BERENBERG

PARTNERSHIP SINCE 1590

BERENBERG PROTECTED EQUITIES

Invest in global equities with managed risk

Providing pension funds and their members with a solution to and through retirement.

* For professional investors in the UK only.

Our solution

We invest in global equities while aiming to reduce downside risk – using options.

The downside protection can allow investors to invest more, or for longer, in return-generating assets.

Compared with equities, we expect the strategy to have lower risk, with the potential to benefit from equity markets.

It is not about "timing the market", but rather **"time in the market"**.

Key advantages

- Higher predictability of outcomes
- Helps achieve equity exposure for longer
- Diversification by design
- Multiple protection levels available

Our investment approach: systematic, transparent, liquid

There are two elements to our portfolio: the equity portfolio and the protection element.

1 Equity portfolio

Universe

Global equities – following a systematic tracking approach to the MSCI World Climate Change Index for example

Portfolio construction

Our approach allows us to get the exposure to the index with low tracking error by investing in the stocks that contribute most to meeting the characteristics to the index

Portfolio management

Portfolio rebalanced regularly to minimise tracking error and to reflect changes in the index

2 Protection element

How?

Systematic use of exchange-listed options

- Purchasing of put options to protect against drawdowns
- Selling of call options to help finance the protection

Attributes

Reshapes the risk-return profile of equities

- Aims to reduce downside risk
- Aims to maintain attractive returns

Cost efficient and liquid – minimises transaction costs

We do not use signals or triggers: the protection is in place at all times

- Critical to protect against sudden and extreme events to which is it not possible to react ("gap risks")

How do we expect the strategy to behave in different market environments?

Rising equity markets

- The higher the equity returns, the higher the returns of the strategy

Flat equity markets

- Performance is expected to be in line with equities

Falling equity markets

- In general, the larger and faster the losses in equity markets, the better the performance relative to equities

Key feature:
Choice of protection level

The strategy is designed to provide investors with a range of protection levels. This enables investors to have the appropriate risk and return characteristics for them at any given stage, as illustrated on the right.

DGF alternative and complement to equities. Designed specifically to protect against extreme equity market downturns.

Aimed as a bond complement but with the aim to achieve higher returns.

Catering for different levels of protection

Who does it work for and how?

1 Version 1
High protection
"Bond Alternative"

Compared to equities, the share class is expected to have lower risk with the potential to provide higher returns than global bonds.

Aims to:

- limit maximum drawdowns
- keep volatility under 10 % on an annual basis
- allow equity market upside of around 3 % per month

2 Version 2
Tail risk protection
"DGF Alternative"

Compared to equities, this share class is expected to have lower risk, with the potential to provide higher returns than equities over whole market cycles.

Aims to:

- limit maximum drawdowns to less than 20 % on an annual basis
- exhibit volatility of around 10–15 % on an annual basis
- participate 90–100 % in positive equity market returns
- provide higher risk-adjusted returns than equities

What are the expected risks and opportunities of this strategy?

Opportunities

- The strategy of equities combined with options enables participation in the upside potential of selected equity markets
- The strategy has a focus on providing downside protection in falling markets
- The investor can benefit from attractive risk-adjusted returns
- The strategy can be customised to meet the individual needs of investors

Risks

- The prices of the assets are subject to daily fluctuations and may also decrease
- The performance depends on the general development of the capital market
- The targeted reduction in solvency capital ratio requirements cannot be guaranteed
- The reduction of the equity risk is partly financed by the purchase of call options. In strongly rising stock markets, the performance participation of the strategy may be limited

In conclusion:

Having downside protection allows you to be invested more for longer. The road to prosperity is not always smooth. There will be bumps, twists, and turns, but with this strategy, you will be well-equipped to navigate them.

BERENBERG
PARTNERSHIP SINCE 1590

BERENBERG PROTECTED EQUITIES

Invest in global equities with managed risk

Our ESG and climate change approach

The companies in the portfolio are from the MSCI World Climate Change Index which is designed to take into account the risks and opportunities of the transition to a low-carbon economy.

Why Berenberg?

Stability
Founded in 1590

Accountability
Private partnership, unlimited personal liability

Culture
Risk management, equities and sustainable investment DNA

Contact us

Steven Gardner
Head of Asset Management
Sales & Client Relations UK
steven.gardner@berenberg.com