

LGIM Retirement Income Multi-Asset Fund

An innovative approach to generating long-term cashflow and growth

The Retirement Income Multi-Asset Fund is a globally diversified growth solution for DB pension schemes. The fund seeks to generate the returns needed to improve funding levels as well as providing a sustainable source of income to help meet defined benefit payments.

The fund provides a flexible solution for pension schemes which are cashflow negative but still require additional levels of growth to what is typically available with traditional cashflow matching bond strategies. This enables schemes to focus on both meeting their pension liabilities including other unexpected payments (such as member transfers) and their wider growth objectives.

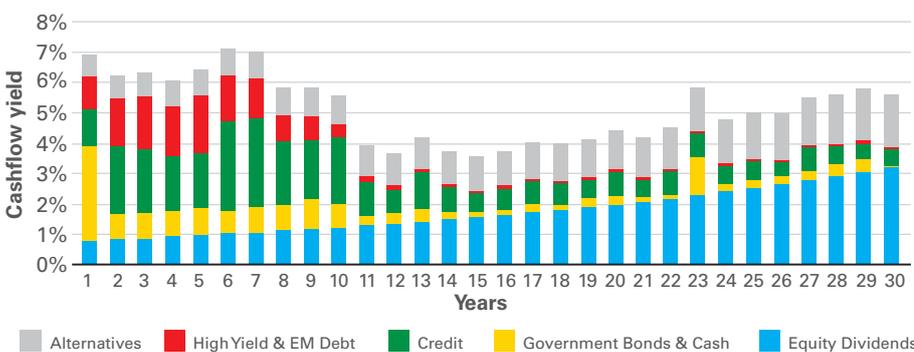
WHY CHOOSE THE RETIREMENT INCOME MULTI-ASSET FUND?

Cashflow generation	Growth potential	Risk-focused
<p>The fund is specifically designed to meet the needs of schemes seeking to generate sustainable long-term cashflows to help meet defined benefit payments.</p> 	<p>The fund offers a globally diversified investment exposure to target long-term growth. Asset allocation is dynamically managed to capture opportunities over multiple time horizons.</p> 	<p>Risk management is incorporated throughout the dynamic investment process to help ensure that cashflows are sustainable in the long term.</p> 

HOW DOES THE FUND MANAGE CASHFLOWS?

We generate the cashflows for pension schemes from a range of flexible sources through a 'liquidity waterfall' of options upon which the fund can draw.

The chart below highlights the income streams based on a representative multi-asset portfolio.



Source: LGIM. For illustrative purposes only.

INVESTMENT OBJECTIVE

The investment objective of the fund is to provide long-term investment growth and to facilitate the generation of sustainable cashflows.

PERFORMANCE TARGET

The fund aims to outperform the Bank of England Base Rate by 3.5% p.a., over a full market cycle.

RISK AND RETURN PROFILE*

The fund provides exposure to a range of different asset classes including equities, bonds, commodities, property, listed infrastructure and listed shares of private equity investment vehicles. The asset allocation of the fund is managed by LGIM with the aim of enhancing returns and managing downside risk. The fund provides exposure to a combination of UK and overseas assets with a flexible approach taken to managing foreign currency exposure.

The fund aims to maintain a risk level of less than half of the volatility of a global developed market equity portfolio, over the long term.

LAUNCH DATE

September 2014

DOMICILE

UK

BASE CURRENCY

GBP

FUND STRUCTURE

Unit-linked life insurance

*Capital is at risk.

This liquidity waterfall can include the following sources of cashflow:

- Income from our underlying investments;
- Cash inflows from investors;
- A small cash buffer held in the fund to allow smoothing of inflows and outflows on specific days or times of the month;
- Redemption payments on maturing bonds (this can be accessed by the fund entering ‘run off’ mode in a distressed market).

When building the diversified portfolio we pay close attention to the available sources of cashflow from the variety of assets that the fund invests in. A key feature of the fund is the ability to ‘run off’ these locked-in income streams in a distressed market environment. This can help to protect investors from selling assets at depreciated levels.

We do not apply the common approach of an ‘income share

class’, where the rate and frequency of cash that is distributed to investors is effectively pre-determined by the fund’s investment rather than the individual investor’s needs. Our approach is a more flexible alternative to meet the investors required disinvestments. As investors sell units to generate the cashflows they require, we will aim to facilitate the unit sale at zero cost using the techniques described earlier in the waterfall section.

ACCESSING GROWTH OPPORTUNITIES

Our investment approach looks to invest not only across a wide range of asset classes and regions, but also across multiple time horizons to provide an additional level of diversification.

Risk management is central to what we do and it must be incorporated at every stage of the investment process. In particular we focus on specific risks relevant to investors who aim to draw a sustainable level of cashflow from the fund.

Long-term prospects	Strategic ‘baseline’ We believe that diversified exposure is rewarded over a market cycle
Medium-term opportunities	Dynamic strategy Opportunities identified through the analysis of asset class behaviour in response to market trends
Short-term opportunities	Tactical moves Taking advantage of any shorter-term market opportunities
Risk management	Cash-flow management Target long-term sustainable sources of cash flows and downside risk management

CONTACT US

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