

AN INTRODUCTION TO THE MANAGED PORTFOLIO INDICES (MPI) A STEP MEMBER SERVICE

MPI is available as a STEP Member Service and is distributed free to STEP members. Its core aim is to bring about transparency and a commonality of language between the trustee and discretionary investment management professions with regard to communicating investment risk and understanding investment returns. The MPI indices are truly objective as they provide guidance as to whether the manager has performed in line with other managers in their peer group who are employing similar amounts of risk to achieve returns.

The indices have been designed to be used as performance benchmarks by STEP Members through the use of clearly defined risk parameters, naturally aligned to a fiduciary's role. These are maximum drawdown and volatility, using an averaged measure of standard deviation.

The indices are produced in GBP, EUR and USD with three risk levels.

LOW RISK Suitable for risk averse investors, with potentially a shorter-term investment horizon of 3 years or less. Portfolios within this risk profile should exhibit annualised volatility of below 5% and should not suffer a drawdown of more than 10%.

MEDIUM RISK Suitable for medium risk investors, with potentially a medium-term investment horizon of between 3 and 10 years. Portfolios within this risk profile should exhibit annualised volatility between 5% and 8% and should not suffer a drawdown of more than 20%.

HIGHER RISK Suitable for higher risk investors, with potentially a longer-term investment horizon in excess of 10 years. Portfolios within this risk profile should exhibit annualised volatility of more than 8% and may suffer a drawdown of more than 20%.

The service is independent and free for STEP Members and Private Client Practitioners. Crucially the service will not make recommendations about the providers of investment services.

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