



Standard Life Ireland MyFolio funds

Strategic Asset Allocation changes
March 2021

Standard Life

There's a lot to look forward to



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Strategic Asset Allocation changes

Aberdeen Standard Investments (ASI), formally review the Strategic Asset Allocation (SAA) for all the MyFolio funds on an annual basis and consider whether any asset changes are required.

The key consideration is to ensure the expected overall risk to which investors are exposed does not significantly vary over time, whilst also aiming to optimise returns at each risk level.

At the most recent review, it was concluded that a modest change in asset allocation would improve the prospects for long-term, risk-adjusted returns relative to those based on the previous strategic mix. Therefore some changes were implemented across the MyFolio funds in March 2020.

Overview[^]

The risk, reward and correlations between assets classes can change over time. Within MyFolio, it is important to understand what this means for the future risk-adjusted returns of the core asset classes used. At the last review at the end of 2019, Aberdeen Standard Investments decided to continue with the same spread of asset classes and to maintain the same asset weightings as they did not believe there was any material benefit to be had from adjusting the asset class exposures agreed at the previous review.

The 2021 review has concluded that with all that has happened in 2020 the 10 year outlook for markets has changed sufficiently to justify some asset allocation changes to the portfolios.

Key asset allocation changes

Defensive assets

- Reduction in Corporate Bonds
- Increase in Government Bonds

Growth assets

- Increase in US equities
- Smaller increases to Asia-Pacific and Emerging Market equities
- Reduction in Global REITs
- Reduction in Emerging Market Local Currency Bonds
- Reduction in UK equities
- Reduction in Japanese equities
- Reduction in diversifying growth assets in MyFolio Active

[^]Source: Aberdeen Standard Investments, March 2021

Reasons for key changes in defensive assets?

A reduction in European Bonds (Risk level I to IV) and Global Corporate Bonds (Levels I and II) – both Euro hedged. Corporate bonds remain an important asset class but the MyFolio Team reduced exposure to improve diversification within the defensive element of the portfolios, particularly at lower risk levels. The severe market sell-off experienced in March 2020 provided evidence that historically low yields and reduced liquidity dampen the protective qualities of the asset class.

Increase in Government Bonds (Risk level I to III). Although yields are low, government bonds continue to provide effective insulation from periods of equity market stress. A period of rising yields provided an opportunity to moderately increase exposure to an important diversifying asset.

Reasons for key changes in growth assets?

Increase in US equities across all risk levels. This is noteworthy move from the European bias which the MyFolio Range has held since its launch. While US equities are not as attractive as other major equity markets based on Aberdeen Standard Investments' long-term expected return forecasts, the composition of the market – particularly its technology bias – there are scenarios where it continues to outperform. The SAA adjustment is to ensure that the portfolios are approximately positioned should these transpire. This higher return outlook for non-US equity markets underscores the benefits of a globally balanced and diverse equity strategy in multi-asset portfolios.

A decrease in UK equities (Risk level I and II). UK equities remain one of the most attractive asset classes from a valuation perspective, but following a period of improved performance from both the equity market and currency, the MyFolio Team moderated the size of the position.

Smaller increases to Asia-Pacific and Emerging Market equities (Risk Level I to V) Emerging market equities have endured a torrid decade of performance, but now offer strong growth potential and attractive valuations. Aberdeen Standard Investments expect Asian equities to deliver attractive returns in 2021 given the current containment of COVID-19 in large parts of the region and the ongoing robust economic recovery in China. As valuations appear to have already largely priced in good economic prospects, a continued recovery in earnings will be key to drive the market higher. The broader economic recovery and strong growth from the technology segment should prove supportive for earnings. Aberdeen Standard Investments' 10 year forecast sees Emerging Market equities offering returns on par with Global Equities albeit with more risk.

A decrease in Global REITs (Risk Level I to V). In the midst of heightened uncertainty for global property markets, the MyFolio Team believed it prudent to reduce property exposure in favour of broadly diversified equity markets.

Japanese equity reduction (Risk level II to V). Despite Aberdeen Standard Investments' expectation of Asian equities to deliver attractive returns in 2021, Japan is one of their least favoured equity markets, this is largely driven by its demographic make-up and the implication for long-term growth compared to other regions.

Emerging Market Local Currency Bonds reduction (Risk level I to V). Declining bond yields has reduced the expected return from this asset class, and Aberdeen Standard Investments' long-term preference is for equities over emerging market bonds.

In MyFolio Active, the exposure to **Diversifying Growth Assets** has been reduced by circa 50% across all of the Active funds for the second consecutive year.

- The merger between Standard Life Investments and Aberdeen Asset Management has provided greater internal resource in terms of asset class forecasting and modelling, which has allowed ASI to reassess the appropriate weighting to this area in portfolios. They believe that the new weighting improves the long-term return prospects of the portfolios, whilst retaining the key attributes that has made Diversifying Growth Assets a valuable component of the portfolios.

MyFolio Active funds*

MyFolio Active I

Strategic asset allocation changes from March 2021

	MyFolio Active I		
	Previous	Current	% change
Money Market including Cash	8.0%	12.4%	4.4%
EUR Government Bonds	6.8%	8.0%	1.2%
Global Government Bonds	0.0%	0.0%	0.0%
Global Index Linked Bonds	0.0%	5.0%	5.0%
EUR Corporate Bonds	19.3%	13.4%	-5.9%
Global Corporate Bonds	14.5%	10.6%	-3.9%
Short Dated Global Corporate Bonds	7.4%	6.6%	-0.8%
Diversifying Defensive Assets	14.0%	14.0%	0.0%
Total Defensive Assets	70.0%	70.0%	0.0%
UK Equities	7.2%	2.7%	-4.5%
US Equities	2.8%	7.0%	4.2%
European Equities	5.6%	6.4%	0.8%
Japan Equities	1.7%	2.2%	0.5%
Asia Pacific Equities	1.0%	1.7%	0.7%
Emerging Market Equities	1.2%	1.7%	0.5%
Global High Yield Bonds	2.4%	2.7%	0.3%
Emerging Market Local Currency Bonds	2.7%	2.7%	0.0%
Global REITs	2.4%	1.4%	-1.0%
UK Direct Property	0.0%	0.0%	0.0%
Diversifying Growth Assets	3.0%	1.5%	-1.5%
Total Growth Assets	30.0%	30.0%	0.0%

*All MyFolio Active funds data sourced from Aberdeen Standard Investments, March 2021

MyFolio Active II

Strategic asset allocation changes from March 2021

	MyFolio Active II		
	Previous	Current	% change
Money Market including Cash	1.0%	3.2%	2.2%
EUR Government Bonds	2.0%	3.6%	1.6%
Global Government Bonds	0.0%	0.0%	0.0%
Global Index Linked Bonds	4.1%	2.7%	-1.4%
EUR Corporate Bonds	16.6%	13.3%	-3.3%
Global Corporate Bonds	12.4%	9.9%	-2.5%
Short Dated Global Corporate Bonds	3.9%	7.3%	3.4%
Diversifying Defensive Assets	10.0%	10.0%	0.0%
Total Defensive Assets	50.0%	50.0%	0.0%
UK Equities	8.3%	5.0%	-3.3%
US Equities	4.8%	12.1%	7.3%
European Equities	9.5%	10.0%	0.5%
Japan Equities	4.6%	2.8%	-1.8%
Asia Pacific Equities	2.3%	3.0%	0.7%
Emerging Market Equities	2.6%	3.0%	0.4%
Global High Yield Bonds	4.2%	4.8%	0.6%
Emerging Market Local Currency Bonds	4.5%	4.4%	-0.1%
Global REITs	4.2%	2.4%	-1.8%
UK Direct Property	0.0%	0.0%	0.0%
Diversifying Growth Assets	5.0%	2.5%	-2.5%
Total Growth Assets	50.0%	50.0%	0.0%

MyFolio Active III

Strategic asset allocation changes from March 2021

	MyFolio Active III		
	Previous	Current	% change
Money Market including Cash	1.0%	1.0%	0.0%
EUR Government Bonds	0.0%	1.3%	1.3%
Global Government Bonds	0.0%	0.0%	0.0%
Global Index Linked Bonds	0.0%	0.0%	0.0%
EUR Corporate Bonds	14.0%	6.9%	-7.1%
Global Corporate Bonds	5.0%	5.1%	0.1%
Short Dated Global Corporate Bonds	3.6%	5.7%	2.1%
Diversifying Defensive Assets	5.9%	5.0%	-0.9%
Total Defensive Assets	29.5%	25.0%	-4.5%
UK Equities	7.5%	7.5%	0.0%
US Equities	11.1%	16.7%	5.6%
European Equities	16.9%	16.9%	0.0%
Japan Equities	4.1%	4.2%	0.1%
Asia Pacific Equities	3.2%	4.7%	1.5%
Emerging Market Equities	3.2%	3.9%	0.7%
Global High Yield Bonds	5.2%	6.6%	1.4%
Emerging Market Local Currency Bonds	6.4%	7.1%	0.7%
Global REITs	5.8%	3.6%	-2.2%
UK Direct Property	0.0%	0.0%	0.0%
Diversifying Growth Assets	7.1%	3.8%	-3.3%
Total Growth Assets	70.5%	75.0%	4.5%

MyFolio Active IV

Strategic asset allocation changes from March 2021

	MyFolio Active IV		
	Previous	Current	% change
Money Market including Cash	1.0%	1.0%	0.0%
EUR Government Bonds	0.0%	0.0%	0.0%
Global Government Bonds	0.0%	0.0%	0.0%
Global Index Linked Bonds	0.0%	0.0%	0.0%
EUR Corporate Bonds	7.0%	2.2%	-4.8%
Global Corporate Bonds	0.0%	2.3%	2.3%
Short Dated Global Corporate Bonds	1.6%	2.5%	0.9%
Diversifying Defensive Assets	2.4%	2.0%	-0.4%
Total Defensive Assets	12.0%	10.0%	-2.0%
UK Equities	9.1%	10.0%	0.9%
US Equities	14.9%	21.6%	6.7%
European Equities	22.1%	23.5%	1.4%
Japan Equities	5.4%	5.2%	-0.2%
Asia Pacific Equities	4.2%	6.2%	2.0%
Emerging Market Equities	4.2%	6.2%	2.0%
Global High Yield Bonds	4.0%	4.2%	0.2%
Emerging Market Local Currency Bonds	7.9%	4.3%	-3.6%
Global REITs	7.4%	4.3%	-3.1%
UK Direct Property	0.0%	0.0%	0.0%
Diversifying Growth Assets	8.8%	4.5%	-4.3%
Total Growth Assets	88.0%	90.0%	2.0%

MyFolio Active V

Strategic asset allocation changes from March 2021

	MyFolio Active V		
	Previous	Current	% change
Money Market including Cash	1.0%	1.0%	0.0%
EUR Government Bonds	0.0%	0.0%	0.0%
Global Government Bonds	0.0%	0.0%	0.0%
Global Index Linked Bonds	0.0%	0.0%	0.0%
EUR Corporate Bonds	0.0%	0.0%	0.0%
Global Corporate Bonds	2.0%	0.0%	-2.0%
Short Dated Global Corporate Bonds	0.0%	2.0%	2.0%
Diversifying Defensive Assets	0.0%	0.0%	0.0%
Total Defensive Assets	3.0%	3.0%	0.0%
UK Equities	10.9%	11.9%	1.0%
US Equities	15.7%	24.9%	9.2%
European Equities	27.3%	25.8%	-1.5%
Japan Equities	7.2%	6.8%	-0.4%
Asia Pacific Equities	5.3%	6.6%	1.3%
Emerging Market Equities	5.3%	6.9%	1.6%
Global High Yield Bonds	1.3%	0.0%	-1.3%
Emerging Market Local Currency Bonds	5.6%	4.7%	-0.9%
Global REITs	8.7%	4.6%	-4.1%
UK Direct Property	0.0%	0.0%	0.0%
Diversifying Growth Assets	9.7%	4.8%	-4.9%
Total Growth Assets	97.0%	97.0%	0.0%

MyFolio Market funds*

MyFolio Market I

Strategic asset allocation changes from March 2021

	MyFolio Market I		
	Previous	Current	% change
Money Market including Cash	10.0%	15.6%	5.6%
EUR Government Bonds	8.5%	10.0%	1.5%
Global Government Bonds	0.0%	0.0%	0.0%
Global Index Linked Bonds	0.0%	6.3%	6.3%
EUR Corporate Bonds	24.1%	16.7%	-7.4%
Global Corporate Bonds	18.1%	13.2%	-4.9%
Short Dated Global Corporate Bonds	9.3%	8.2%	-1.1%
Total Defensive Assets	70.0%	70.0%	0.0%
UK Equities	8.0%	2.8%	-5.2%
US Equities	3.1%	7.4%	4.3%
European Equities	6.2%	6.8%	0.6%
Japan Equities	1.9%	2.3%	0.4%
Asia Pacific Equities	1.0%	1.8%	0.8%
Emerging Market Equities	1.4%	1.8%	0.4%
Global High Yield Bonds	2.7%	2.8%	0.1%
Emerging Market Local Currency Bonds	3.0%	2.8%	-0.2%
Global REITs	2.7%	1.5%	-1.2%
UK Direct Property	0.0%	0.0%	0.0%
Total Growth Assets	30.0%	30.0%	0.0%

*All MyFolio Market funds data sourced from Aberdeen Standard Investments, March 2021

MyFolio Market II

Strategic asset allocation changes from March 2021

	MyFolio Market II		
	Previous	Current	% change
Money Market including Cash	1.0%	4.0%	3.0%
EUR Government Bonds	2.5%	4.5%	2.0%
Global Government Bonds	0.0%	0.0%	0.0%
Global Index Linked Bonds	5.1%	3.4%	-1.7%
EUR Corporate Bonds	20.7%	16.6%	-4.1%
Global Corporate Bonds	15.5%	12.4%	-3.1%
Short Dated Global Corporate Bonds	5.2%	9.1%	3.9%
Total Defensive Assets	50.0%	50.0%	0.0%
UK Equities	9.3%	5.3%	-4.0%
US Equities	5.3%	12.7%	7.4%
European Equities	10.5%	10.5%	0.0%
Japan Equities	5.1%	3.0%	-2.1%
Asia Pacific Equities	2.5%	3.2%	0.7%
Emerging Market Equities	2.9%	3.2%	0.3%
Global High Yield Bonds	4.7%	5.0%	0.3%
Emerging Market Local Currency Bonds	5.0%	4.6%	-0.4%
Global REITs	4.7%	2.5%	-2.2%
UK Direct Property	0.0%	0.0%	0.0%
Total Growth Assets	50.0%	50.0%	0.0%

MyFolio Market III

Strategic asset allocation changes from March 2021

	MyFolio Market III		
	Previous	Current	% change
Money Market including Cash	1.0%	1.0%	0.0%
EUR Government Bonds	0.0%	1.6%	1.6%
Global Government Bonds	0.0%	0.0%	0.0%
Global Index Linked Bonds	0.0%	0.0%	0.0%
EUR Corporate Bonds	17.5%	8.7%	-8.8%
Global Corporate Bonds	6.2%	6.5%	0.3%
Short Dated Global Corporate Bonds	4.8%	7.2%	2.4%
Total Defensive Assets	29.5%	25.0%	-4.5%
UK Equities	8.3%	7.9%	-0.4%
US Equities	12.3%	17.6%	5.3%
European Equities	18.8%	17.9%	-0.9%
Japan Equities	4.6%	4.4%	-0.2%
Asia Pacific Equities	3.6%	4.9%	1.3%
Emerging Market Equities	3.6%	4.1%	0.5%
Global High Yield Bonds	5.8%	6.9%	1.1%
Emerging Market Local Currency Bonds	7.1%	7.5%	0.4%
Global REITs	6.4%	3.8%	-2.6%
UK Direct Property	0.0%	0.0%	0.0%
Total Growth Assets	70.5%	75.0%	4.5%

MyFolio Market IV

Strategic asset allocation changes from March 2021

	MyFolio Market IV		
	Previous	Current	% change
Money Market including Cash	1.0%	1.0%	0.0%
EUR Government Bonds	0.0%	0.0%	0.0%
Global Government Bonds	0.0%	0.0%	0.0%
Global Index Linked Bonds	0.0%	0.0%	0.0%
EUR Corporate Bonds	8.7%	2.8%	-5.9%
Global Corporate Bonds	0.0%	3.0%	3.0%
Short Dated Global Corporate Bonds	2.2%	3.2%	1.0%
Total Defensive Assets	11.9%	10.0%	-1.9%
UK Equities	10.1%	10.5%	0.4%
US Equities	16.6%	22.8%	6.2%
European Equities	24.6%	24.8%	0.2%
Japan Equities	6.0%	5.5%	-0.5%
Asia Pacific Equities	4.7%	6.5%	1.8%
Emerging Market Equities	4.7%	6.5%	1.8%
Global High Yield Bonds	4.4%	4.4%	0.0%
Emerging Market Local Currency Bonds	8.8%	4.5%	-4.3%
Global REITs	8.2%	4.5%	-3.7%
UK Direct Property	0.0%	0.0%	0.0%
Total Growth Assets	88.1%	90.0%	1.9%

MyFolio Market V

Strategic asset allocation changes from March 2021

	MyFolio Market V		
	Previous	Current	% change
Money Market including Cash	1.0%	1.0%	0.0%
EUR Government Bonds	0.0%	0.0%	0.0%
Global Government Bonds	0.0%	0.0%	0.0%
Global Index Linked Bonds	0.0%	0.0%	0.0%
EUR Corporate Bonds	0.0%	0.0%	0.0%
Global Corporate Bonds	2.0%	0.0%	-2.0%
Short Dated Global Corporate Bonds	0.0%	2.0%	2.0%
Total Defensive Assets	3.0%	3.0%	0.0%
UK Equities	12.1%	12.5%	0.4%
US Equities	17.4%	26.2%	8.8%
European Equities	30.4%	27.2%	-3.2%
Japan Equities	8.0%	7.2%	-0.8%
Asia Pacific Equities	5.9%	6.9%	1.0%
Emerging Market Equities	5.9%	7.3%	1.4%
Global High Yield Bonds	1.4%	0.0%	-1.4%
Emerging Market Local Currency Bonds	6.2%	4.9%	-1.3%
Global REITs	9.7%	4.8%	-4.9%
UK Direct Property	0.0%	0.0%	0.0%
Total Growth Assets	97.0%	97.0%	0.0%

Find out more

Talk to your financial adviser, they'll give you the information you need.
Also, you can call us or visit our website.

(01) 639 7000

Mon-Fri, 9am to 5pm. Call may be monitored and/or recorded to protect both you and us and help with our training. Call charges will vary.

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