

# Fund Selection at Drawdown

## Utilising Multi Asset and Risk Profiling for Income

Andrew Morris | Product Specialist | Q2 2021

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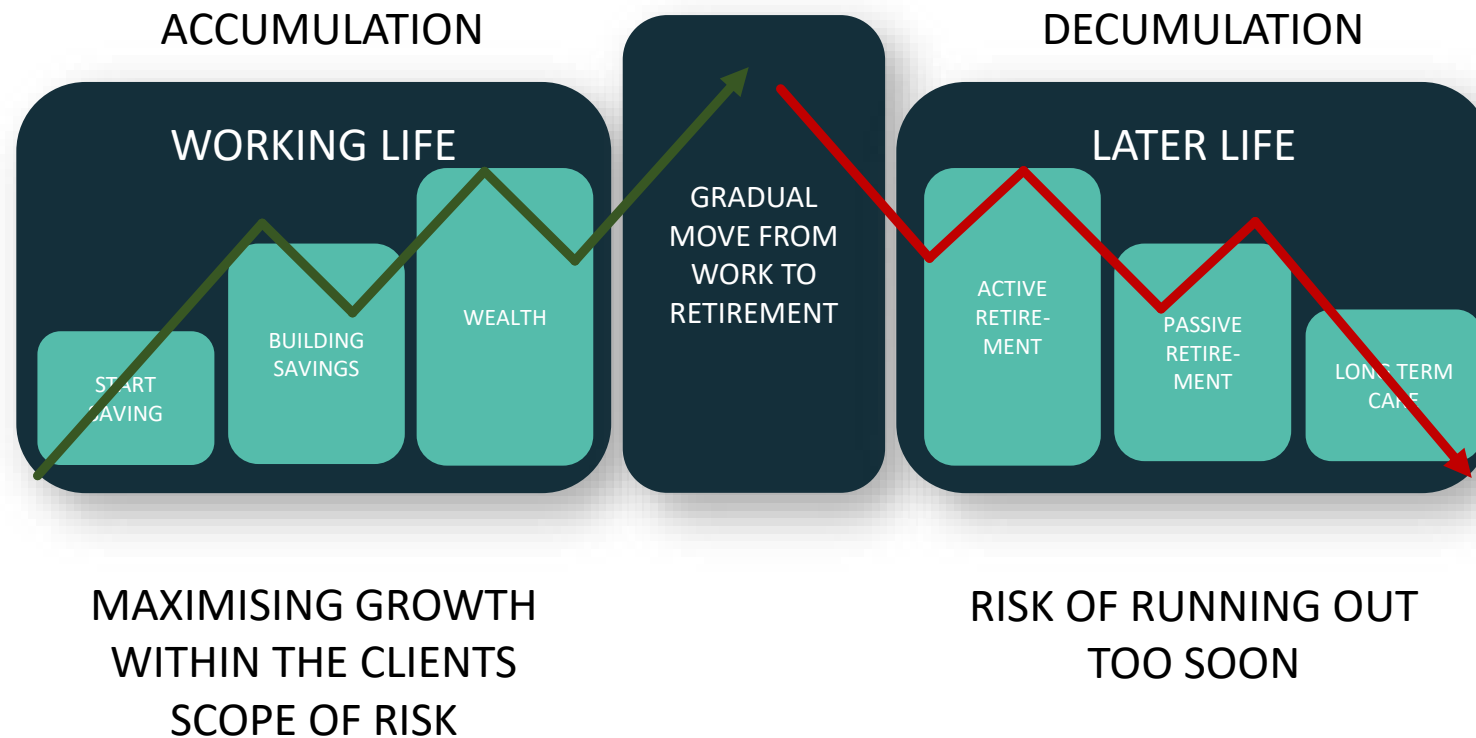
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Asset Management

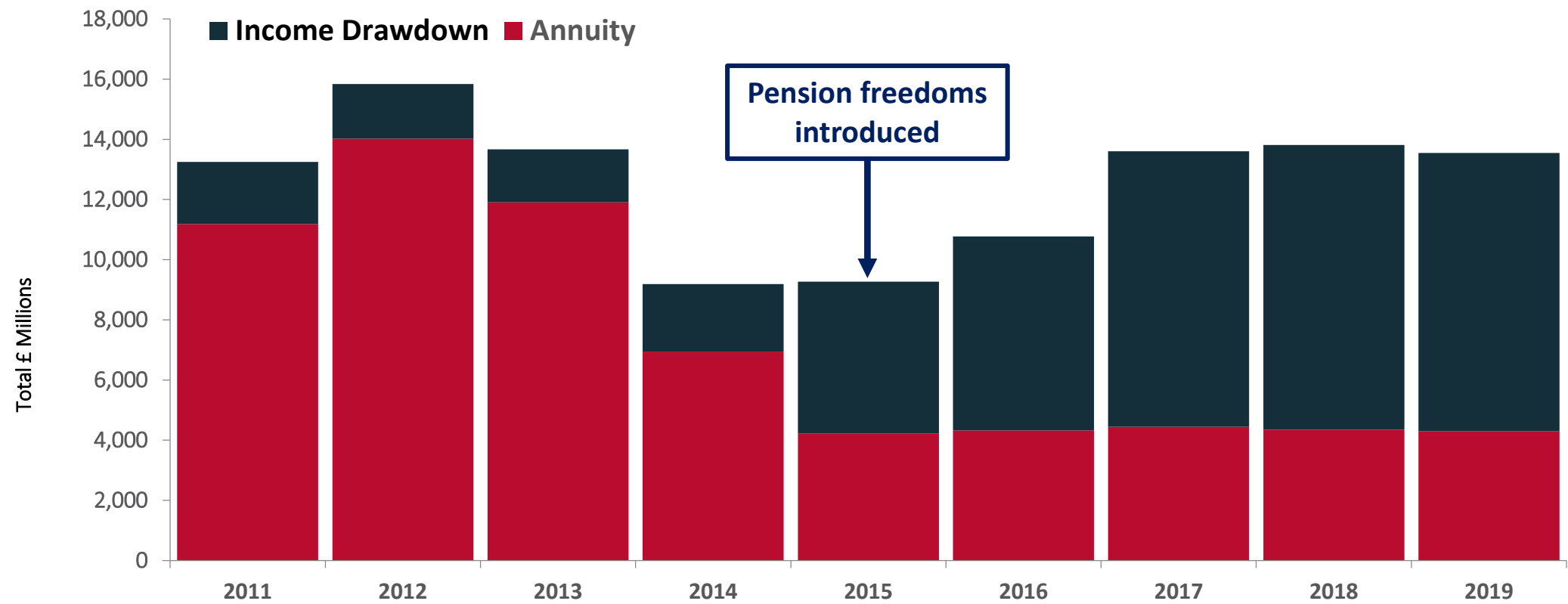
# Learning Objectives

- Describe the risks in drawdown
- Understand the different fund strategies in drawdown
- Demonstrate the benefits of blending risk levels for drawdown clients

# Differentiating Accumulation and Decumulation



# Annuity markets fall whilst drawdown increases



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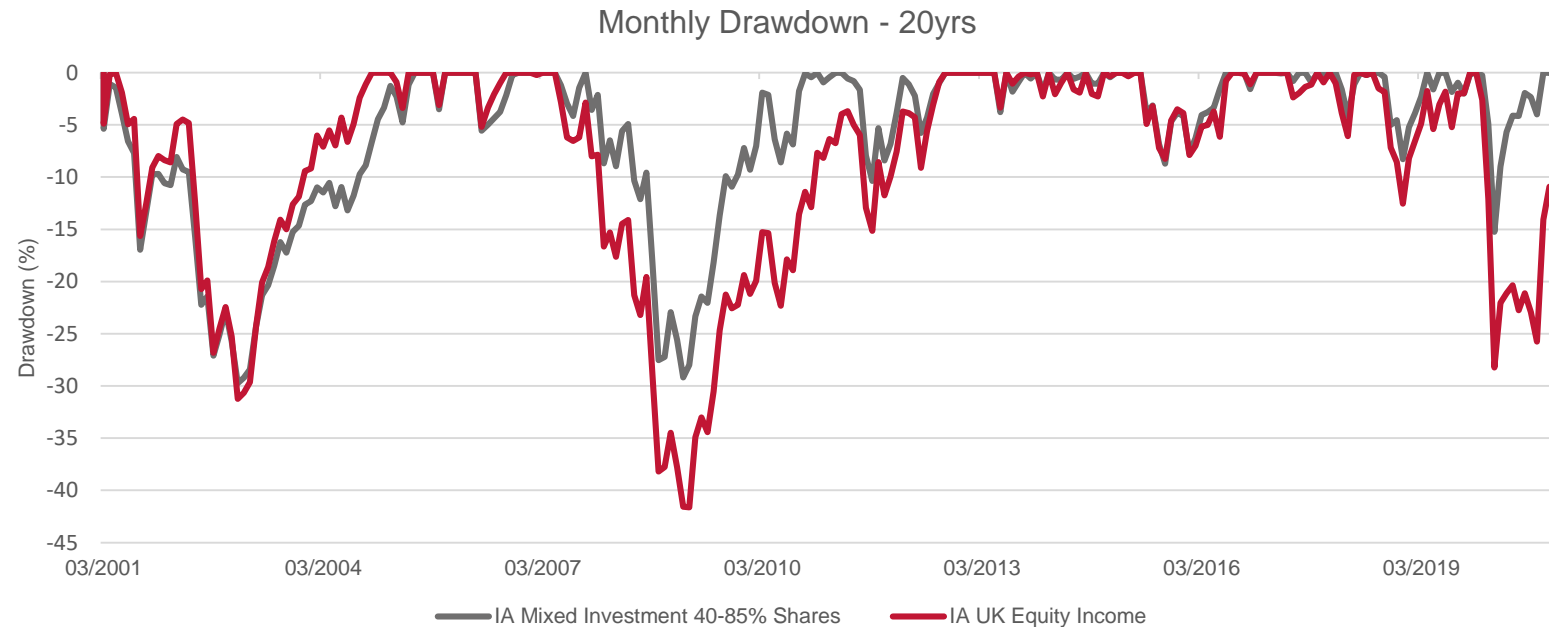
4 Source: ABI – based on total premiums per year

# Risks at drawdown not found during accumulation

## Decumulation Risks

## Drawdown

- When a large fall occurs in markets
- Unpredictable
- Loss of client confidence in markets



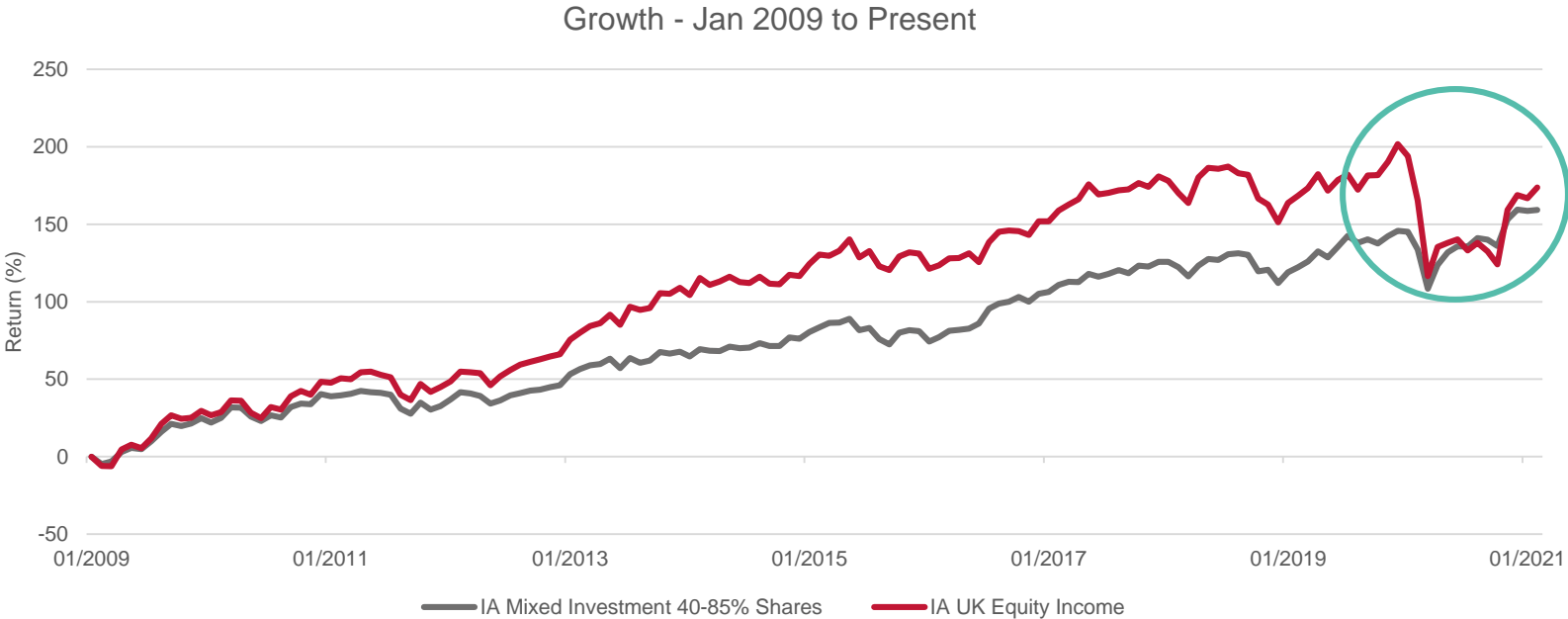
# Risks at drawdown not found during accumulation

Decumulation Risks

Drawdown

Sequencing Risk

- At your most vulnerable when the pot is the largest
- The greater the volatility, the bigger the effect



6 Past performance is not a guide to future performance. The value of investments may fall as well as rise and investors may not get back the amount invested. Income from investments may fluctuate. Currency fluctuations can also affect performance. Source Morningstar to 28/02/2021.

# Risks at drawdown not found during accumulation

## Decumulation Risks

Drawdown

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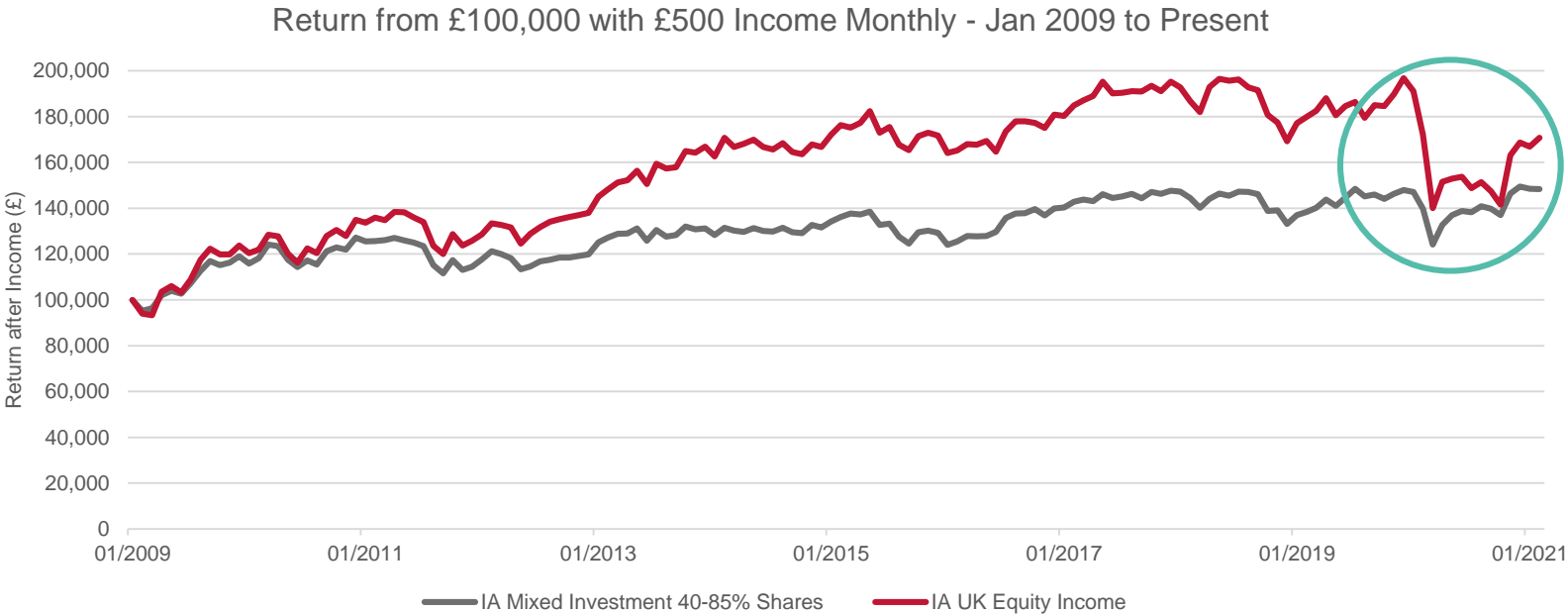
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# Risks at drawdown not found during accumulation

Decumulation Risks
Drawdown
Sequencing Risk
Pound Cost Ravaging
Longevity

- As markets fall, you are selling off more units for the same level of income
- The greater the income, the bigger the effect



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# Risks at drawdown not found during accumulation

## Decumulation Risks

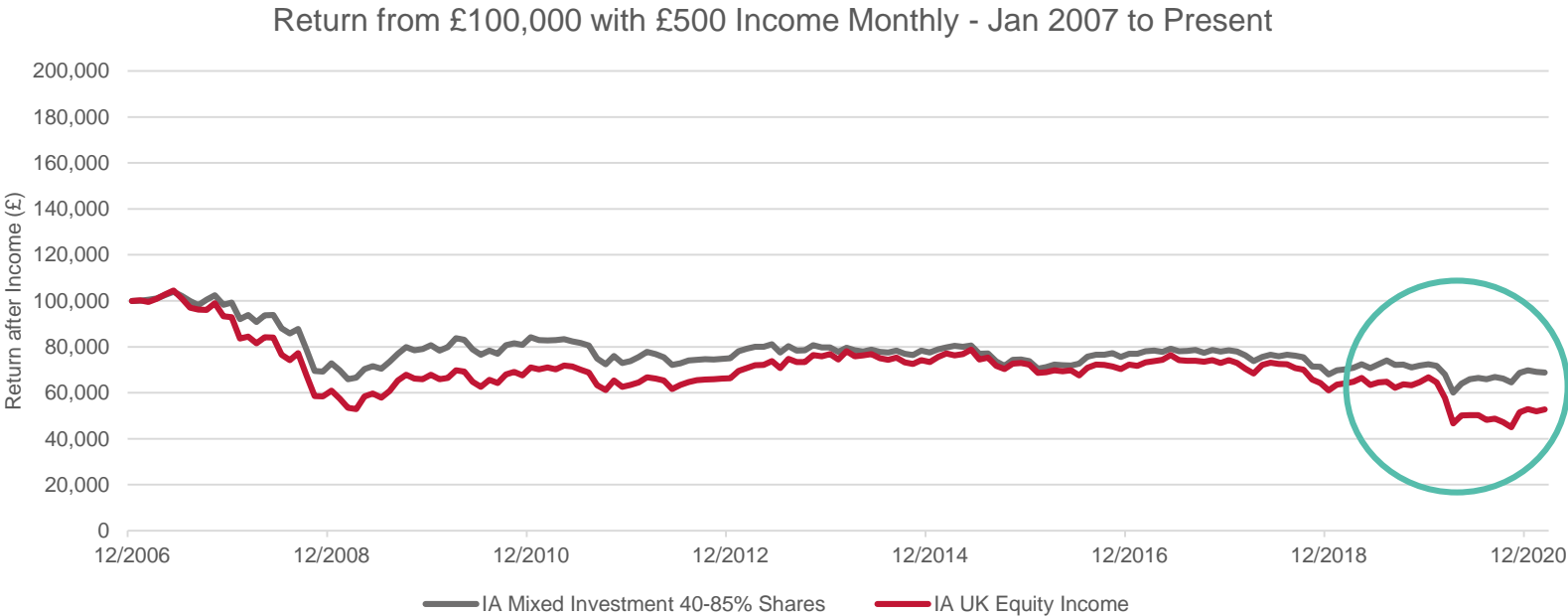
Drawdown

Sequencing Risk

Pound Cost Ravaging

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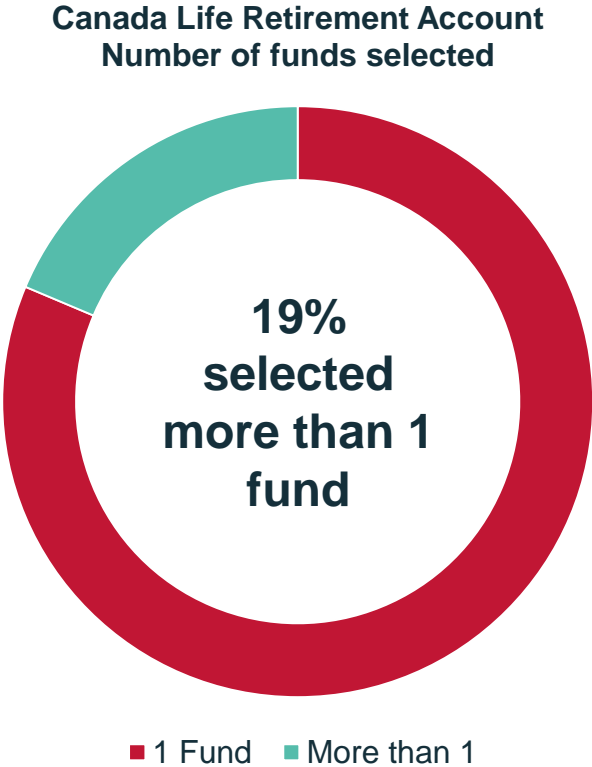
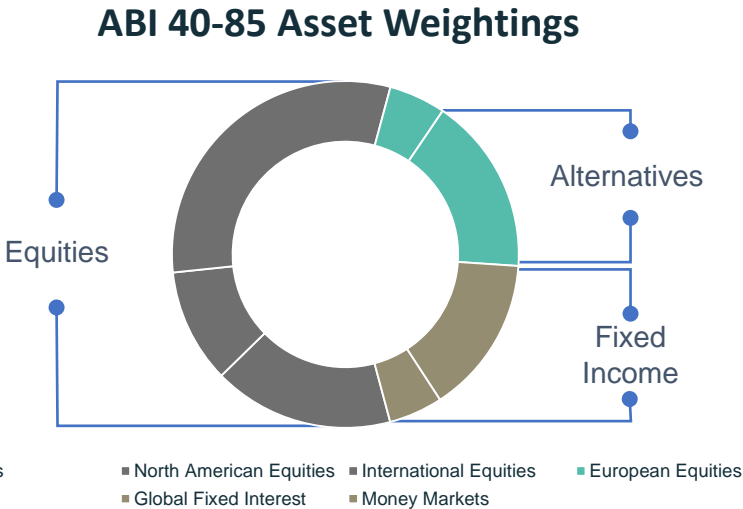
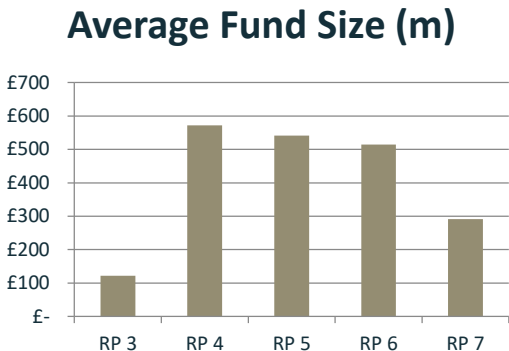
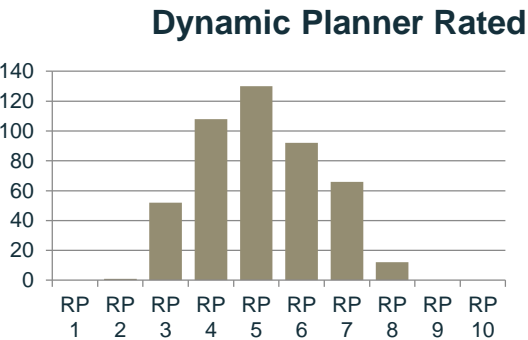
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# The Options for Decumulation



# The Reality of fund selection at drawdown



# Running Out of Cash – Projecting the Future

“Past performance is not a guide to future performance”

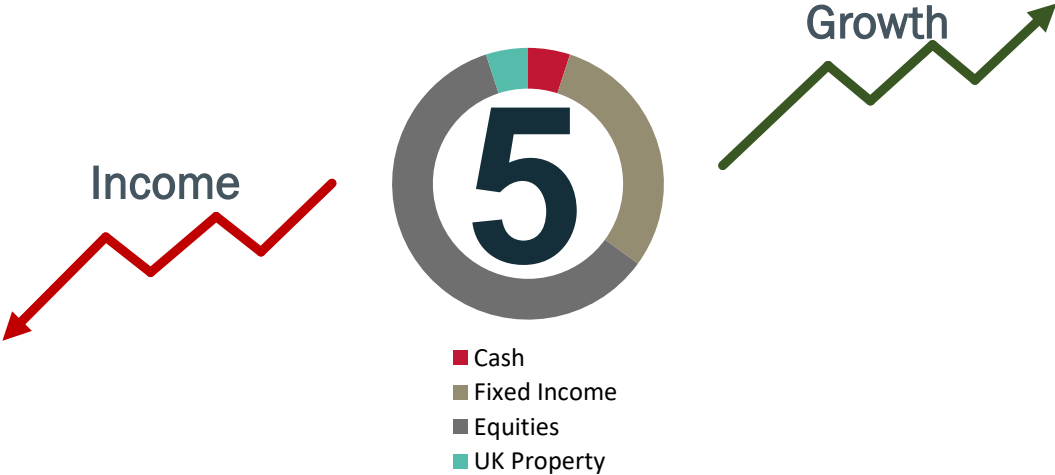


Chance of Running Out of Investment Pot Over 30 Years			
3% Starting Income	4% Starting Income	5% Starting Income	6% Starting Income
0.2%	22.9%	83.7%	99.4%
0.9%	12.6%	39.5%	68.8%
0.4%	3.9%	13.4%	26.6%

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Source: Canada Life Asset Management & Morningstar. Figures based on an equal weighted benchmark consisting of every primary share multi asset OEIC/Unit Trust which has been risk profiled or risk targeted by Dynamic Planner to 31/12/2020, split into each of their risk profiles. The simulation was based on a Monte Carlo Simulation using Brownian Motion, run a thousand times to assess possible outcomes of returns, using the 5 year return and standard deviation of the equally weighted benchmarks. Income was deducted monthly, after growth for the month. Income was based on the initial sum and grew by 2% in value annually. Chance of running out was based on the number of times the simulation hit -100% in value, divided by 1000. 357 Model based on the same equally weighted benchmarks, using same returns as the single benchmarks but with the investment split equally between benchmark 3,5 and 7. 357 Was rebalanced quarterly back to its initially weighting.

# Utilizing the Pots Strategy with Risk Focused Funds



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# How does it compare to Similar strategies

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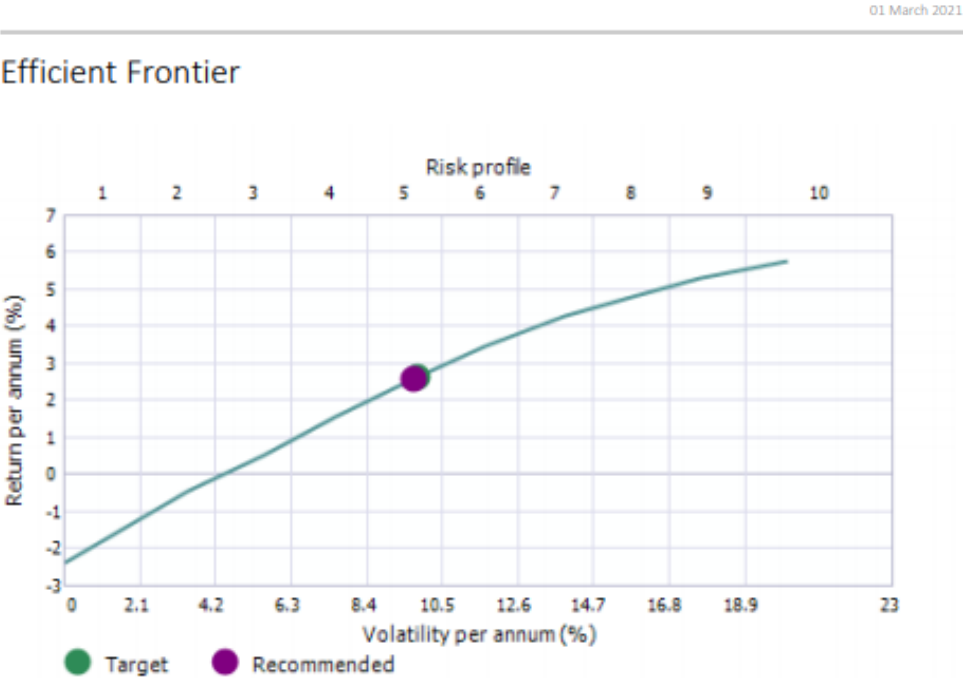
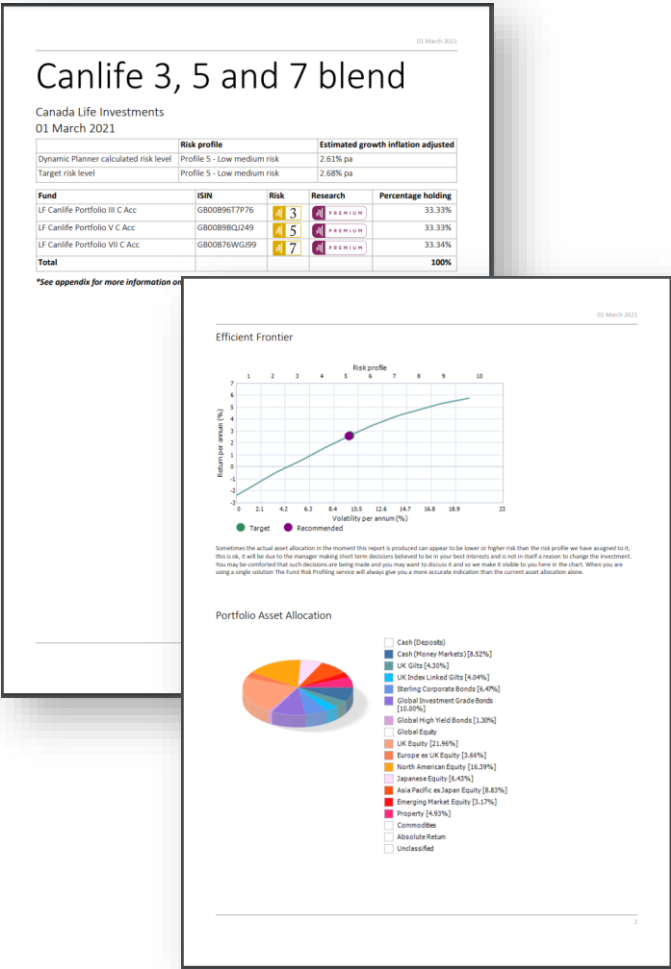
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# Matching Risk Profile When Blending Different Risk Profiles



- Take the income from the lowest risk profile fund
- Rebalance back to starting AA
- Make sure the underlying funds continue to match the assigned risk profile



Asset Management

# Moving forward – the choice for clients in retirement - CRP



# Learning Outcomes

- Describe the current options and risks at retirement
- Understand the different fund strategies in drawdown
- Demonstrate the benefits of risk targeted funds at retirement





# LF Canlife Portfolio Funds

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Asset Management



# LF Canlife Portfolio Funds Summary

## 5 Risk Targeted Fund of Funds

- Expected level of return based on their expected risk profile

## Globally Diversified

- Fixed Income
- Equity
- Property
- Cash

## Continual Asset Allocation Review

- Reviewed daily and adjusted when needed to keep alignment

## Rated by Independent Risk Profiling Companies



**Craig Rippe**  
Head of Multi-Asset



**David Marchant**  
CIO, Canada Life Limited, MD,  
Canada Life Asset Management  
Limited



## Fund Range Facts

### Fund Managers

- Craig Rippe & David Marchant

### Fund Inception

- 28 November 2013

### Fund Range Size

- £688.5m (as at 18/01/21)

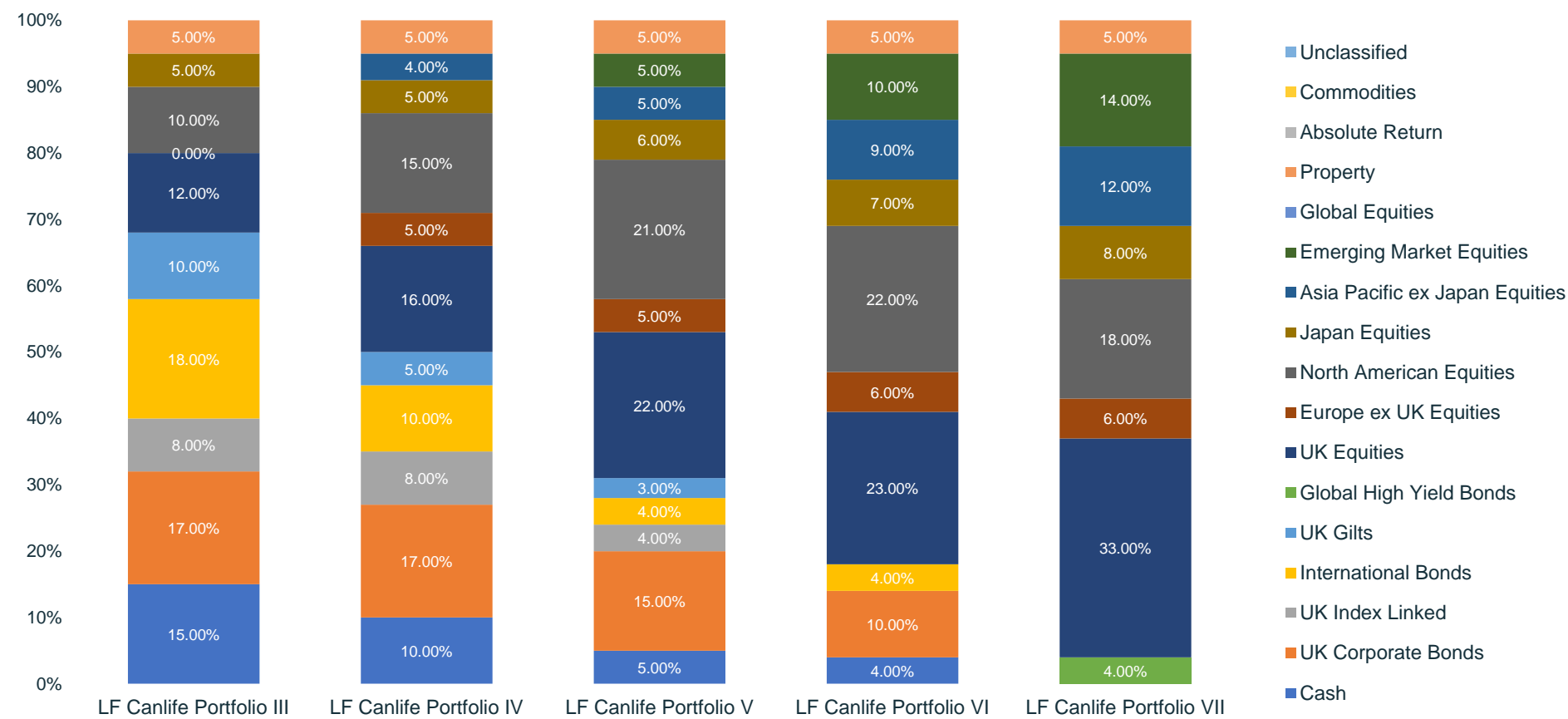
### Number of Funds

- 5

### Charges

- OCF: From 0.75% (C Acc)
- AMC: 0.45% (C Acc)

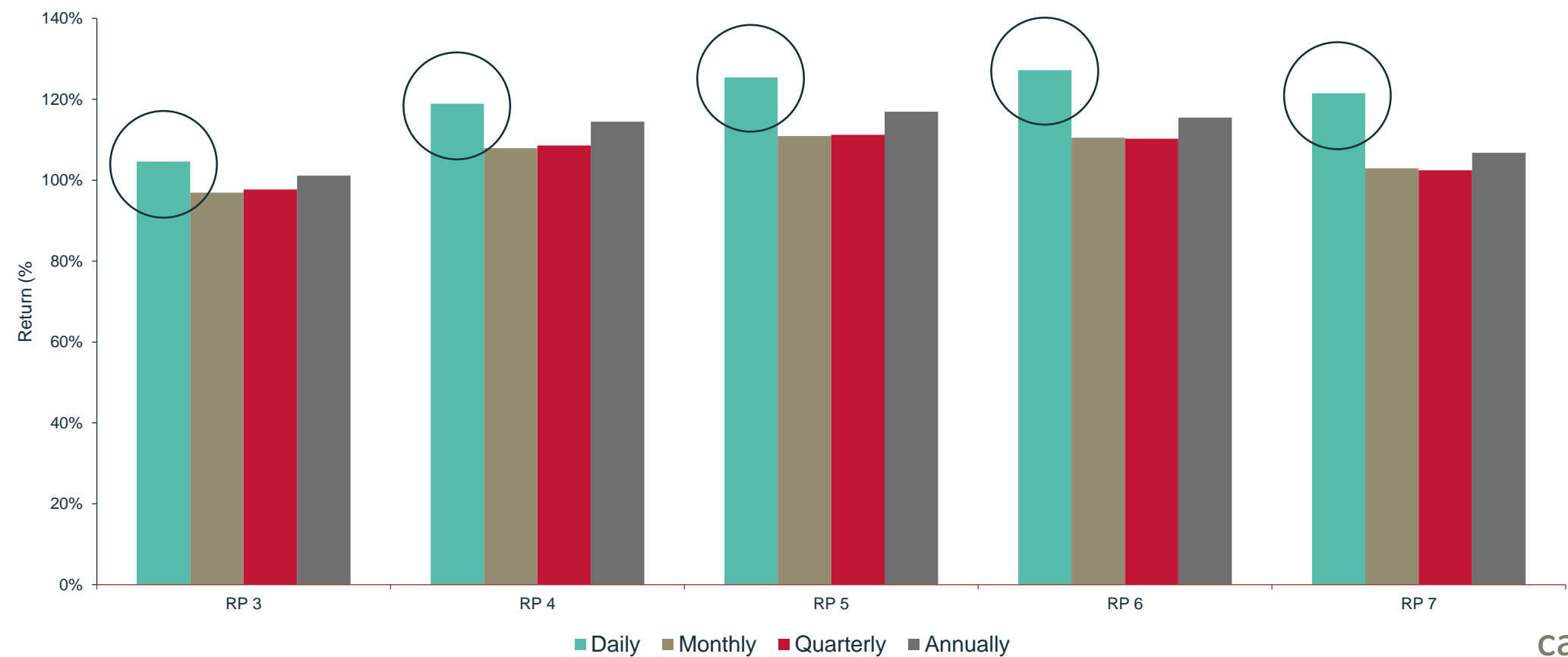
# Targeting risk profiles - Asset allocation



Asset Management

# Rebalancing on a Regular Basis

For illustration purposes only



**24** **Source:** Canada Life Asset Management using Morningstar, bid to bid, with net income re-invested from Jan 2005 to Dec 2020. Representative indices used to represent Dynamic Planner asset classes, rebalanced back in line to Dynamic Planners risk profile 5 asset allocation. As indices have been used, returns are gross of fees. Monthly rebalancing conducted on the 1st of each month, quarterly rebalancing on the 1st Jan, 1st April, 1st July, 1st Oct. **For illustrative purposes only.**



# LF Canlife Portfolio Funds – Cumulative Performance to Month End

## Cumulative Returns

Data Point: Return Calculation Benchmark: Multiple

	1 Month	3 Months	6 Months	YTD	1 Year	3 Years	5 Years
LF Canlife Portfolio III C Acc	-1.40	-1.66	1.61	-2.55	2.80	3.14	4.32
IA Mixed Investment 0-35% Shares	-0.97	-0.07	2.71	-1.39	3.56	3.00	4.35
LF Canlife Portfolio IV C Acc	-0.71	-0.31	3.92	-1.66	6.03	3.95	5.72
IA Mixed Investment 20-60% Shares	-0.05	1.54	5.71	-0.40	6.56	3.62	5.69
LF Canlife Portfolio V C Acc	0.10	1.28	6.58	-0.52	10.10	4.99	7.05
LF Canlife Portfolio VI C Acc	0.61	2.60	8.66	0.44	12.75	5.30	8.25
IA Mixed Investment 40-85% Shares	0.25	2.38	7.55	-0.04	10.90	5.28	7.92
LF Canlife Portfolio VII C Acc	1.28	4.00	11.24	1.30	14.01	4.90	8.83
IA Flexible Investment	0.67	3.20	9.01	0.55	13.35	5.47	8.64

# LF Canlife Portfolio Funds – Discrete Performance to Quarter End

## Discrete Returns To Quarter End

Data Point: Return Calculation Benchmark: Multiple

	31/12/2020	31/12/2019	31/12/2018	31/12/2017	31/12/2016
LF Canlife Portfolio III C Acc	4.86%	8.09%	-2.32%	4.29%	10.36%
IA Mixed Investment 0-35% Shares	3.98%	8.80%	-3.41%	5.01%	9.06%
LF Canlife Portfolio IV C Acc	5.46%	10.64%	-3.89%	6.30%	11.24%
IA Mixed Investment 20-60% Shares	3.49%	12.08%	-5.11%	7.20%	10.57%
LF Canlife Portfolio V C Acc	6.38%	13.15%	-5.20%	8.76%	11.77%
LF Canlife Portfolio VI C Acc	6.28%	14.91%	-6.69%	11.60%	13.20%
IA Mixed Investment 40-85% Shares	5.50%	15.94%	-6.07%	10.05%	13.28%
LF Canlife Portfolio VII C Acc	4.76%	16.92%	-8.75%	14.55%	13.77%
IA Flexible Investment	7.01%	15.64%	-6.64%	11.09%	14.16%

# Cost effective investment solutions

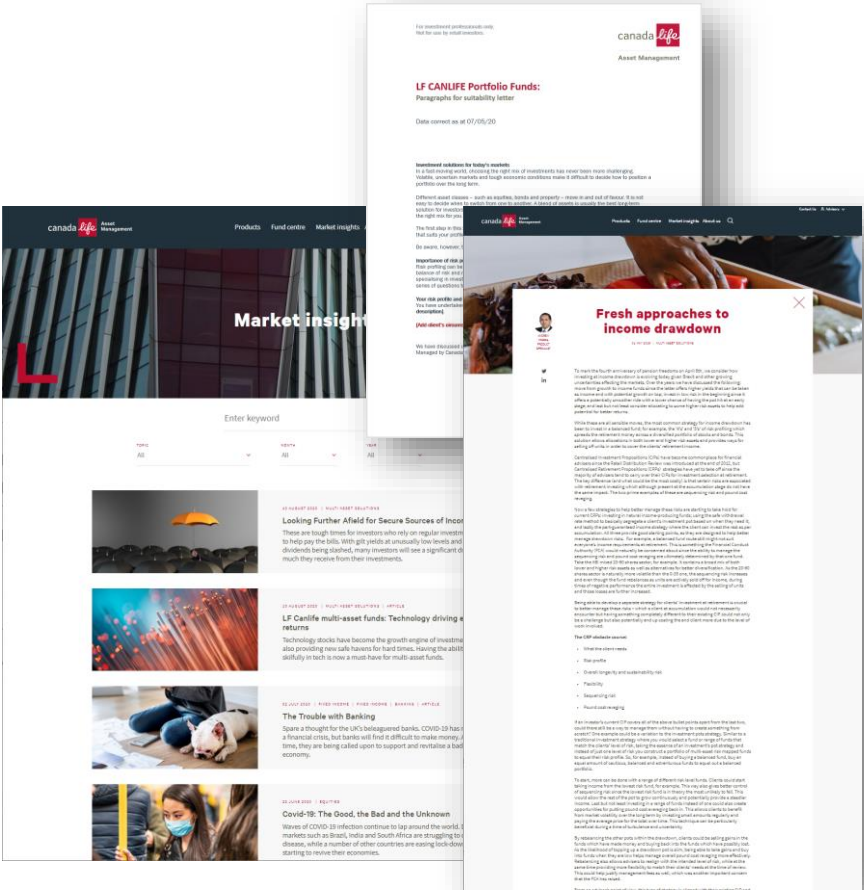
	THE RETIREMENT ACCOUNT	OEIC FUNDS (C Share class)	LIFE FUNDS (Life Series 5 Acc)
	Ongoing Charge Figure (OCF)	Ongoing Charge Figure (OCF)	Ongoing Charge Figure (OCF)
Portfolio III/3	0.36%	0.79%	0.49%
Portfolio IV/4	0.43%	0.75%	0.54%
Portfolio V/5	0.51%	0.77%	0.60%
Portfolio VI/6	0.57%	0.80%	0.67%
Portfolio VII/7	0.61%	0.86%	0.72%



# Support and due diligence

MI & Reports Available	Online	Hard Copies
Monthly performance updates	✓	✓*
Monthly factsheets	✓	✓*
Adviser sales aid	✓	✓*
Suitability letter	✓	✓*
Online latest prices and performance	✓	✗
Fund Manager insights	✓	✗
Ad hoc Fund Manager blogs & webinars	✓	✗
Access Advice monthly fund comparison	✓	✗
Underlying fund information	✓	✗

\* Available on request



# Comparison calculators available

- Pension & OEIC fund versions available (500+ Multi-Asset funds)
- Includes Asset Allocation
- Provides family risk/return scatterplot chart
- Performance data
- Easy to use format



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**The above charts are illustrative examples only.** Past performance is not a guide to future performance. The value of investments may fall as well as rise and investors may not get back the amount invested. Income from investments may fluctuate. Currency fluctuations can also affect performance.

Source: Canada Life Investments research using Morningstar , bid to bid, with income re-invested for TRA series to 31/01/2021. Risk and return chart to 31/01/2021.

# [ Thank you ]

[contactclinvestments@canadalife.co.uk](mailto:contactclinvestments@canadalife.co.uk)

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