The essentials of multi-asset investing

A beginner-friendly guide

Quilter

Suitable for retail clients.

Deciding to invest is a good first step towards meeting your financial goals. Over time, these goals may change.

Initially, you may focus on growing your money. You may then need your investments to generate an income. Or you may need to take a different level of risk. This is where the flexibility of multi-asset investing can help.

By understanding the concept of multi-asset investing, you'll be able to make informed decisions and feel more in control.

Who is this guide for?

The newcomer

I've decided I want to invest and want to understand how I can reach my goals.

The knowledge-seeker

I want to understand how my money will be invested.

The fine-tuner

I already invest but want to expand my knowledge beyond the basics.

How does multi-asset investing work? 6

Why choose multi-asset investing? 10

What we’ll cover

The basics 3 mins

What is multi-asset investing? 4

How does multi-asset investing work? 6

How to invest 7 mins

The different types of multi-asset investing 7

Active vs passive portfolios 8

The role of risk 9

Why multi-asset investing? 3 mins

Why choose multi-asset investing? 10

Three key benefits of multi-asset investing 11

What is multi-asset investing?

Multi-asset investing may sound complex. However, it's essentially when you invest across different investment types, countries, and industries (these are called asset classes). These assets are then blended into one investment portfolio.

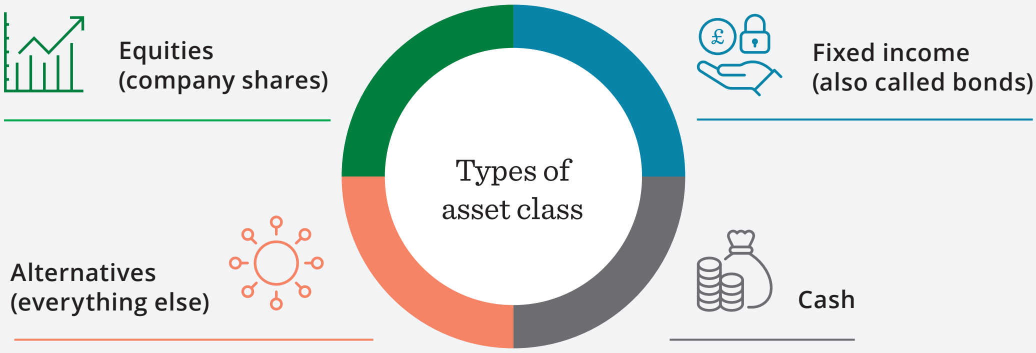
Multi-asset investing allows you to invest in a broader range of investments with greater flexibility than investing in a fund that invests in a single asset class.

By including a diverse range of investment types, multi-asset investing aims to:

- **Manage risk**
- **Improve performance**

What is an asset class?

An asset class is a group of financial assets which have similar characteristics. There are four main types of asset class:



Each asset class can be broken down further to offer a range of investment opportunities, as shown below.

Equities (company shares)	Fixed Income	Alternatives	Cash
UK equities	Government bonds	Commodities	Instant-access accounts
North American equities	Inflation-linked bonds	Infrastructure	Fixed-rate deposits
European equities	Corporate bonds	Hedge funds	Money market funds
Japanese equities	High-yield bonds	Property	
Emerging markets equities			

How does multi-asset investing work?

Your multi-asset investment needs to be managed and monitored on an ongoing basis. This is done by an expert portfolio manager on your behalf.

The portfolio manager uses their knowledge and expertise to select the appropriate investments to build a diversified investment portfolio that has the potential to maximise your returns over the long term.

Each investment portfolio will have its own investment objective. This can include:

- Being managed to a specific level of risk.
- Delivering a specific amount of income.
- Incorporating responsible investment (such as environmental or social considerations).

Diversification means not putting all your eggs in one basket – in other words, choosing a range of different investments that balance each other out.

A simple way to explain this is if you were to invest in an ice cream company and an umbrella company, you would hope that the ice cream company would do well in good weather and the umbrella company would do well in bad weather, balancing out the investment returns across the seasons.

The different types of multi-asset investing

A portfolio manager normally runs an investment portfolio in three main ways - direct investing, fund of funds, or manager of managers.

The portfolio manager can combine one or more of these types of approaches to create a portfolio with even more flexibility.

Direct investing	Fund of funds	Manager of managers
The portfolio manager blends a range of direct investments across different asset classes to produce a diversified investment portfolio. This can include investing directly in equities and bonds as well as alternative investments. Alternative investments are usually held through a specialist fund.	With a fund of funds approach, the portfolio manager aims to blend the most appropriate funds to achieve the investment objective. This can be done either by selecting funds from a single fund group, or by selecting funds from across the market to get the best opportunities in the desired asset class.	Instead of selecting funds, the portfolio manager chooses external fund managers to manage specific assets in a certain way. The external fund manager is given specific instructions outlining how the fund should be managed such as where and how it invests.

A fund is a type of investment where money from different people is pooled together to buy a variety of equities (company shares), bonds, or other investments.

Active vs passive

All multi-asset investing starts with a template for the ideal mix of assets that aims to deliver the desired returns. It establishes how much of the portfolio should be held in each asset class.

The next step is for the portfolio manager to choose which investment style - active or passive, is best suited to achieve the objective of the portfolio.

Active portfolio management

Active portfolio management means the portfolio manager 'actively' monitors and adjusts the portfolio to try and deliver the best returns in line with the portfolio's investment objectives and risk profile. This can be achieved through tactical changes to the portfolio known as tactical asset allocation.

Tactical asset allocation

Tactical asset allocation is when a portfolio manager makes short-term tactical changes to the portfolio, or to its underlying funds. The portfolio manager is aiming to either manage risk in the portfolio or capture returns.

Passive portfolio management

Passive portfolio management describes an approach where the portfolio manager does not adjust the portfolio on a regular basis. The investments are typically only rebalanced to stay within the portfolio's strategy.

A passive portfolio may also only invest in passive funds.

Sometimes called a 'set and forget' option, these types of portfolios have a fixed strategy, for example 60% in equities and 40% in bonds. The investments are typically only rebalanced to keep within that strategy.

Passively-managed portfolios tend to have lower charges. However, investors need to be prepared to weather any volatility in the markets, as the portfolio manager would not actively change the portfolio to reflect changes in the market.

What are passive funds?

Passive funds (also known as index or tracker funds) aim to **track** the performance of a benchmark index or stock market. For example, they may track an index of the UK's largest 100 companies, or the performance of a regional stock market.

This approach is different from actively managed funds where fund managers invest with the aim of **beating** a benchmark or target.

There are also actively-managed passive portfolios. While these portfolios only include 'passive' investments, the portfolio manager is still actively monitoring the portfolio and can adjust the mix of assets if needed.

The role of risk

The risk with financial markets is that your investments can go down, as well as up, particularly at times of market uncertainty.

If you are looking to take a specific level of risk to meet your objectives, some multi-asset investments offer a risk framework to help you achieve these goals.

Risk targeted

If your investment portfolio is risk-targeted it means the portfolio manager will control the amount of risk that you are exposed to.

A risk target is usually measured in terms of volatility. The risk target forms a key part of the portfolio's investment objectives, and the portfolio is continuously monitored to ensure this target is adhered to.

Risk rated

There are several independent ratings agencies who assess portfolios and then provide a risk rating against their own scale. The rating is based on information available at the time of the assessment and it could change at the next review.

Unlike a risk-targeted approach, the portfolio managers are not obliged to keep to a given risk rating. This is generally because they will be trying to beat a benchmark, which might conflict with meeting a specified risk target.

Important to know

Your appetite for risk refers to the level of investment risk (volatility) you are comfortable with. Volatility is a measure of how much an investment's value increases or decreases over a given time. If the value fluctuates a lot in a short period, hitting new highs and lows, it is described as higher risk. Investment choices are heavily influenced by your attitude to risk.

Why choose multi-asset?

Creating a portfolio of equities, bonds and funds takes time and knowledge to research and build.

Keeping up to date with all the funds available, the latest regulatory and market developments, and doing all the necessary research takes a lot of time and effort:

- In the UK alone, there are more than **2,000 funds** to choose from.
- There are thousands of offshore funds registered in places such as Luxembourg and Ireland.
- New funds are constantly being launched.

A multi-asset portfolio takes care of all these challenges for you.

Portfolio managers generally have many years of experience in navigating changing market environments and have the support of a wider investment team to seek out the best opportunities.

Three key benefits of choosing a multi-asset investment

1

✓ The hard work is done for you

Building a portfolio and then refining it and reshaping it over the years takes time, knowledge, and skill. Few personal investors have the resources to do this effectively, but a multi-asset portfolio manager uses the resources of a wider investment team to carry out these tasks.

2

✓ Your portfolio matches your risk appetite

The use of risk-targeted or risk-rated funds means you can choose a portfolio that meets your appetite for risk at each stage of your investment journey.

3

✓ Your risk is spread through diversification

A multi-asset investment portfolio can spread risk across different asset classes and help make your investment journey smoother. In addition, an actively managed portfolio can also react quickly to market events, adjusting the overall balance and helping you stay on track to achieve your financial goals.

Your next step

We are dedicated to making sure your investment journey with us is as smooth as possible. For the latest investments news, views, and portfolio information, please visit our website at ***quilter.com***

Before making any decisions, we recommend you speak to your financial adviser and get some expert advice. Your financial adviser is responsible for understanding your specific investment objectives and appetite for risk. They will work closely with you to determine the portfolio that is right for you.

If you are a financial adviser and want to find out more about our solutions, please speak to one of our investment directors on +44 (0)207 167 3700, email us at ***enquiries@quilter.com***, or visit our website at ***quilter.com.***

Need additional help reading documents?

More and more of our investors are using screen reading software as a quick and easy way to read their documentation if they are blind, partially sighted, or dyslexic. Alternatively, we can write to you in several alternative formats, such as large print, braille, audio, and OpenDyslexic font.

Find out more about screen readers, accessing your documents online, and our alternative format options at ***quilter.com/document-help.***

Important information

Past performance is not a guide to future performance and may not be repeated.

Investment involves risk. The value of investments may go down as well as up and investors may not get back the amount originally invested.

quilter.com

Published:
March 2024

Last reviewed:
April 2025