



Vanguard[®]

Vanguard UK LifeStrategy funds and A2Risk: Advisers have a deep, sensible conversation about risk.

Advisers have used Vanguard's A2Risk's attitude to risk questionnaire more than 30,000 times over five years.

Vanguard was drawn to A2Risk's academic rigor, which included surveying the UK population and mapping risk cohorts onto Vanguard's own risk descriptions

“Thanks to A2Risk tools, advisers know that Vanguard is a place they can come and have a sensible conversation about matters important to investors.”

Nick Blake, Head of European Marketing and Product, Vanguard UK

- *Vanguard desired better adviser conversations with investors covering the ‘deeper dimensions of risk’*
- *Selects A2Risk's investor risk profiling tool for multi-dimensional approach, custom mapping of risk categories to investor population*
- *Tool used for £2.2bn LifeStrategy fund range in more than 30,000 adviser conversations since 2011*

A desire for better conversations with investors and the FSA's call for investment groups to understand the 'deeper dimensions' of risk led Vanguard to partner with A2Risk to develop an investor risk tolerance tool for advisers.

LifeStrategy inflows and risk profiling

The development of the tool was also timely for Vanguard's LifeStrategy funds. Launched in 2011, LifeStrategy is a range of five risk-graded multi-asset funds with funds under management now exceeding £2bn. LifeStrategy represents 'a very significant part of inflows to Vanguard UK,' Nick Blake, Vanguard UK's Head of European Marketing and Product says.

"At the time, advisers were focusing less on investment management and more on holistic financial planning, so they were looking for a well-structured, balanced portfolio for their clients. But often the only alternatives were discretionary or very expensive fund-of-fund offerings."

Matching funds to investor risk categories

LifeStrategy was Vanguard's answer to the product 'gap' but the firm also wanted to help advisers have a meaningful conversation about risk before investing. "When we launched we really wanted to help investors understand the difference between their attitude, capacity and willingness to take investment risk," Blake says.

"We also wanted to support advisers – the then FSA had just issued a call for advisers to look beyond just attitude to risk and understand the 'deeper dimensions' of risk."

"The tools in the market felt one dimensional – just measuring the investor attitude but without the capacity for loss"

Measuring risk on multiple dimensions

Looking at existing investor risk tolerance questionnaires on the market, Vanguard decided to partner with Dr Alistair Byrne and Dr David Blake (unrelated) of A2Risk to develop its own.

"The tools in the market felt one dimensional – just measuring the investor attitude but without the capacity for loss," explains Blake.

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Providing Adviser Alpha

"Good advice, well delivered is a very valuable commodity – at Vanguard we call that Adviser Alpha. One aspect of

Adviser Alpha is being the client's risk manager, helping them achieve their required return at an acceptable level of risk. We wanted sound academic reasoning behind the questionnaire so advisers could have great risk discussions with clients."

Since adopting the tool advisers have taken more than 30,000 clients through the attitude to risk questionnaire developed by A2Risk. The tools are kept up to date with refreshed population surveys every three years

"Our partnership with A2Risk addresses the fundamentals of investor attitude to risk – which is an enduring conversation as the success of LifeStrategy shows. Thanks to A2Risk tools, advisers know that Vanguard is a place they can come and have a sensible conversation about matters important to investors."