

# Pension solutions that tick all the boxes

David Haslam explains why Irish Life's new Multi-Asset Portfolios could be the solution for your pension customers.



As I've met Financial Brokers on my many travels around the country in recent times, there's amazing consistency about the number one requirement when it comes to pension investing. What you and your clients want in a nutshell is for pension funds to just do what you expect them to do – not just now, but throughout the term of a pension plan. While different people use different criteria to evaluate which pension providers are most likely to deliver on expectations, the top 5 criteria overall tend to be based on a mix of the following:

## The Pension Fund Checklist

- ✓ **A range of options:** since different customers will have different risk appetites, only a range of funds could meet the needs of all of your customers. To ensure that these funds continue to be appropriate, they need to be rebalanced regularly.
- ✓ **Aim to avoid extreme market falls:** your customers want to know that at times of extreme market stress, their fund manager has a reliable process to move funds from risky assets to cash to try to minimise these market falls.
- ✓ **Real diversification:** since we all know that diversification across and within asset classes reduces volatility, funds need exposure to a broad range shares, bonds and alternatives and ideally to be invested in developed and developing markets. You also tend to want exposure to more than one fund manager within a single fund.
- ✓ **Inflation plus:** over time you want a return above inflation. So this will require exposure to risk assets but also to absolute return strategies that give the potential to drive performance even in a falling equity market.
- ✓ **Competitively priced:** As well as all of the above, customers need value for money and to know the true cost to them of investing in a fund. This means knowing for example what the Total Expense Ratio (TER) is - including any variable charges and incentive fees payable.

## Irish Life's Multi-Asset Portfolios (MAPS)

There are 5 MAP funds available for your clients, with a different allocation of risk assets in each fund designed to match specific return and volatility profiles. ILIM will automatically rebalance each of our MAP funds back to its fundamental asset weights quarterly, to ensure your client stays within their chosen risk rating band.

Each fund uses ILIM's innovative Dynamic Share to Cash (DSC) model - this is the proprietary quantitative model that will move the funds out of shares and into cash when it identifies signs of extreme market events. The "Range" column represents the equity allocation that can be sold to become cash for each fund. Our process differentiates it from any other fund available in Ireland.

Asset Type	MAP 2		MAP 3		MAP 4		MAP 5		MAP 6	
	Allocation	Range	Allocation	Range	Allocation	Range	Allocation	Range	Allocation	Range
Indexed World Equities	5%	5-0%	13%	13-0%	30%	30-0%	50%	50-0%	40%	40-0%
Indexed Emerging Market Equities	0%		2%		5%		10%		50%	
Indexed Minimum Volatility Equities	10%		15%		25%		15%		0%	
Indexed EM Debt	2%		3.5%		3%		0%		0%	
Indexed Euro Gov Bonds	20%		19.25%		7.5%		0%		0.00%	
Indexed Euro Corporate Bonds	20%		12.25%		4.5%		0%		0.00%	
GMO	15%		15%		15%		15%		6%	
PIMCO	3.75%		3.75%		3.75%		3.75%		1.50%	
Amundi	3.75%		3.75%		3.75%		3.75%		1.50%	
Hermes	2.50%		2.50%		2.50%		2.50%		1.00%	
Cash	18%	18-23%	10%	10-23%	0%	0-30%	0%	0-50%	0%	0-40%
Total	100%		100%		100%		100%		100%	

As the table shows, diversification exists across, and within, asset classes (with allocations to government and corporate bonds and developed market, emerging market and minimum volatility shares). ILIM also recognise the need for alternative investment expertise and have four external global leaders in their sectors to provide further diversification – GMO in long/short Equity, Pimco in Bonds, Hermes in Commodities and Amundi in Volatility Trading.

The information is correct as at August 2013. DSC Trademark pending.

Irish Life Investment Managers Limited is regulated by the Central Bank of Ireland. Irish Life Assurance plc is regulated by the Central Bank of Ireland.

## The Dynamic Share to Cash (DSC) Model



ILIM's DSC model is both revolutionary and proprietary. As a purely quantitative-driven model, it is unique in not being dependent on subjective inputs or "calls" from fund managers or investment committees on markets, unlike any other Irish funds.

ILIM has spent two years developing a robust model based on analysis of key market economic factors over the last hundred years, whose movements over time have proven reliable indicators of potential market falls. Examples of these factors are shown in the table below.

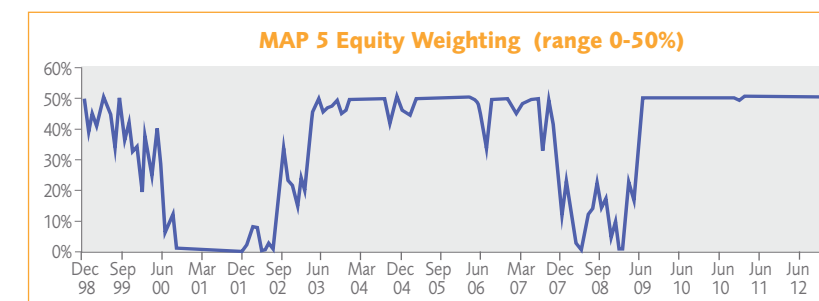
Factor Category	Objective	Individual Factor Examples
Momentum based factors	Takes account of equity market trends	<ul style="list-style-type: none"> <li>12 month equity market momentum</li> <li>200 day moving average</li> </ul>
Valuation based factors	Looks at the Long-Term Valuation of Equity Markets	<ul style="list-style-type: none"> <li>Earning Revision</li> <li>Long Term Equity Values</li> <li>Earning Quality</li> <li>Earning Yield</li> </ul>
Macroeconomic based factors	Looks at how the global economy will influence the performance of equities	<ul style="list-style-type: none"> <li>Real GDP Growth Rate</li> <li>Bond Yield Curve Slope</li> <li>Energy Price Levels</li> </ul>

These factors are weighted and generate a signal which determines the split between Developed Market Shares and cash in each MAP fund. If the signal points towards a significant potential stock market falls, the DSC will reduce the amount invested in shares and increase the amount invested in cash. This will protect your client from the falls experienced in 2008.

## How DSC would have worked

The DSC is a quantitative model, free from fund manager subjectivity, and so it is possible to show how the DSC would have worked historically.

The graph illustrates how the DSC would have performed on MAP 5, by way of example, where the default developed market share allocation is 50%. In times of market stress around the technology bubble bursting and again around the financial crisis, it clearly de-risks clients by reducing the equity weighting and increasing the cash weighting. This would have significantly protected clients' investments during these periods.



**Warning: These figures are estimates only. They are not a reliable guide to the future performance of this investment.**

We are constantly innovating to best meet your needs and those of your clients in a fast changing market environment. The MAPS funds are specifically designed to address fundamental issues your clients have around investing. Our proprietary DSC will avoid the large falls experienced in 2008. Our internal and external expertise will deliver a smoother, less volatile investing journey for clients and rebalance their funds to ensure they are in the appropriate risk profile. With industry leading (TER) pricing on these funds, we think these funds will help you get clients invested and keep them invested. We hope you think so too.

The MAPS funds are available now on Irish Life's Complete Solutions Pensions and ARF products, Signature investment products and Pinnacle savings product.



For more information see [www.blinc.ie](http://www.blinc.ie) or talk to your Account Manager.

**Warning: The value of your investment may go down as well as up.**

**Warning: If you invest in this product you may lose some or all of the money you invest**

**Warning: These funds may be affected by changes in currency exchange rates**