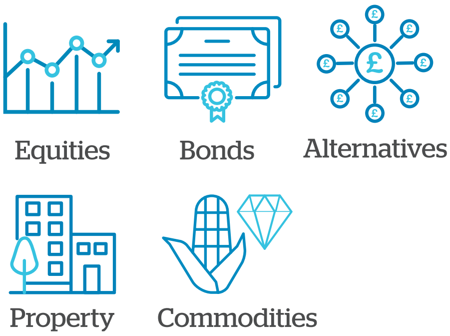
What is multi asset investing?

These educational articles are designed to help our customers' understanding of finance and investing. In this article, we discuss what it means to take a multi asset approach to building an investment portfolio.



A blend of different asset types

What does 'multi asset' mean?

An asset is anything that holds value, from bonds to buildings, and even bottles of wine! Multi asset investing means choosing to hold a number of different types of assets within your investment portfolio, rather than being limited to just one.

What asset types are available to multi asset investors?

Multi asset investors can build their portfolio using a vast range of asset types. This could include:

- Equities (company shares)
- Bonds (including company and government debt)
- Alternative assets (a diverse range of assets including hedge funds)
- Property (owned directly, or owned indirectly through investment trusts)
- Commodities (raw materials like oil, agricultural goods, and precious metals)

Why would an investor choose a multi asset approach?

The old adage warns against 'putting all your eggs in one basket'. A multi asset approach takes this to heart, spreading your investments (eggs) across a range of assets (baskets).

By blending together a mix of asset types, multi asset investors aim to participate in positive market moves whilst also reducing their potential for losses by diversifying risk across a range of asset types. Some of the investments within a multi asset portfolio will be intended to diversify risk (such as developed world government bonds), while others will be focused on driving financial returns (such as global shares).

Different types of assets, from different regions and sectors, all respond uniquely to different market conditions. As a result, a multi asset approach can also help to provide a smoother long-run investment journey, typically with lower volatility than a strategy limited to just one type of asset.

Is there variety within each asset type?

Each of the broad categories given above contains multitudes. We believe that a truly multi asset approach needs to include a keen awareness of the wealth of potential opportunities hidden beneath these headline groupings.

Understanding the different factors influencing this vast array of different 'sub' asset types can help to uncover compelling returns and spread portfolio risk more efficiently.

For example, debt market investors who focus exclusively on developed world government bonds could miss out on attractive opportunities in more niche areas like infrastructure debt or supply chain lending facilities. Similarly, investors who view wider commodity markets as little more than a proxy for the dominant oil price might bypass the potential benefits of holding gold as a means of diversifying portfolio risk.

How does Handelsbanken Asset Management buy different asset types?

We invest in different asset types in two main ways:

- Sometimes we buy assets directly, for example, by buying shares via a stock exchange or buying bonds from their issuers.
- We also often access assets via managers whose investment instruments best help us to implement our own views. This could mean that we invest in a fund of shares focused on a particular sector, geography or investment theme, or that we select a hedge fund targeting a specific area of interest.

Does one multi asset approach work for all investors?

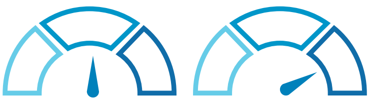
All investors have slightly different goals, and a varying appetite for taking on risk. The precise mix of assets within their portfolios should reflect these dynamics.

A very cautious investor would likely be best suited to a multi asset approach placing greater emphasis on lower risk asset types, like developed world government bonds. More pro-risk investors might prefer an asset mix with more exposure to global stock markets and specialist hedge funds. Truly adventurous investors could even be happy with an investment approach focused exclusively on shares.

Is a multi asset approach risky?

Risk can never truly be eradicated within an investment portfolio, but it can be well managed. We believe the best way of doing this is to diversify investment portfolios across a range of carefully selected holdings. Each of these assets should follow a subtly different investment journey over the long term, allowing returns above the level an investor would receive on cash alone, in exchange for taking on some risk.

It is also important to remember that risk is a core feature of investment markets, and in many ways a welcome one: without taking on some risk, there can be no potential for greater reward. Risk tolerances should always be a major point of consideration for any investor choosing their investment strategy, with the level of risk they are taking on carefully balanced against the returns they hopes to achieve.



All investments carry some form of risk

Contact

To find out more about the Handelsbanken strategies, contact us at Enquiries.hwam@handelsbanken.co.uk or visit www.wealthandasset.handelsbanken.co.uk

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