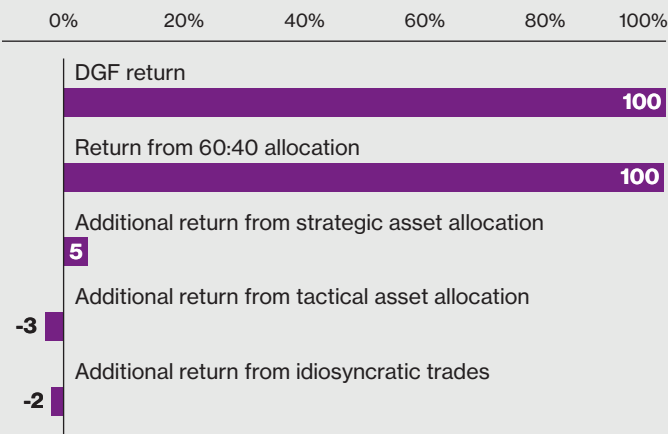
- **60:40 allocation** – return from static allocation of 60% equities, 40% bonds (this is what many investors in DGFs would have had before investing in a DGF).
- **Strategic asset allocation** – further return generated from static long-term average allocations.
- **Tactical asset allocation** – further return from short-term shifts away from strategic asset allocation.
- **Idiosyncratic trades** – further return derived predominantly from security and manager selection skill.



We looked at the universe of DGF managers to see how each of the return drivers influenced the returns. The results are presented in *Figure 5*.

The analysis shows that over a period of close to seven years, the average DGF has only managed to perform in line with a simple 60:40 equity:bond portfolio, on a gross-of-fees basis. Adding the breadth of other asset classes to get to the long-term strategic asset allocation has positively contributed to returns. However, the tactical asset allocation decisions in DGFs, as well as the idiosyncratic trading, have detracted from returns on average. Therefore, our quantitative analysis supports our view that the return achieved by the average DGF manager comes primarily from equity and bond betas as well as strategic asset allocation to diversifying assets, and less from opportunistic trading or manager skill.

Figure 5. Deconstructing the mean gross DGF return stream from January 2009 to September 2015



Source: Managers, MSCI, FTSE, Bank of America Merrill Lynch, Hedge Fund Research, S&P, Citigroup, Office for National Statistics

Distribution of returns

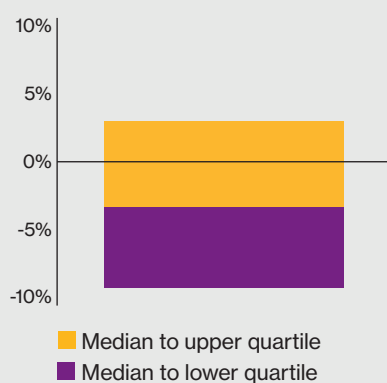
We note that the analysis above is an average across our wide sample and that on average, DGFs managed to deliver positive additional return from their long-term strategic allocations, although this only came from half of the managers considered. Additionally, there were some DGFs which added returns through tactical asset allocation and idiosyncratic trading.

We now look at the range of results for the latter two factors which on average detracted value. After removing the extreme values and looking at the range between the upper quartile and the lower quartile, a clearer picture of the distribution emerges, as shown in *Figure 6a* and *Figure 6b*.

Two-thirds of the funds in the universe destroyed value through tactically moving the asset allocation and 40% lost money through idiosyncratic trades. The negative skew on the additional returns from the tactical asset allocation implies that the managers are not able to time their investments well, and even the better ones are not adding much value. Similarly, the distribution of idiosyncratic trades has a negative skew which implies that the overall DGF universe is also not adding value through stock selection. It therefore appears that actively moving the allocations around is not advantageous to having a passive asset allocation.

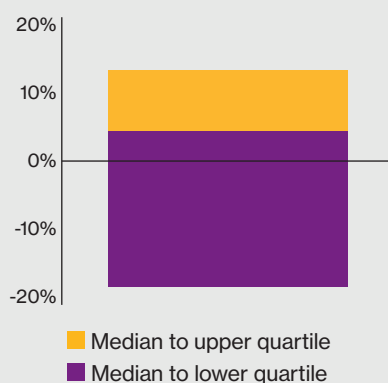
The analysis shows that over a period of close to seven years, the average DGF has only managed to perform in line with a simple 60:40 equity:bond portfolio, on a gross-of-fees basis.

Figure 6a. **Inter-quartile range of additional returns from tactically moving the asset allocation, as a proportion of absolute return**

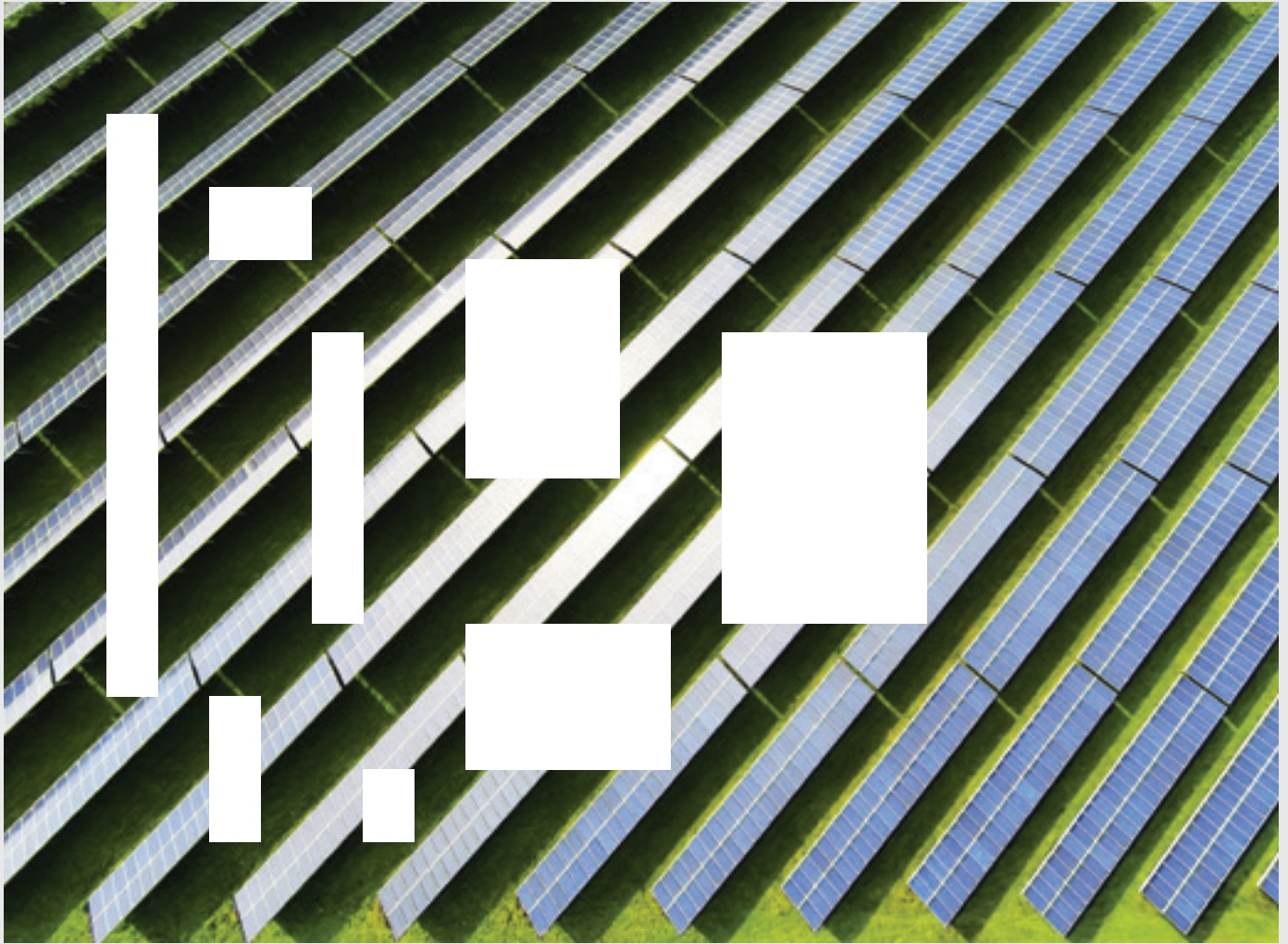


Source: Managers, MSCI, FTSE, Bank of America Merrill Lynch, Hedge Fund Research, S&P, Citigroup, Office for National Statistics

Figure 6b. **Inter-quartile range of additional returns from idiosyncratic trades, as a proportion of absolute return**



Source: Managers, MSCI, FTSE, Bank of America Merrill Lynch, Hedge Fund Research, S&P, Citigroup, Office for National Statistics



Further information

For further information, please contact your Willis Towers Watson consultant, or:

Sara Rejal

+44 20 7170 2645

sara.rejal@willistowerswatson.com

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Willis Towers Watson
71 High Holborn
London
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