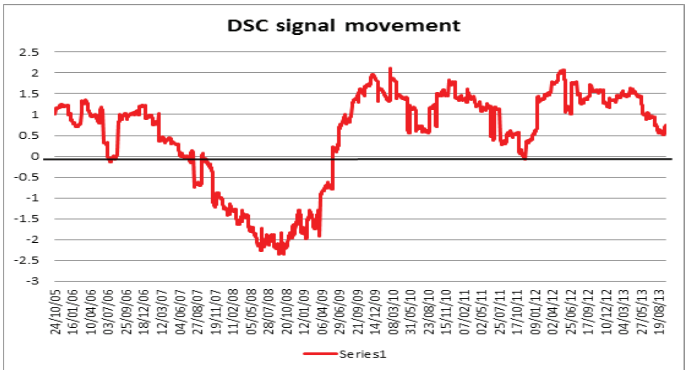
DSC? Sounds great… What is it?

David Haslam, Head of Retal at Irish Life Investment Managers (ILIM) uses their recently launched MAPS funds to get a look under the bonnet of their unique Dynamic Share to Cash (DSC) process.

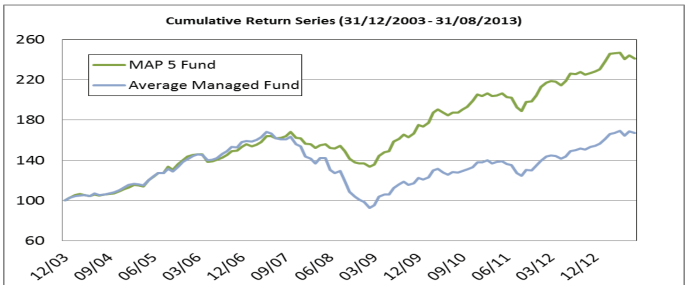
Martin Luther King was born in 1929, the year of the largest stock market crash of all time. Had he been an investment manager, surely his dream would have been of a process like ILIM's Dynamic Share to Cash (DSC). We will never know. What we do know, however, is that ILIM has created both a revolutionary and proprietary tool which aims to limit the impact that large stock market falls can have on the value of your clients' investments. If that sounds like a good thing to have in uncertain markets, read on.

How does it work?

Quite simply, the DSC process analyses and measures stock market movements on a daily basis. This is done in nine different ways, to maximise the accuracy of the information. DSC then compares those movements against historic data going back over 100 years to put the movements in context, which ILIM then represent as a "signal" number (see graph below). If the signal number goes below zero, it is indicating potential stress in stock markets and ILIM will start selling global shares in the MAPS funds to protect your clients from the expected fall, as in 2008.



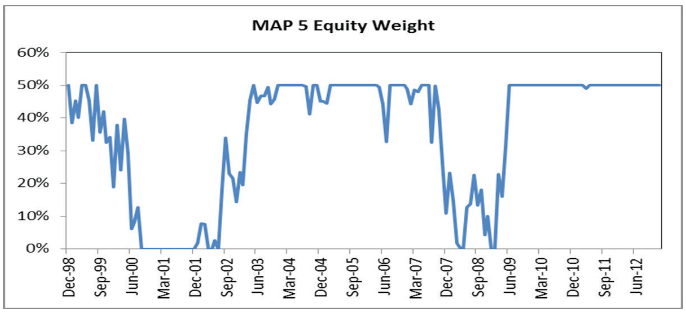
In 2008, the average managed fund fell over 35% - a MAP fund with equivalent share exposure (MAP 5) but featuring DSC, would have fallen only 15.4%.



Why is it revolutionary?

It's revolutionary because it is <u>exclusively</u> a quantitative process. That means ILIM does not have to rely on people to time investment calls in markets, i.e. when to buy or sell shares. Why is that a positive? Because human nature is unpredictable and people can act irrationally under pressure. History is littered with investment "super stars" who, sooner or later, got it horribly wrong. ILIM has invested in a process that is robust, transparent, consistent and repeatable. It has been tested going back over 100 years to be sure, to be sure.

The next chart illustrates how, in 1998/99, the DSC would have reduced exposure to global shares in MAP 5 (50-0% range in global shares) in advance of the market crash in early 2000. This would have been a contrarian, but correct, call. Many investors were blinded by the strong positive market momentum and missed the underlying warning signals. The key strength of the DSC process is that it focuses exclusively on the signals and acts accordingly.



Why is it proprietary?

It's proprietary because nobody else has it. ILIM invested in two years of research with a team of their top quantitative strategy analysts, financial engineers and fund managers to develop this process. It is one of a kind. The DSC project was headed up by Dr Ronan Bradley, BSc Physics and Applied Mathematics, MSc Theoretical Physics and PhD Applied Electromagnetics. Enough said.

DSC™

ILIM uses the DSC process in all of our MAPS strategies because we know it helps give customers the confidence to get invested. DSC also helps brokers manage the investment journey and keep their clients invested. This is important as many investors fail to achieve the maximum return available to them because they buy and sell at the wrong time. Very few people saw the impact 2008 would have in time to do anything about it. Nobody knows when the next 2008 might be. ILIM created DSC so you don't have to.

For more information on DSC or our range of MAPS funds, talk to your Irish Life account manager.