

# Decisions, investment decisions...



*Michael Hayes, Investment Development Manager, Irish Life*

Over the last few years the investment choice for Irish investors has, predominantly, been cash - somewhat paradoxically at a time when equity markets have performed very strongly. The attractiveness of cash has, in no small part, been aided by the artificially high deposit rates on offer from the Irish banks as other assets were largely shunned. This risk aversion was, understandably, driven by investors' experience during the financial crisis of 2008 and the destruction of wealth in its aftermath.

While where to put your money was an easy choice to make when deposit rates were high, the collapse in these rates over the last 12 months has returned investment decision-making to the agenda. Although investors are still mindful of the recent past, they are now realising that they will have to take on some more risk exposure with their investments and are again looking at traditional funds as well as new solutions.

An increasing trend globally has been towards risk controlled multi asset funds as investors are more open to broader asset exposure, but with some form of risk mitigation. Irish Life Investment Managers (ILIM) has spent two years researching and developing multi-asset strategies and we recently launched the Multi Asset Portfolio funds (MAPS). The Irish Life MAPS funds are core investment solutions designed to meet a variety of investors' financial goals and are constructed with the specific aim of maximising returns while limiting volatility and managing investment risk.

## MAPS MULTI-ASSET PORTFOLIOS

The MAPS funds are underpinned by a proprietary Dynamic Share to Cash (DSC) model which will reduce risk exposure at times of extreme market stress. The DSC model is purely quantitative and is based on analysis of key market and economic factors and is run by the quantitative strategy team in ILIM who have considerable expertise in economic and risk modelling. The DSC model is unique in the Irish market in not being dependent on any subjective calls or inputs and has been back-tested using data going back over 100 years.

### MAPS provides a number of key elements to help better manage investor journeys

- Broad diversification by investing across a range of asset classes.
- Investing in indexed and active alternative strategies
- Diversification across a range of fund managers

- Volatility management through the use of minimum volatility equities and alternative strategies that have low correlation with equity markets
- Drawdown management delivered via systematic dynamic equity/cash model which reduces equity content during time of severe market stress
- Asset allocation derived to deliver performance within stated risk/return targets as the funds are rebalanced each quarter

The MAPS funds deliver market exposure, absolute return strategies to manage volatility and the DSC model to manage drawdown.

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### Investment tools to help your business

At Irish Life we rank the volatility scale or risk level of our funds on a scale of 1 to 7. A fund with a risk level of 1 is very low risk and 7 is very high risk. The five MAPS funds fit into the categories from 2 to 6. We have developed a comprehensive solution called Broker 360 Portfolio Builder which includes an easy to use risk profiling questionnaire to categorise clients on the 1 to 7 scale. We developed the questionnaire in conjunction with eValue FE, an associate company of the Financial Express group, who provide market leading stochastic modelling solutions to the financial services industry that integrate risk profiling and in-depth fund research with portfolio review and construction tools.

The questionnaire is available on our broker website [www.bline.ie](http://www.bline.ie) and takes you and your clients through 11 questions to determine their risk appetite and attitude to investing. Broker 360 is designed to be flexible and easy to use and gives you a choice between three different investment options when your clients' attitude to risk has been determined. Option 1 lets you choose the MAPS fund corresponding to the client's risk level. The second option lets you build your own bespoke portfolio of assets and the third option offers a choice from the full range of (available) Irish Life funds. The final step in the Broker 360 process allows you to print out a professional, personalised report for your clients. We hope that you find Broker 360 and the MAPS fund range useful additions to your business.

**For more information on the MAPS funds or Broker 360 Portfolio Builder visit [www.bline.ie](http://www.bline.ie) or talk to your account manager.**