

# Notice of Changes to SPW Solution Funds

Revision of the composite benchmarks  
 Adoption of a new Responsible Investment Policy  
 Revision of the current fund fee cap

## Changes to the Composite Benchmarks of the Solution Funds

### What are we doing?

We are changing the composite benchmarks for the Solution Funds as set out below.

Fund	Current Composite Benchmark	New Composite Benchmark
SPW Cautious Solution	6.9% MSCI North America (Net Total Return) index, 1.5% MSCI Europe ex UK (Net Total Return) index, 0.8% MSCI Japan (Net Total Return) index, 0.9% MSCI AC Asia Pacific ex Japan (Net Total Return) index, 0.9% MSCI Emerging Markets (Net Total Return) index, 5% MSCI UK IMI (Gross Total Return) index, 13% Bloomberg Global Treasury Value GBP Hedged index, 46% Bloomberg Global Aggregate Corporate Value GBP Hedged index, 4% Bloomberg Global High Yield Corporate Value GBP Hedged index, 4% Bloomberg Emerging Market Debt Value GBP Hedged index, 4% MSCI World IMI Core Real Estate (Net Total Return) index, 7% SONIA plus 2%, 4% SONIA and 2% Bloomberg Commodity Total Return index	25.5% MSCI ACWI ex UK GBP (Total Return), 4.5% MSCI UK IMI (Gross Total Return) index, 18% Bloomberg Barclays Global Aggregate Treasury (Total Return) GBP Hedged index, 8% Bloomberg Barclays Global Aggregate Corporate (Total Return) GBP Hedged index, 3.5% Bloomberg Barclays Global High Yield Corporate (Total Return) GBP Hedged index, 26.5% Bloomberg Barclays Global Aggregate Treasury Value 1-5 Years (Total Return) GBP Hedged Index, 12% Bloomberg Barclays Global Aggregate Corporate Value 1-5 Years (Total Return) GBP Hedged Index, and 2% SONIA

Fund	Current Composite Benchmark	New Composite Benchmark
SPW Discovery Solution	13.2% MSCI North America (Net Total Return) index, 2.9% MSCI Europe ex UK (Net Total Return) index, 1.5% MSCI Japan (Net Total Return) index, 1.7% MSCI AC Asia Pacific ex Japan (Net Total Return) index, 1.7% MSCI Emerging Markets (Net Total Return) index, 9% MSCI UK IMI (Gross Total Return) index, 10% Bloomberg Global Treasury Value GBP Hedged index, 36% Bloomberg Global Aggregate Corporate Value GBP Hedged index, 3.5% Bloomberg Global High Yield Corporate Value GBP Hedged index, 3.5% Bloomberg Emerging Market Debt Value GBP Hedged index, 4% MSCI World IMI Core Real Estate (Net Total Return) Index, 7% SONIA plus 2%, 4% SONIA and 2% Bloomberg Commodity Total Return index	38% MSCI ACWI ex UK GBP (Total Return), 7% MSCI UK IMI (Gross Total Return) index, 17% Bloomberg Barclays Global Aggregate Treasury (Total Return) GBP Hedged index, 8% Bloomberg Barclays Global Aggregate Corporate (Total Return) GBP Hedged index, 3% Bloomberg Barclays Global High Yield Corporate (Total Return) GBP Hedged index, 17% Bloomberg Barclays Global Aggregate Treasury Value 1-5 Years (Total Return) GBP Hedged Index, 8% Bloomberg Barclays Global Aggregate Corporate Value 1-5 Years (Total Return) GBP Hedged Index, and 2% SONIA
SPW Balanced Solution	19.5% MSCI North America (Net Total Return) index, 4.3% MSCI Europe ex UK (Net Total Return) index, 2.2% MSCI Japan (Net Total Return) index, 2.5% MSCI AC Asia Pacific ex Japan (Net Total Return) index, 2.5% MSCI Emerging Markets (Net Total Return) index, 14% MSCI UK IMI (Gross Total Return) index, 7% Bloomberg Global Treasury Value GBP Hedged index, 26% Bloomberg Global Aggregate Corporate Value GBP Hedged index, 2.5% Bloomberg Global High Yield Corporate Value GBP Hedged index, 2.5% Bloomberg Emerging Market Debt Value GBP Hedged index, 4% MSCI World IMI Core Real Estate (Net Total Return) index, 6% SONIA plus 2%, 4% SONIA and 3% Bloomberg Commodity Total Return index.	51% MSCI ACWI ex UK GBP (Total Return), 9% MSCI UK IMI (Gross Total Return) index, 12.5% Bloomberg Barclays Global Aggregate Treasury (Total Return) GBP Hedged index, 5.5% Bloomberg Barclays Global Aggregate Corporate (Total Return) GBP Hedged index, 2% Bloomberg Barclays Global High Yield Corporate (Total Return) GBP Hedged index, 12.5% Bloomberg Barclays Global Aggregate Treasury Value 1-5 Years (Total Return) GBP Hedged Index, 5.5% Bloomberg Barclays Global Aggregate Corporate Value 1-5 Years (Total Return) GBP Hedged Index, and 2% SONIA

Fund	Current Composite Benchmark	New Composite Benchmark
SPW Dynamic Solution	33.5% MSCI North America (Net Total Return) index, 7.3% MSCI Europe ex UK (Net Total Return) index, 3.8% MSCI Japan (Net Total Return) index, 4.2% MSCI AC Asia Pacific ex Japan (Net Total Return) index, 4.2% MSCI Emerging Markets (Net Total Return) index, 23% MSCI UK IMI (Gross Total Return) index, 2% Bloomberg Global Treasury Value GBP Hedged index, 8% Bloomberg Global Aggregate Corporate Value GBP Hedged index, 1% Bloomberg Global High Yield Corporate Value GBP Hedged index, 1% Bloomberg Emerging Market Debt Value GBP Hedged index, 5% MSCI World IMI Core Real Estate (Net Total Return) index, 4% SONIA and 3% Bloomberg Commodity Total Return index.	68% MSCI ACWI ex UK GBP (Total Return), 12% MSCI UK IMI (Gross Total Return) index, 11% Bloomberg Barclays Global Aggregate Treasury (Total Return) GBP Hedged index, 4% Bloomberg Barclays Global Aggregate Corporate (Total Return) GBP Hedged index, 1% Bloomberg Barclays Global High Yield Corporate (Total Return) GBP Hedged index, 1% Bloomberg Barclays Global Aggregate Treasury Value 1-5 Years (Total Return) GBP Hedged Index, 1% Bloomberg Barclays Global Aggregate Corporate Value 1-5 Years (Total Return) GBP Hedged Index, and 2% SONIA

### Why are we doing it?

The changes follow the review of the ACD's Strategic Asset Allocation Models ('SAA'). These models represents the ACD's view of the allocations to assets that should achieve the best risk adjusted returns for investors over the long term. Allocation models are developed for differing levels of investment risk. The revised composite benchmarks reflect increased granularity in bond allocations and the amalgamation of the regional equity allocations into a single global (ex-UK) equity allocation.

The ACD would expect to review the SAA annually. Allocations can change, however, given its long term outlook, material revisions would not be expected occur frequently.

### When will it happen?

The change to the composite benchmarks will take place on 1<sup>st</sup> October 2024.

### Will the Solutions Funds' Investment Objectives and Policies change?

Yes. The Investment Objectives will change to reflect the revised composite benchmarks. Other than in relation to the adoption of a new Responsible Investment Policy as discussed below, Investment Policy will change only in relation to the SPW Discovery Solution where, to maintain an appropriate level of investment flexibility, it is proposed that, linked to the increased allocation to equities in the benchmark, the maximum level of investment in equities and equity related securities in the Fund is increased from 50% to 55%. The expected reduction in the allocation to interest bearing assets (to below 60% of its assets) will change the nature of the distributions paid by the Fund (see below).

### Will costs be incurred in the transition of the fund portfolios?

Although the Solution Funds are not limited to investing in accordance with the composition of the composite benchmark, some limited transitional activity is expected as the Investment Adviser seeks to gain exposures to differing asset classes (represented by newly added composite benchmark components). In this context, some trading costs will be incurred – including fund dilution costs, market spreads, broker commissions and transaction related taxes. These costs will be borne by the relevant fund.

As at 25<sup>th</sup> June 2024, the portfolio transition costs (as a percentage of the fund value) were estimated to be around 0.02% (of the assets) for each fund.

### Will the UK tax status of the Solution Funds change as a result of the change to the asset allocations?

Other than in relation to the SPW Discovery Solution, the tax status of the funds will not change. In relation to the SPW Discovery Solution, the planned reduced allocation to interest bearing assets under the new SAA will result in the status of the fund changing to an Equity Fund. The ACD therefore expects that distributions paid in relation to accounting periods ending after 31<sup>st</sup> October 2024 will be dividend distributions (rather than interest distributions). If you are in any doubt about the implications of this change on your tax position, you should consult a professional tax adviser.

## Adoption of a new Responsible Investment Policy

The ACD has reviewed its approach to responsible investing and on 1<sup>st</sup> October 2024 we are adopting a new Scottish Widows Schroder Personal Wealth (ACD) Limited - Responsible Investment Policy. The new policy will apply to all the funds.

The SPW Responsible Investment Policy sets out:

### *Exclusions/Restrictions*

The Investment Advisor is expected to broadly consider ESG characteristics in the investment selection process and there are a number of specific asset exclusions in which the Fund will not make an investment. Current exclusions include companies with revenue exposure to controversial weapons (cluster munitions, antipersonnel mines, chemical, and biological weapons) and thermal coal securities (companies that derive more than 20% of their revenues from thermal coal mining). The exclusionary restrictions only apply to direct investment and/or investment in collective investment schemes (CIS) managed or operated by the ACD.

### *Funds - ESG Assessment*

The ACD will undertake a firm-level assessment of the CIS parent company using a proprietary scoring process developed by the Investment Advisor to grade the investment management manager's ESG profile. The assessment considers five matters split across various categories each with a weighting that contributes towards the firm's overall ESG score. The categories and weightings as at the date of this Prospectus are as follows:

- **Credentials** (15%) – review of how long the firm has been practicing sustainable/responsible investment and its commitment to industry ESG initiatives (for example, UN Principles for Responsible Investment and UK Stewardship Code) .
- **Culture** (20%) – assessment of the culture of the firm as it relates to ESG integration and the proportion of assets that are managed in a ‘responsible’ manner.
- **Capabilities** (15%) – appraisal of the level of ESG integration and the level of ESG resource (in-house and/or external).
- **Engagement** (20%) – evaluating how the firm engages and tracks progress on ESG issues.
- **Voting** (30%) – assessment of the firm’s voting policy on ESG matters.

The assessment uses a five-point scale (1 to 5, with 5 being the best) with an overall score calculated based on the weighted sum of all categories. The Fund will not invest in any CIS that falls below average (i.e. where it is scored 1 or 2). Assessments will be subject to annual reviews and if a CIS is found to have a below average firm level score, then the Investment Advisor will have three months to divest the Fund, subject to operational constraints.

The ACD will undertake a firm-level assessment of the CIS parent company using a proprietary scoring process developed by the Investment Advisor to grade the investment manager’s ESG profile. The assessment has a broad array of questions split across various categories. Each category has a weighting that contributes towards the firm’s overall ESG score. The assessment uses a five-point scale (1 to 5, with 5 being the best) with an overall score calculated based on the weighted sum of all categories. The Fund will not invest in any CIS that falls below average (i.e. where it is scored 1 or 2).

Assessments will be subject to annual reviews and if a CIS is found to have a below average firm level score, then the Investment Advisor will have three months to divest the Fund, subject to operational constraints.

### *Engagement and Stewardship*

The Investment Advisor is expected to engage with the companies in which they invest, particularly where ESG factors relating to that company can be improved. The Investment

Advisor will periodically produce an engagement report which will detail the engagement activity which has occurred within the Fund.

### *Monitoring and Oversight*

The ACD expects the Investment Advisor to follow the UK Stewardship Codes to engage with the companies and/or CIS (as appropriate) in which the Fund invests to improve ESG performance. The ACD will monitor the Fund to ensure that the Responsible Investment Policy is implemented appropriately.

The Policy is available on spw.com. The policy will be updated from time to time and will be reviewed at least annually.

### *What is the impact on the Investment Policy of the funds?*

The introduction of the SPW Responsible Investment Policy will result in the removal of ESG related matters from the Investment Policy of the funds. The Prospectus will instead direct investors to the SPW Responsible Investment Policy, in which the new requirements are stated.

The transition from the existing approach to adoption of the new SPW Responsible Investment Policy is expected to have minimal impact on the fund portfolios.

## Changes to the Solution Funds fee structure

### What are we doing?

In order to standardise and simplify the fee structures across our Funds, we are removing the discretionary cap (of 0.02%) currently applied by the ACD in respect of the expenses allocated to the Solutions Funds (other than the annual management charge and dealing costs).

### How does this change effect the charges of the fund?

As at the 5<sup>th</sup> July 2024, the impact (in terms of increased costs) on the Solutions Funds is estimated to be between 0.01% to 0.02%.

### When will it happen?

With effect from 1<sup>st</sup> October 2024.

If you have any questions about these changes, please contact your financial adviser or call our Customer Services Centre on +44 (0) 344 822 8910. Please be aware that the Customer Services Centre cannot give investment advice

Please contact us if you'd like this information in an alternative format such as Braille, large print or audio.