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# Attivo Investments Bitesize Benchmarks

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# What Are Benchmarks & Why Do They Matter?

## Purpose:

- Benchmarks give a reference point to measure investment performance.
- They help assess whether a model is delivering as expected—relative to risk, peers, or objectives.

## Types of Benchmarks:

- IA Sectors – industry-standard, familiar to planners.
- ARC Indices – real-world, risk-based peer return data.
- Peer Comparison – performance vs other MPS providers.
- Custom Benchmarks – bespoke return targets like CPI + 3%.

## Key Point

**Benchmarks help with context—but should never be mistaken for guarantees**





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## Benchmark Descriptions

### ARC Indices

ARC Private Client Indices (PCI) are independent, risk-based performance benchmarks constructed using actual client portfolio data from over 140 wealth managers. They group portfolios into four risk categories—Cautious, Balanced Asset, Steady Growth, and Equity Risk—allowing firms like Attivo to compare the performance of their model portfolios against peers managing real private client assets. These indices provide a strong indication of how well portfolios are delivering against their objective, especially in discretionary mandates where goal-based investing and volatility control matter more than asset allocation alignment.

### IA Sectors

Investment Association (IA) sectors group funds by asset class and strategy. They offer a simple way to compare fund performance against peers in the same category (e.g. Mixed Investment 20–60% Shares). While not designed for discretionary model benchmarking, they help advisers contextualise performance in client reports and illustrate consistency with fund universe positioning.

### Peer Comparison

Alongside ARC and IA frameworks, Attivo Investments also evaluates performance using tailored peer sets—comparing model portfolios with other discretionary model portfolio providers. This helps demonstrate relative value and suitability, especially under Consumer Duty, by showing how Attivo models perform in terms of returns, volatility, and drawdowns compared to competitors operating with similar mandates. Combining these perspectives gives a multi-dimensional view that strengthens planner due diligence and transparency for end clients.

### Custom Benchmarks

Custom benchmarks combine indices (e.g. equity, bond) to reflect the strategic asset allocation of a model portfolio. They provide a theoretical performance baseline but may not account for real-world factors like fund costs or execution delays. Used well, they help clients understand return expectations over time and assess manager value-add.





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# Benefits and Strengths of Benchmarking?

## Strengths:

- Drives accountability and transparency.
- Supports meaningful planner/client conversations.
- Helps track performance relative to market and risk.
- Reinforces Consumer Duty by enabling fair value assessment.
- Encourages disciplined portfolio review



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# Limitations of Benchmarking?

## Limitations:

- IA sectors mix active/passive and don't show true drawdown risk or volatility experience.
- ARC indices do not reflect underlying platform pricing, fund charges, or adviser charges.
- Peer group benchmarks can be inconsistent or not like-for-like – e.g. different asset allocations.
- Currency and inflation risk may not be represented in standard benchmarks.
- Poor benchmark selection can mislead performance interpretation or suitability—ensure chosen benchmark reflects the portfolio's actual strategy.





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## Trends and Debates in the Industry

- Shift toward blended benchmarking: IA sector + ARC + peer analysis.
- Consumer Duty requires benchmarks to be relevant and fair.
- Passive MPS models: should they be compared to active peers?
- Drawdown: how do you benchmark models where clients are taking income?

### Emerging Trend:

More DFMs are introducing CPI+ return targets, outcome-based benchmarks, or custom peer groups.



# What Benchmarks Do Other MPS Providers Use?

Provider	Benchmark	Notes
Vanguard	IA Sectors	Used for MPS & LifeStrategy ranges
Timeline	IA Sectors + evidence-based overlay	Risk-aligned and goal-focused
Brewin Dolphin	IA Sectors	Traditional risk band alignment
Tatton	IA Sectors	Easy planner comparison
Waverton	CPI + 4.5%	Absolute return target
Quilter Cheviot	IA Sectors	Sector benchmarks by risk profile
LGT Wealth	ARC + IA Sectors	Blend of peer and sector-based benchmarking
Attivo	AI sector for planner & clients	ARC & peer for internal oversight



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# Should We Use Custom Benchmarks?

## What is a Custom Benchmark?

- A model-specific performance target (e.g. CPI + 3%) or tailored peer average.
- Reflects a model's true objective, not just market averages.

## Pros:

- Better alignment to purpose (e.g. drawdown, capital preservation).
- Supports Consumer Duty value assessments.
- Encourages clear conversations about risk, time horizon, and goals.

## Cons:

- Can appear opaque or overly optimistic.
- Not easily comparable without explanation.
- Must be backed by data and consistent rationale.
- Returns aren't always positive/how to decide the time period.







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# Benchmarks Are More Than Just Performance

Clients want more than numbers—they want meaning.

## Benchmarks should show:

- Is this doing what it said it would?
- How is it performing vs similar models?
- Is this aligned to my risk and my goals?

## Especially in down markets:

- “This portfolio is behaving as expected.”
- “It’s preserving capital better than peers.”
- “We’re still on track for your long-term goals.”





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# How We Use Benchmarks at Attivo Investments

## External (Planner-Facing):

- IA Sector alignment for risk-based comparison.
- Helps planners frame performance and suitability discussions.

## Internal (Governance & Oversight):

- ARC Indices for real peer return comparisons.
- Peer benchmarking via Morningstar & FE Analytics.
- Internal review of drawdown, consistency, and value for money.

## Philosophy:

- No benchmark is perfect—but transparency matters.
- We use benchmarks to guide, not to sell.
- It's about confidence, not guarantees.





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# Client-Friendly Language for Benchmark Conversations

“This isn’t a guarantee—it’s a reference point.”

Helps clients understand that benchmarks are guidance, not fixed outcomes.

“We compare your portfolio with others at the same risk level.”

Reinforces that relative performance matters more than isolated figures.

“All portfolios fluctuate—but this is doing what it was designed to do.”

Ideal during market downturns or volatile periods.

“We focus on staying aligned to your financial plan—not chasing short-term returns.”

Reinforces long-term goal alignment, not just return chasing.





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