

The Matter of Income

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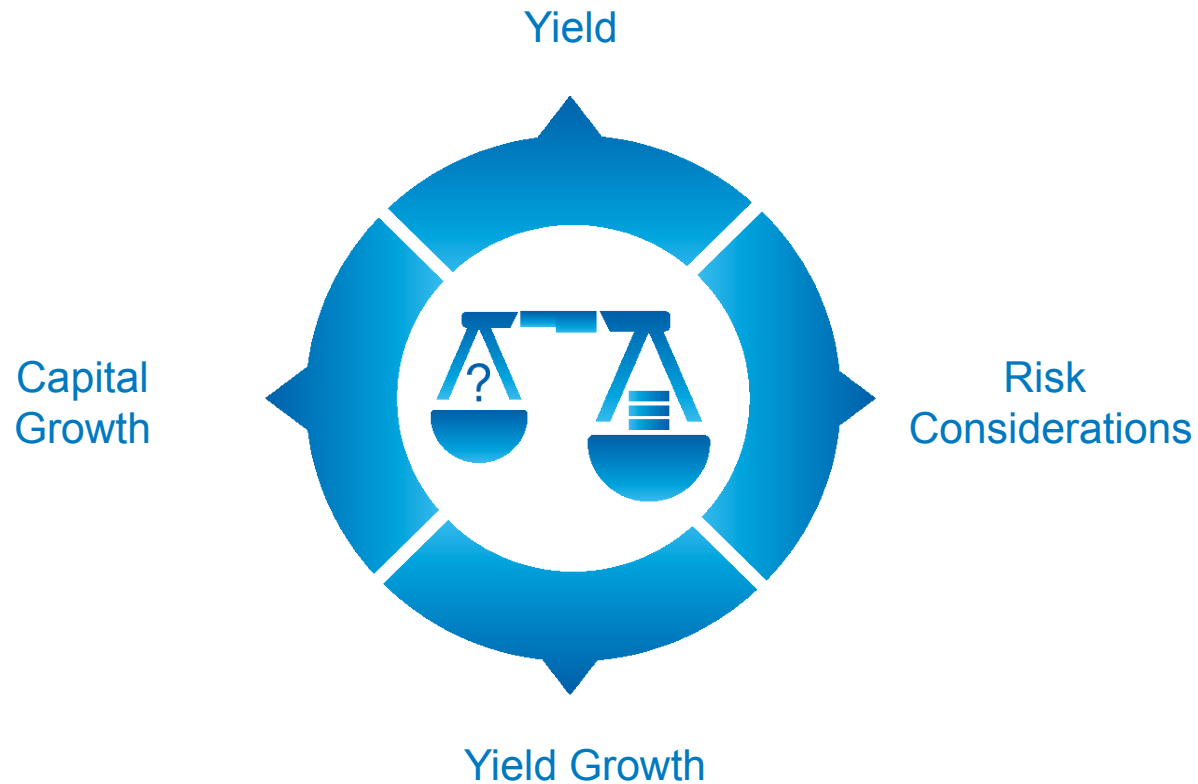
September 2015

Agenda

- The continued search for yield
- Building an income portfolio: our four step process
- The ETF toolkit
- Innovations in ETFs & Indices
- Our four step process in practice

The continued search for yield

Principles of building an income portfolio – a balancing act



The need to diversify

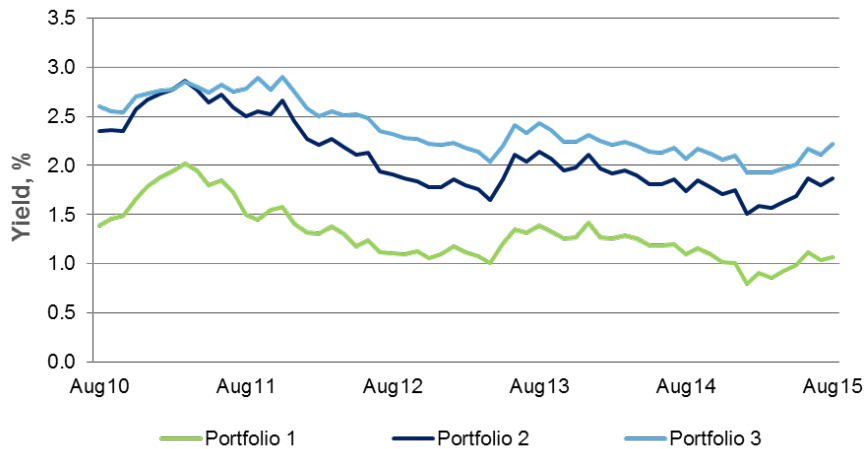
Diversifying an income portfolio . . .

* All investments involve an element of risk to your income and capital

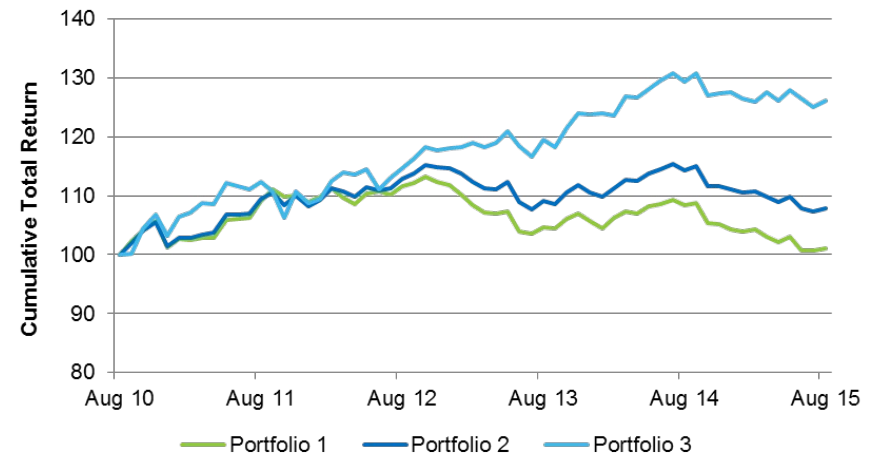
Portfolio 1 Portfolio 2 Portfolio 3

- Global Government Bond
- Global Diversified Fixed Income (Corporate, Emerging Market & High Yield Bonds)
- Global Developed Equities

... enables a yield target to be maintained ...



... whilst aiming to maintain capital growth.



Source: Blackrock, Bloomberg, 30/11/2009 - 28/11/2014. For illustrative purposes only.

Building an income portfolio: our four step process

Building an income portfolio: our four step process

1) Establishing portfolio goals

- ▶ Define an income target, risk budget and constraints

2) Define Investment Universe

- ▶ Within guidelines define a range of products that will assist in meeting objectives

3) Define Allocations

- ▶ Frequency of changes

4) Monitor & Reallocate

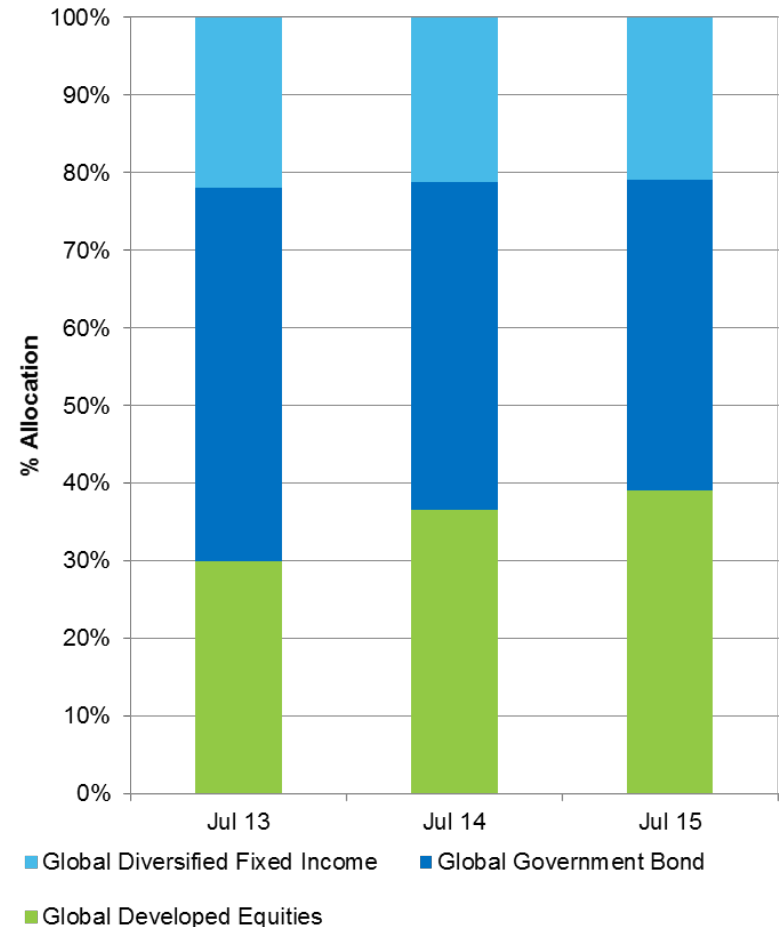
- ▶ Ongoing monitoring of whether the portfolio is achieving it's objectives

This does not constitute investment advice, for further information please consult your Financial Adviser

Why monitor and rebalance?

- Rebalancing the portfolios and reviewing allocations is intended to ensure that the defined objectives continue to be met within the identified constraints.
- It is important to note that rebalances may not be needed. It is the monitoring process which is essential.

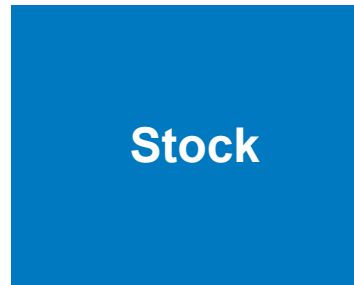
The changing composition of a portfolio without rebalancing



Source: Blackrock, Bloomberg, 31/07/2013-31/08/2015. For illustrative purposes only.

The ETF toolkit

What is an ETF? Two great investment ideas brought together



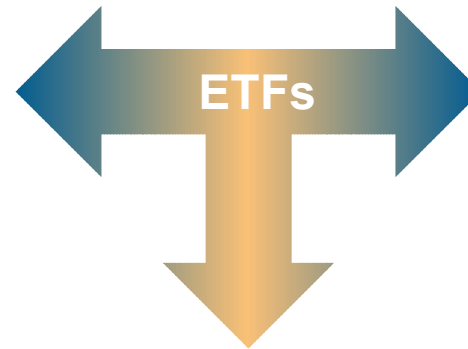
Stock

Tradable during the day



Mutual Fund

Diversified



ETFs

Exchange Traded Products (ETPs)

Open Ended Investment Companies (OEIC) delivering the same return as an index

The benefits of using ETFs in your income portfolio



Diversification



Transparency



Liquidity



Cost Efficiency

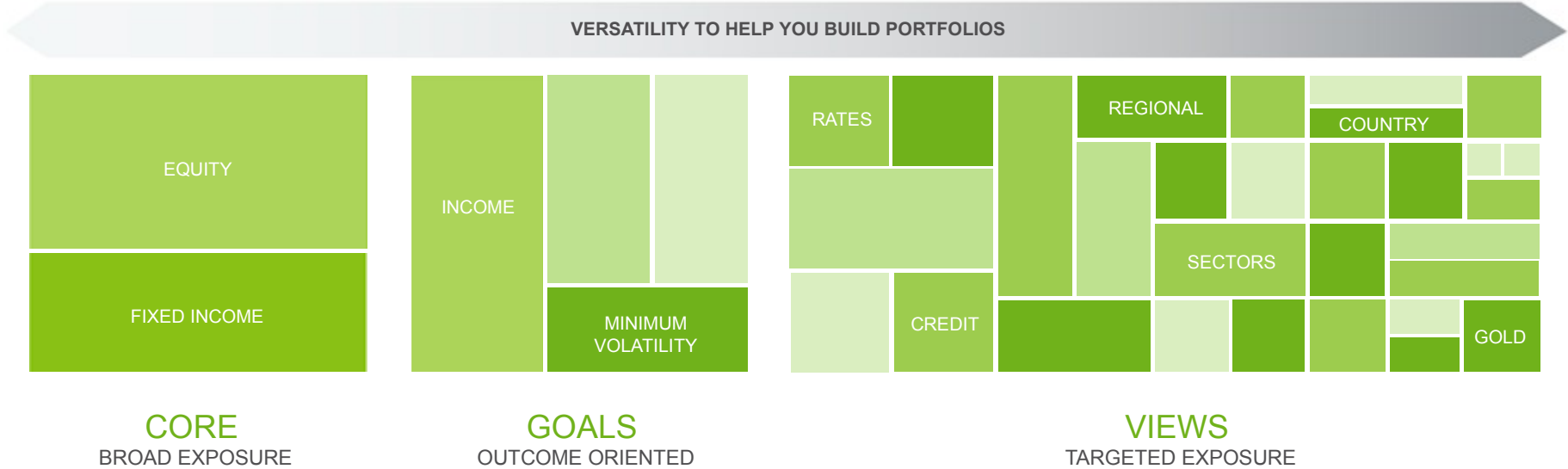


A building block approach

Risks

- ETFs are not guaranteed products – just like any investment in the stock or bond market, your initial investment is subject to loss. The value of your investment and income from it will fluctuate and your initial investment is not guaranteed.
- Past performance is not a guide to future performance and should not be the sole consideration when selecting a product.
- When buying and selling ETFs, it is important to remember that transaction or brokerage fees will apply and that liquidity is not guaranteed.

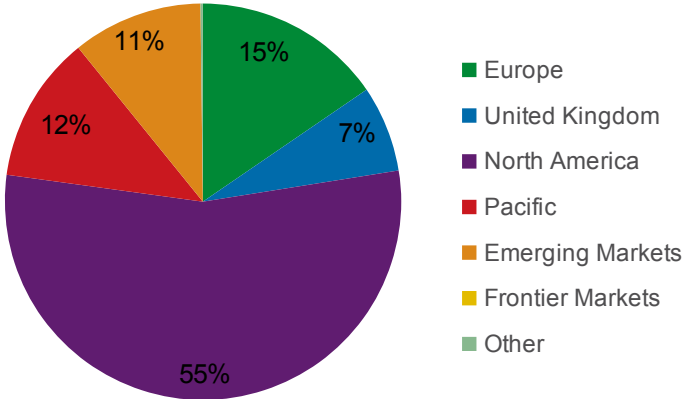
ETFs as building blocks



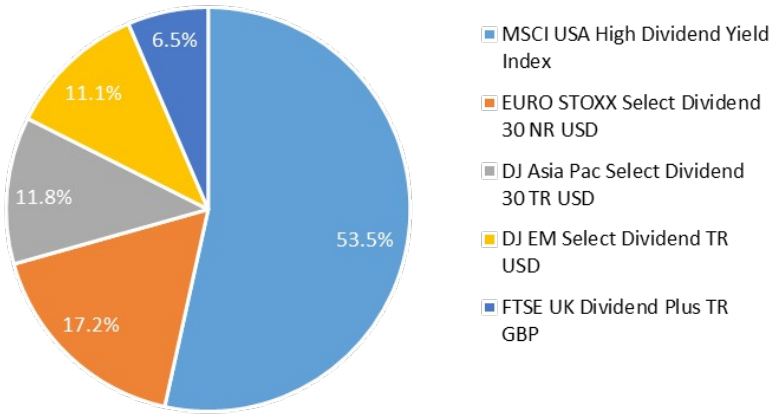
Source: BlackRock, as of June 30, 2014.

For illustrative purposes only: Creating tailored exposures: ACWI-like dividend exposure

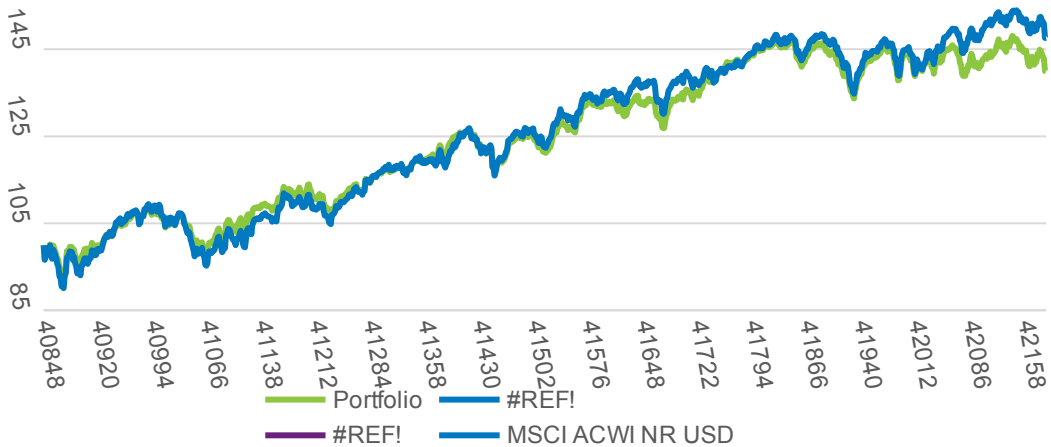
MSCI All Country World Index (ACWI) – Equity only



Global equity dividend index portfolio – Equity only



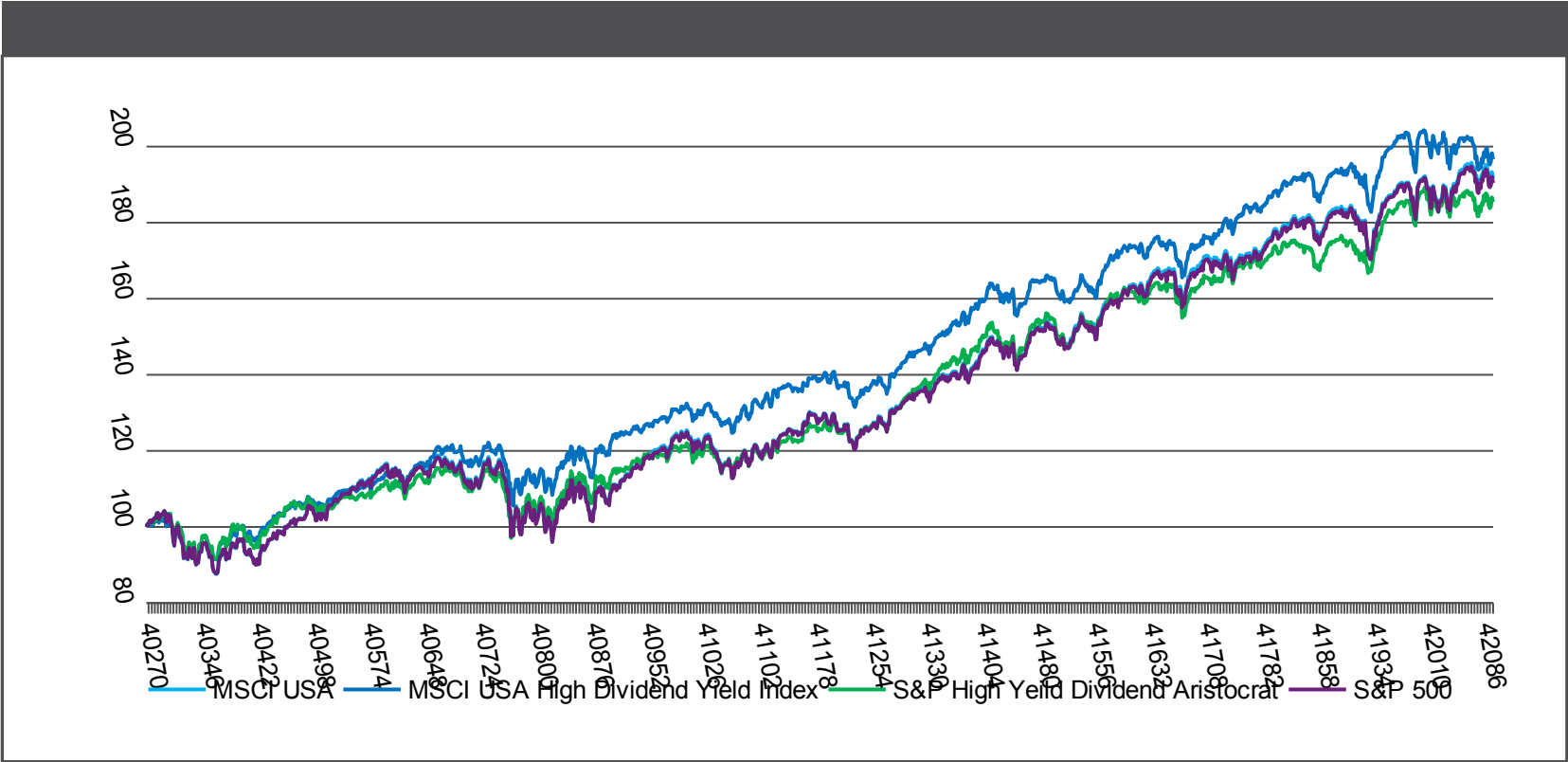
Similar return profile to ACWI, with an enhanced yield of



Source: Blackrock, Bloomberg, MPI, data as at end of June 2015. For illustrative purposes only.

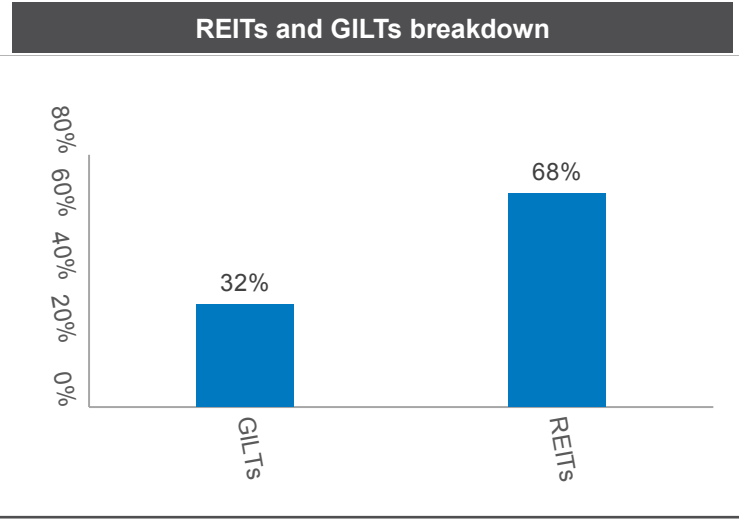
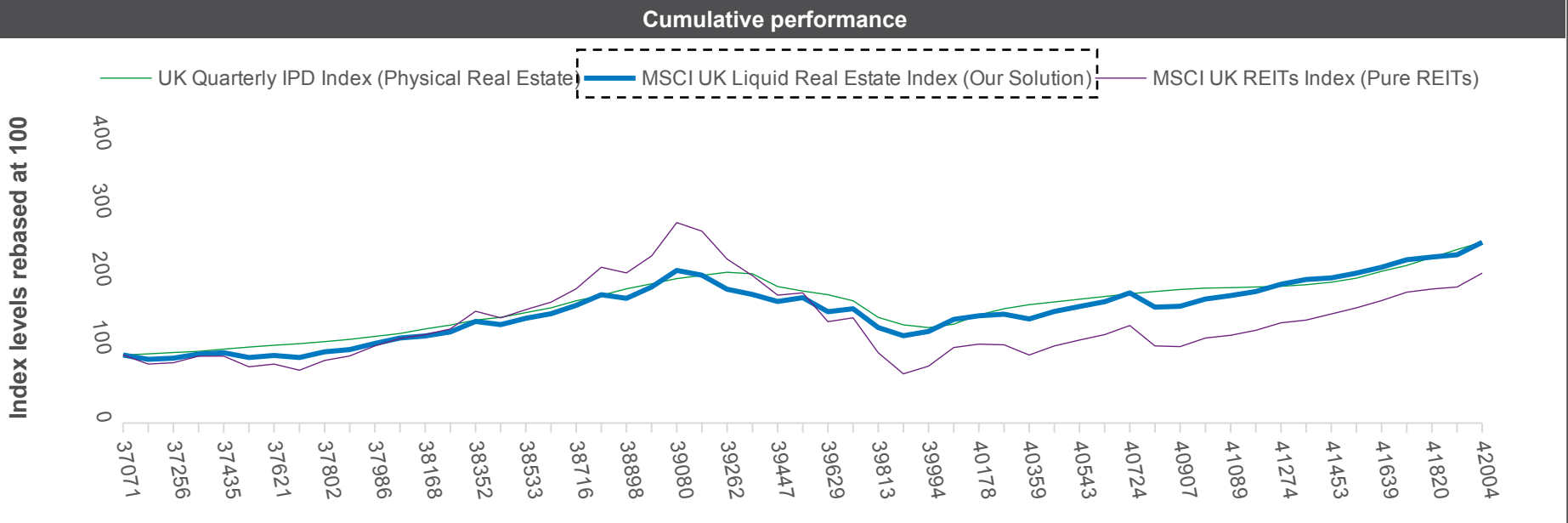
Innovations in ETFs & Indices

MSCI USA vs Aristocrats historical performance



Source: MSCI, SPDR, Bloomberg. Data 02-Jan-01 - 30-March-15. For illustrative purposes only.

MSCI UK Target Real Estate Index Analysis



Property investments are subject to adverse changes in economic conditions, adverse local market conditions and risks associated with the acquisition, financing and ownership and operation and disposal of real property."

Average historical yield based on end of year values between 2001 and 2014 Source: all data is sourced from MSCI and Bloomberg. Based on quarterly gross data from end June 2001 to end December 2014

Q&A

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