

# Canlife Diversified Monthly Income Fund

## Targeting stable income and steady growth in a low interest rate world

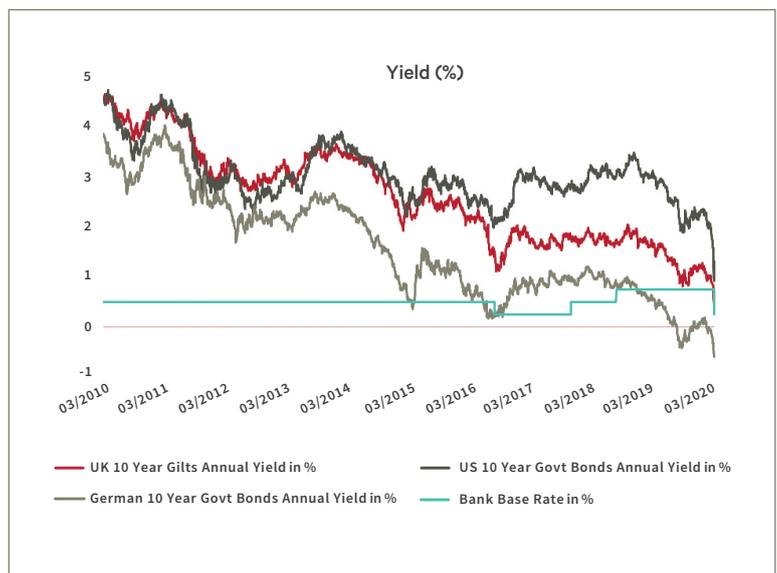
Income funds have always been a consideration for drawdown, most notably because the fund manager's focus is targeting the exact client need – income. But traditional sources of fixed income, such as government or corporate bonds have seen a marked fall in yields.

As a result income fund managers are looking elsewhere for higher yields, including holding higher positions in non-investment grade bonds.

For investors this could mean:

Less diversification when compared to equities as high yield bonds tend to fall in line with equities. This increases standard deviation or volatility compared to allocating to more traditional sources of fixed income, such as government bonds.

Graph source: Canada Life Asset Management research using Morningstar data, Bid to bid net income re-invested. Performance data from 31 December 2010 to 31 March 2020.



**“The Canlife Diversified Monthly Income Fund is designed for that balance between certainty and flexibility, with a focus on what the client wants. Income.”**

Craig Rippe,  
Canada Life Asset  
Management

### How can the Canlife Diversified Monthly Income Fund help?

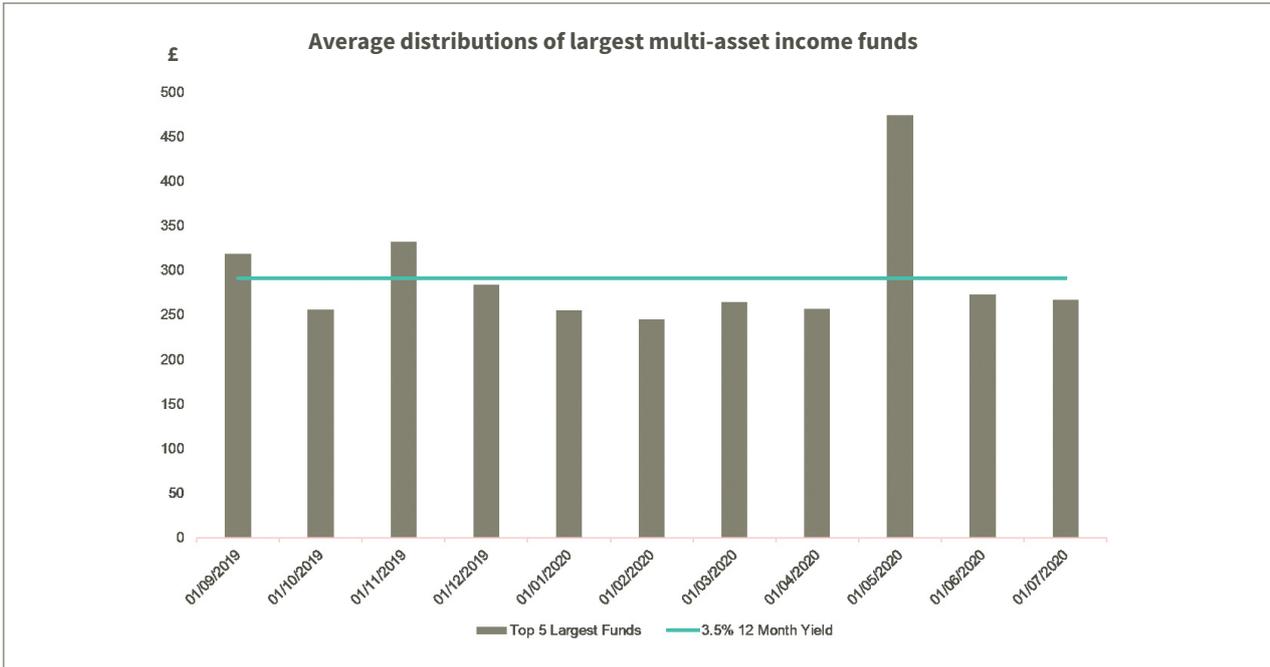
- A stable, targeted, monthly income for investors
- Potential for quarterly enhanced income and annual review of monthly income levels
- The prospect for gradual real growth over time
- Cost-effective charges
- Directly invested with a focus on quality investments
- Multi-asset / Multi-region exposure

**Risk warning - Past performance is not a reliable indicator of future results. The value of investments may go down as well as up.**

## A stable, steady, monthly income for investors

The example chart below shows you the sporadic monthly distributions of the largest monthly income producing funds in the UK Equity Income sector (by assets under management).

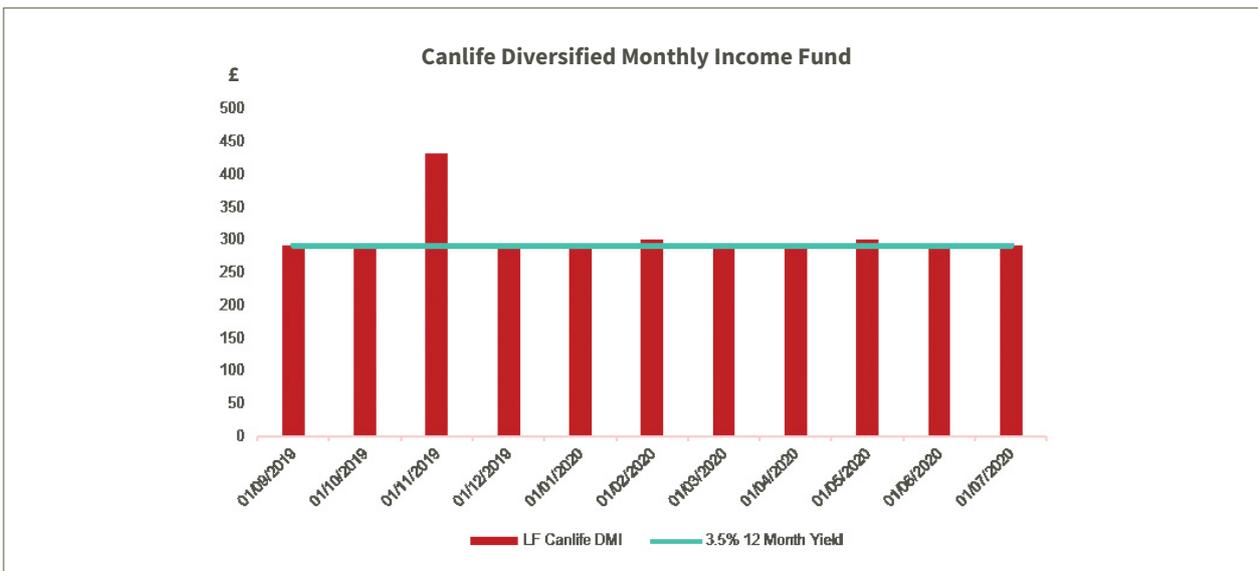
For illustrative purposes only



Source Morningstar as at the 31 July 2020. Returns based in £ based on an initial investment of £100,000. Data based on monthly income paying funds within the 20-60 sector, highlighting the largest AUM funds in the sector. Data based on actual dividend returns

The Diversified Monthly Income Fund by comparison pays out a steady income each month (think of it as a smoothed distribution), meaning clients can budget with greater certainty. The fund currently targets a yield of 4% per year, so in addition to the monthly distributions, a quarterly enhanced income may be paid.

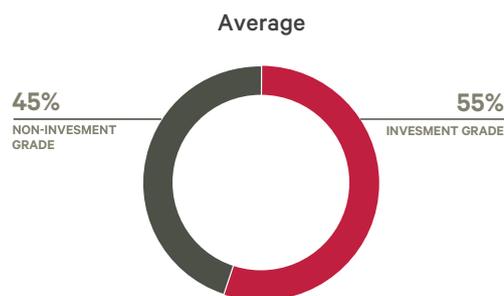
Finally there's an annual review each October to adjust the monthly distributions for the next 12 months. As this is an investment fund there are no guarantees as to future levels.



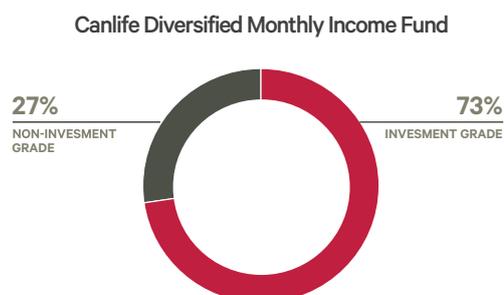
Source: Canada Life Asset Management - LF Canlife Diversified Monthly Income Fund overview as at 31 July 2020. Data based on actual dividend returns.

## Quality fixed income investments, steady dividends and non-excessive risk

Within the fixed-interest element of income producing funds there has been a real shift in risk to the consumer, as fund managers invest more money into non-investment grade bonds in order to produce the desired income. The average non-investment grade or non-rated bond holdings for monthly income funds bond holdings was approximately 45% in March 2020. This in turn can produce volatility.



In comparison the Diversified Monthly Income Fund holds far more of its fixed income exposure in investment grade bonds with only 27% in non-investment grade or non-rated - a stark difference in holdings. Providing better quality investments and non-excessive risk.



All equities within the portfolio are assessed based on whether they have:

- A robust business model
- A strong balance sheet and market share
- The ability to provide stable and/or growing level of distribution.

Canada Life Asset Management, using Morningstar data as at 31 March 2020. This is based on the credit rating of the bond holdings of 31 monthly income paying funds in the IA Mixed Investment (20-60% Shares) sector as calculated by Morningstar.

Fund Summary	
<b>Aims to deliver stable targeted monthly dividends</b>	Target a minimum steady monthly income which at the latest review equated to 0.28%
<b>Currently targets 4% yield</b>	Quarterly enhancement paid for any excess income
<b>Cost effective</b>	OCF of 0.52% (through The Retirement Account)
<b>Aims to deliver some long-term capital growth</b>	Broad variety of asset classes including equities, bonds, property in a range of geographic regions, sectors and small, medium and large companies
<b>Focus on high quality bonds</b>	We do not just rely on external ratings of bonds. All bonds are analysed and given an internal rating by the 10 strong credit analyst team. While ratings will generally be in line with the major rating agencies they would not be higher than the highest of these, but could be lower

The fund has specific parameters for each asset class.

	Range %	Asset allocation (30 September 2020)
Equities	25-55	46
Fixed Income/Cash	30-70	49
Property	0-20	5

Source: Canada Life Asset Management.

## About the Manager



Craig Rippe manages the Canlife Diversified Monthly Income Fund. He is also jointly responsible for Canada Life Asset Management's mixed asset funds, totalling more than £3.2 billion (as at 30 June 2020).

**“We expect individuals in retirement will find this an attractive product because it aims to provide a relatively steady monthly distribution over the long-term.”**

Craig Rippe,  
Canada Life Asset  
Management

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.

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