# Solving the income dilemma

## Embracing flexibility when investing for retirement

Are you taking advantage of the new pension freedoms?

## Generating sustainable retirement income

Navigating the increasing investment choices for your income needs

## Reinvesting income for the future

Are investors making the most of compound growth?

Suitable for retail investors.

Quilter Investors

## *Navigating the 'new normal' for income*

Since the global financial crisis, central banks around the world have adopted monetary easing policies such as quantitative easing and sharp interest rate cuts. More than a decade later and the current economic environment, certainly within the developed world, continues to be a 'lower for longer' view on interest rates.

## *Income dilemma*

For spenders and borrowers this is clearly great news, but for savers and those thinking about retirement, the long-term nature of this trend can significantly impact investors' plans to generate a regular and sustainable income that might have to last for decades.

This presents income investors with a serious dilemma, the low interest rate environment means that cash and government bonds, the traditional sources of income returns, are no longer sufficient to generate a meaningful retirement on their own. The hunt for better returns, or yields, means investors are having to expand their search and find new investment ideas, but this inevitably means moving further up the risk ladder to a level they may not be comfortable with.

## *A fine balancing act*

Creating the right balance between risk and reward and building a portfolio that generates sufficient income to be either withdrawn or reinvested for a later date, is a difficult task. But it is one that can be made easier with the help of financial advice and innovation within the investment industry to provide solutions that meet these specific needs.

The pension freedoms that came into effect in 2015 opened up the possibilities for those reaching 'retirement', the requirement to buy an annuity disappeared and people are now allowed to keep building their pensions, to stay invested and even pass on their money to the next generation.

But with more freedom comes more choices, which are not always easily explained, and more investment decisions that are not always easy to make. Particularly in an environment where economic and geopolitical newsflow affects market sentiment possibly more than it ever has in the past.

Investing for the future to ensure the right mix of assets are working for you to meet your income needs has become a fine balancing act. It is also one that requires careful monitoring to ensure you make the most of the new opportunities without taking on an unacceptable level of risk.

# Contents



## *Got a question?*

If you have any questions regarding any of the topics and your own investment needs, you should discuss them with your financial adviser before making any changes.

# Embracing flexibility when investing for retirement

*Baroness Ros Altmann*
**Former UK Pensions Minister**

*The introduction of pension freedoms in 2015 has helped many people benefit from enhanced flexibilities for later life income planning. However more still needs to be done to ensure investors can achieve the best outcomes.*

In this new retirement environment, people are often failing to recognise the benefits of not necessarily taking money out of your pension as soon as you possibly can, or at the pre-determined retirement age you selected many years earlier.

This is an important area where the industry has not moved in line with the way people's lives have evolved, and where the pension freedoms offer opportunities that the old system didn't.

The entire premise on which most pensions investment decisions in the past were made, which was gearing up to an annuity purchase at a date you'd know well in advance, doesn't fit with people's lives in this modern era. There needs to be far more flexibility with pensions and pensions thinking than there has ever been in the past.

This is especially true in the current exceptionally low interest rate, quantitative easing (QE), environment, which has certainly dramatically reduced the amount of guaranteed lifelong income you get from annuities.

Of course, we know people aren't all financially savvy and equipped to make well-informed decisions on finance, especially given that, in the past, pensions entailed little or no decision-making, with an annuity or final salary-type scheme pension just being paid out automatically. The government recognised that most people had insufficient experience to make optimal decisions on their own, so alongside the freedoms reforms, it introduced a new independent guidance service, called PensionWise, to provide help for people as they decided what to do with their fund. In addition to this free impartial guidance, it also introduced a £500 tax-free allowance for financial advice. These reforms have certainly helped some people make better decisions, but unfortunately take-up is incredibly low.

Therefore, people who aren't used to making financial decisions are being left to do so, without guidance and ideally financial advice, and are often unaware of the big questions and decisions they need to be considering, before taking money from their pension.

Most people are unsure how to best manage their investments for the longer-term period that retirement generally spans nowadays. With more and more people working later than past generations, there is also the potential to improve your pension by deciding not to take money out as soon as you reach the minimum scheme "retirement age". Keeping the money invested rather than withdrawing it, can grow the fund further.

Of course, a big issue for me is the concern that investors need to understand the risks involved. With unprecedented central bank policies that have driven bond and equity prices higher, even professional investors cannot be sure they know what investment risk means at the moment. Therefore, one of the ways in which you can protect yourself is through diversification of your investments - a broader spread of asset classes – as it's not just about equities or bonds anymore.

*...one of the ways in which you can protect yourself is through diversification in your investments...*

Different types of risk premia are available other than just equities and bonds, but people haven't necessarily been able to take advantage of these in the past. Being able to access different investments, such as alternatives, in a cost-effective way – perhaps as part of a bigger fund or through a fund manager doing it for you - can help mitigate the risks to your potential future income.

Too many people are desperately searching for better returns but are attracted into investments that are not suitable for their circumstances. This money may need to last you for 30-40 years and, if you don't use it, the new rules allow it to pass on tax-free to the next generation, so there is no huge rush to take it out.

The traditional pension investment approach switches your money into 'lower risk assets' such as bonds and cash over ten years from age 50 or 55, taking no risk at all by the tenth year. This no longer seems appropriate. At age 55 you're likely to still have a 30-year investment time horizon, and on a 30-year time horizon you don't want just bonds and cash. Especially in the current environment where the growing number of government bonds with negative yields is quite concerning, and it is starting to look more like return free risk rather than risk free returns.

Staying invested should provide you with more money in your 80s and 90s, due to the effects of compound growth. This is more in-line with the original pension concept – when you're much older you want to have some money to live on, rather than the more modern idea that your pension is money to spend in your late fifties or sixties. There are many reasons to keep investing more money in pensions, rather than withdrawing it, but the pensions industry has yet to capitalise on such thinking. It requires a massive education exercise, but it is also an enormous opportunity.

# The hunt for yield

*Helen Bradshaw*
**Portfolio Manager**

*Over the last decade the hunt for yield has been a consistent theme for markets, driven predominantly by the ultra-low policy rates we have seen in almost all developed economies.*

The traditional hunting grounds of the past have seen yields shift materially, and with most asset classes touching historical lows, it has been a huge challenge for investors seeking an income from their investments.

On top of this, investors have to contend with an environment of geopolitical uncertainty, from Brexit to trade tariffs, slowing global economic growth, not to mention the volatility caused by central banks starting to normalise policy. But whilst the news headlines may be less optimistic from a macroeconomic viewpoint, there are still plenty of income investment opportunities, providing you know where to look.

For example the UK equity market remains a good hunting ground and we saw dividends rise 5.1% here in 2018 to a record £99.8bn. However, investors should be mindful of where these dividends are coming from. Beneath the headline figures just five companies accounted for 34% of the total dividends last year, and the top 15 companies accounted for 58%. In addition, UK dividends are concentrated in the largest companies, with the small and mid-cap stocks in the FTSE 250 index accounting for just 11% of the total dividends last year. And past experience from the financial crisis, during which time financial stocks were the biggest sources of income, shows the risk such concentration can present.

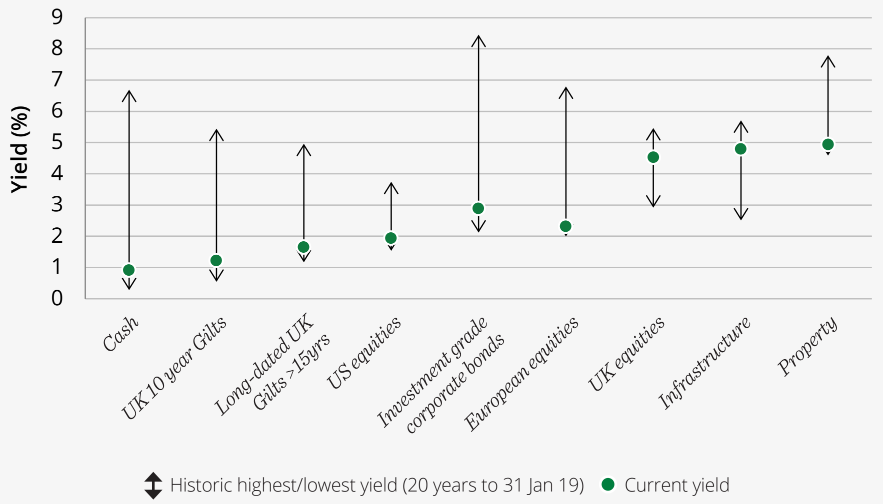
While the UK stock market will always be an important source of income for UK investors, it is not the only one, and with the Brexit uncertainty continuing to be a primary risk in 2019, it pays to look beyond the traditional big earners.

A globally diversified approach allows investors to look elsewhere in the search for income, which can have numerous advantages. Asia is traditionally relatively unfavoured by income managers but that is beginning to change. In the past, firms in the region have re-invested the vast bulk of their profits, in order to fuel growth, with shareholder pay-outs being few and far between.

But we are now beginning to see a strengthening in the shareholder lobbying power in the region, and greater pressure on firms to reward their investors as a result.

*A globally diversified approach allows investors to look elsewhere in the search for income, which can have numerous advantages.*

**Hunting for income:** Investors are experiencing near historically low yields from many traditional sources of income.




*Source: FactSet financial data and analytics/MSCI**

It is also important not to overlook Japan, where we are seeing corporates benefit from Prime Minister Shinzo Abe's business reforms – part of the so-called 'Three Arrows'. Fewer companies are hoarding cash on the balance sheets and are instead choosing to return cash to shareholders. Interestingly Japanese equities now yield more than their US equivalents and there is potential for further progress to be made in this area.

However, it is important to note that income is not equity specific. It may play a big part in many portfolios, but a key advantage to a diversified multi-asset portfolio is the ability to seek income generating investments across regions and asset classes. Be that emerging market debt, high yield bonds, infrastructure assets or even alternative asset classes such as renewable energy. A blend of assets classes allows multiple sources of income as well as multiple performance drivers, with the diversification benefits helping to provide a sustainable income as well as mitigate idiosyncratic risks.

It is not just this huge variety of choice, however, that makes a diversified multi-asset portfolio a strong choice for income. The flexibility of these portfolios means managers are not forced to invest in asset classes where the risk-reward trade off looks unattractive. If for example US high yield starts looking overvalued a manager could remove the exposure and switch to something more attractive.

An unconstrained remit allows these portfolios to be positioned for long term themes and trends, whilst allowing them to be nimble enough to adapt to unexpected market events if necessary.

As global growth continues to decline – with China having posted its slowest annual expansion since 1990 - sources of sustainable income will continue to be sought after, and the benefits of a globally, diversified and uncorrelated portfolio will become ever more apparent.

**The value of investments and the income they produce can fall as well as rise. You may get back less than you invested.**

*Diversification is key to finding sustainable income*

*Yields across the board are a lot lower*

*Investors should look beyond traditional income sources*

# Generating sustainable retirement income

*Helen Bradshaw*
**Portfolio Manager**

*Since the advent of pension freedoms in 2015, income in retirement has become a larger focus for many investors, but with increased flexibility comes more choice and decisions to make about future income prospects.*

The changes to the pension landscape means those nearing, or reaching retirement, or even in the midst of the process can adopt a much more phased approach to their later years. The increased flexibility of being able to stay invested yet withdraw an income, or switch to alternative investment solutions, all without the need to eventually purchase an annuity, has changed the game for many investors.

## Thinking long-term

In spite of this, many investors are not thinking outside the box on the best ways to maximise and secure a sustainable income throughout their retirement. While many may continue working past the state retirement age of 65 (currently) and phase into retirement, others might take a more traditional approach and look to encash some, or all, of their pension pots to cover home improvements, take up new hobbies or go travelling.

With the average life expectancy at age 65 currently measured at an additional 18.6 years for men and 20.9 years for women, it is clear that retirement incomes need to be able to maintain a required standard of living for decades after full-time work potentially ends.

For many income-seeking investors the choice has traditionally been between relying on the 'natural' income generated by the underlying assets in their portfolio, such as dividends on company shares or interest payments on fixed income instruments such as bonds, or creating cash by selling investment units.

The issue with the latter approach of unit encashment is that when investors are looking to make their money last as long as possible, selling down the capital in their portfolio actively reduces the amount they have to live on. In periods when investment markets are steadily rising and performing well, this is less of an issue as the underlying units are worth more requiring an investor to sell fewer units in order to achieve their desired level of income.

Although, even in these more positive circumstances investors still have to be aware of the need to balance their increasing life span and making sure their capital lasts as long as they need it to, with the desire and/or the necessity of withdrawing an income.

## Steering through volatile markets

Therefore, problems can arise when markets are more volatile or in a downward trend at the point when investors need that income. With assets worth less, more units need to be sold to meet the investors' income needs. The more frequently this occurs, the quicker the capital in the portfolio will erode. This is particularly true if it occurs at the start of the retirement cycle. Whilst in an accumulation phase of investing, the sequence of returns is less impactful, once you add in regular income withdrawals it becomes a different story.

For example, as table 1 shows, if in the accumulation phase an investor's portfolio experiences a 25% gain, a 15% gain and then a couple of years of losses, this makes no difference to the end result than if they experienced the losses first and then the gains.

However, if an investor experiences the same losses in retirement when they are also encashing units for regular income, then the result is very different, as shown in table 2. The portfolio could be worth 22% less if they experienced investment losses in the first few years. Inevitably, this means that Portfolio 2 will either be exhausted far sooner than Portfolio 1 or that it will be forced to substantially reduce the income it pays if it's to avoid being eaten away – and that's after just five years of what could be 30 or more years in retirement. This emphasises the destructive power of sequence of return risk and can lead to an awkward predicament if investors start running out of capital and have to take an income holiday just at the time where they need income the most.

Meanwhile, for those considering a 'cash is king' approach to retirement income on the basis less exposure to investment markets means less risk, the outlook is not that positive. Investments in cash may be considered "safer", but with UK consumer price inflation (CPI) at 2.1% in July 2019, and low interest rates of 0.75%, investors get little more benefit from holding their money in a savings account than they would leaving it under their mattress.

### Taking a different approach

What other options are available to investors seeking an income? Another approach may be to look for a portfolio that offers a 'natural' income from its investments.

As mentioned, 'natural' income refers to the income generated by the underlying investments, such as company shares, and which is paid out as a dividend per share or the interest payments on fixed income instruments. This means that no units or shares need to be sold to generate income and so the size of the original portfolio is not depleted.

That said, the level of 'natural' income is not guaranteed, as it depends on the underlying investments and how well that company or asset class has performed. But if a dividend is cut, or even suspended, the portfolio still owns the actual shares in that business and providing they have a long-term outlook, investors will benefit once the dividends are increased or resumed.

In contrast, when taking a unit encashment route, an investor is unlikely to be able to choose when to sell the units as income will be required at regular intervals. This means investors are left vulnerable to share price fluctuations and in times of market stress have to sell more units or shares than they would otherwise have done.

### Developing an income strategy

However, since the introduction of pension freedoms, investors at or near retirement do not have to pick just one option for their income requirements. This is particularly helpful for those investors who want an income during their retirement years, but also would like to take advantage of the flexibility of pension freedoms to leave some of their pot to future generations.

A multi-asset approach is an attractive option for combining the varied sources of income available into a portfolio that can sit alongside other investment options in the decumulation phase, helping to boost overall income. As more people look to spend more of their life in 'retirement' than ever before, getting the right mix of investments and solutions to ensure their income lasts as long as they do, and even beyond, has never been more important.

*Returns of a £100,000 portfolio over five years*

| Table 1 | Portfolio 1 | | Portfolio 2 | |
|---|---|---|---|---|
| Year | Annual returns (%) | Portfolio value (£) | Annual returns (%) | Portfolio value (£) |
| 1 | 25% | £125,000 | -25% | £75,000 |
| 2 | 15% | £143,750 | -15% | £63,750 |
| 3 | 0% | £143,750 | 0% | £63,750 |
| 4 | -15% | £122,188 | 15% | £73,313 |
| 5 | -25% | **£91,641** | 25% | **£91,641** |
| *0% difference* | | | | |

| Table 2 | | Portfolio 1 | | Portfolio 2 | |
|---|---|---|---|---|---|
| Year | Withdrawal | Annual returns (%) | Portfolio value (£) | Annual returns (%) | Portfolio value (£) |
| 1 | £5,000 | 25% | £120,000 | -25% | £70,000 |
| 2 | £5,000 | 15% | £133,000 | -15% | £54,500 |
| 3 | £5,000 | 0% | £128,000 | 0% | £49,500 |
| 4 | £5,000 | -15% | £103,800 | 15% | £51,925 |
| 5 | £5,000 | -25% | **£72,850** | 25% | **£59,906** |
| *22% difference* | | | | | |

*Source: Quilter Investors. For illustration purposes only.*

*...problems can arise when markets are more volatile or in a downward trend at the point when investors need that income.*

# Seeking out the next generation of income

*These days, emerging markets are home to some of the world's most successful companies, says assistant portfolio manager CJ Cowan. Their growing maturity means that dividends could keep rising.*

One of the most time-honoured approaches for income investors is to identify mature companies in well-established sectors as, all things being equal, they should be in a position to deliver the most reliable income streams.

*CJ Cowan*
**Assistant Portfolio Manager**

### Flushed with success

A good example is provided by boring old utilities stocks. Although they might lack glamour, they regularly take pole position in both the UK and US markets as the top yielding sector. This is thanks to the quasi-monopolies they enjoy and the heavily regulated industry structures they operate within that, in turn, enable them to extract high rents for what tends to be very consistent levels of demand.

Consequently, these companies are by their nature able to pay out a much higher proportion of their earnings as dividends. This can be seen from the dividend pay-out ratio for the US utilities sector, which currently stands at close to 80% compared to around 45% for the broader S&P index.

### Emerging wisdom

Given that high-yielding stocks will usually have a high dividend pay-out ratio, it's not surprising that, until recently at least, income managers tended to steer clear of emerging markets when prospecting for income-generating stocks. This is because emerging market equities were historically labelled as 'growth assets' rather than income-generating ones. And, ongoing growth requires the reinvestment of profits back into a company, which means less cash is available to be returned to its shareholders as dividends.

However, times change. These days, there are plenty of well-established emerging market-based companies that pay out appreciable dividends.

As the chart shows, beneath the 'thrills and spills' that we tend to associate with them, the historic dividend yield on the MSCI Emerging Markets index has been consistently higher than that of the S&P 500 index for nearly a decade.

Of course, dividends alone don't tell the whole story – especially when it comes to the US equity market where share buy-backs are part and parcel of equity investment. Last year, US companies spent over $1trn buying back their shares. Because they invariably cancel the shares once they've been bought, the practice naturally pushes up earnings per share (EPS) and valuations.

In the US, they're seen as a more efficient way to return cash to shareholders and they've been a big part of the recent outperformance of the US market that we've seen in the current economic cycle.

## Dividend and conquer

Regardless of where they might come from, investing in higher quality companies that are expected to pay out stable or rising dividends, rather than more growth-oriented companies that rely on share price gains to deliver a return to investors, has a number of boons.

In the long-run, theory dictates that a company's share price should reflect the earnings it's expected to generate. But market sentiment has a profound effect on equity prices in the short term.

Most fundamental equity analysts would hope to predict a company's success over, say, one to three years, but trying to tie such predictions to short-term market gyrations can get a little messy. This is why so many equity houses have the tag line that they're long-term investors; the hope is that these unpredictable market moves will even themselves out over a long enough time horizon.

By contrast, dividends have a much more direct link to corporate earnings than current share prices. This is because, earnings per share (EPS) x pay-out ratio = dividends per share (DPS). Consequently, the income paid out by a company as dividends should be a more predictable return driver than capital appreciation.

Moreover, because of the stigma that attends a company that's forced to cut its dividend, companies typically do everything they can to maintain their pay-outs, even if their earnings start to fall away.

## Smoothing the ride

Focusing on high dividend paying stocks with stable earnings can also give investors a smoother ride. This is demonstrated by indices such as the Fidelity Emerging Markets Quality Income Index, which is a 'smart beta' product that systematically allocates to higher-quality and higher-yielding stocks, weighting them to reduce stock specific risk. Over the past 10 years the annualised volatility of returns of the quality income index was 15% - compared to 15.6% for the MSCI Emerging Markets index.

*...there are plenty of well-established emerging market-based companies that pay out appreciable dividends.*

And the total return was on average 2.5% higher each year so you were getting higher returns with less risk (albeit only slightly).

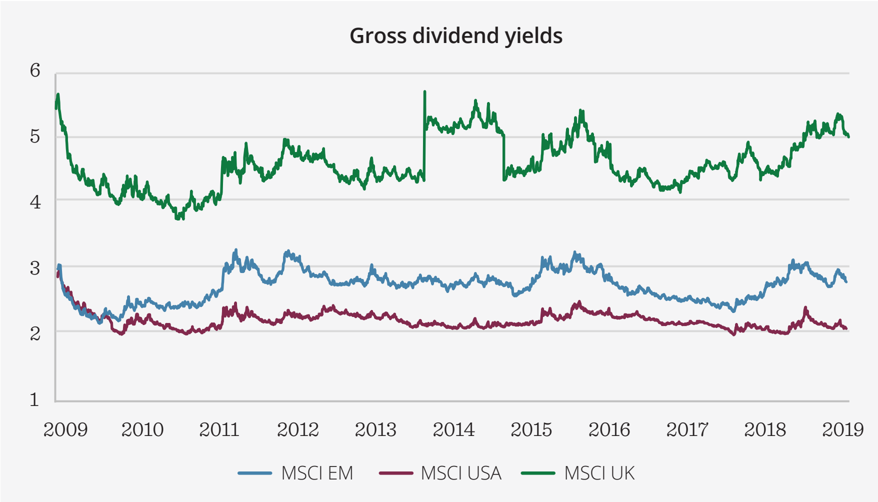
Another appealing trait of emerging market companies is that, with a comparatively low dividend pay-out ratio of 41%* for the MSCI Emerging Markets index – versus the 75%* offered by the UK's FTSE 100 index – they also offer significant scope to ramp up their pay-out ratios.

With any such increase comes added investor interest from income seekers everywhere, which can also drive a pop in share prices. This is also why firms do their best to avoid cutting their dividends (as the same thing can happen in reverse).

All this means that a focus on income-producing investments may be a way to lower the risk in your portfolio, while potentially enhancing return.

Even though the yield on emerging market equities might not be earth shattering right now, the risk and return profile that's on offer from holding higher-yielding stocks in an asset class with significant potential for capital appreciation should surely be a strong candidate for every income investor's portfolio.

**Source: Bloomberg as at 16 September 2019*




*Source: Quilter Investors/Bloomberg.*

**The value of investments and the income they produce can fall as well as rise. You may get back less than you invested.**

*Helen Bradshaw*
**Portfolio Manager**

# Reinvesting income for the future

*Generating a sustainable and steady income stream is not only appealing as a flow of revenue, it can also be used to enhance long-term returns through the power of compounding, as Helen Bradshaw, portfolio manager at Quilter Investors, explains.*

In the current environment of low interest rates and historically low yields from many traditional income investments, for many the search for a regular and sustainable income is the main attraction of an income solution. The ability to use sustainable distributions to boost income, build up savings or pay for unexpected events makes the choice of an income fund almost too easy in the current environment.

There are, however, additional benefits for investors choosing an income solution outside of the regular payments. For those who don't want or need to take income on a regular basis, the decision to reinvest that income back into their portfolios can have a significant impact on investment returns over the longer term.

For example, figures show that over a period of almost 35 years the FTSE All Share Index delivered a cumulative return (excluding dividends) of 485%. However, if investors had reinvested their dividend income back into the market instead of taking it as income, then their returns would have jumped to an impressive 1,937%.

This dynamic exists further afield too. Over a 45 year period the MSCI World Index delivered a cumulative return of 5175%, but this jumps to 13,450% had dividends been reinvested over this time. The evidence is equally compelling if you look at the MSCI Emerging Markets Index, which saw the total return almost double from 261% to 468% with 44% of the higher returns coming from dividend reinvestment.

The reason for this significant improvement in returns is the power of compounding. Essentially, by reinvesting income into a portfolio, the investor is buying more of the underlying investment, such as company shares. By holding more shares the investor then has the potential to earn more income from dividends in the future, which if reinvested then repeats the process. With this relatively simple technique the investor earns returns on their returns creating a snowball effect that can produce far more than they might have imagined.

*By holding more shares the investor then has the potential to earn more income from dividends in the future, which if reinvested then repeats the process.*

**The value of investments and the income they produce can fall as well as rise. You may get back less than you invested.**

| Index | Cumulative return excluding dividends | Cumulative return including dividend reinvestment | % of total return from reinvesting dividends |
|---|---|---|---|
| **MSCI Emerging Markets** 29/12/2000-30/08/2019 | 261% | 468% | **44%** |
| **MSCI Germany** 02/01/1975-30/08/2019 | 3,425% | 8,612% | **60%** |
| **MSCI Euro** 31/12/1996-30/08/2019 | 154% | 334% | **54%** |
| **MSCI Japan** 02/01/1975-30/08/2019 | 3,256% | 5,682% | **43%** |
| **MSCI USA Large Cap** 05/06/2007-30/08/2019 | 215% | 280% | **23%** |
| **MSCI World** 31/01/1975-30/08/2019 | 5,175% | 13,450% | **62%** |
| **FTSE All Share** 31/12/1985-30/08/2019 | 485% | 1,937% | **75%** |

Of course, the contribution that dividends can make to overall returns depends on a number of factors, including the dividend strategy of the underlying companies remaining sustainable.

In a world of low interest rates, some companies may be tempted to borrow in order to make shareholder pay-outs, which could be a sign of larger problems such as a weak balance sheet. And at times of market stress this could lead to unexpected cuts or even suspensions of dividend payments, which can affect the level of income available to reinvest or withdraw. This was clearly demonstrated during the global financial crisis when UK banks in particular – a key source of UK equity income – were forced to cut or suspend their dividend payments, resulting in total UK dividend payments falling around 13% from £62bn in 2008 to £54.1bn in 2009.

Reinvesting income for the future can be a useful strategy to build up returns relatively quickly, which can then be used to take a higher income, or to benefit from more capital growth. But whichever path investors choose, doing your homework on the sources of the income remains key. As we know, stock markets do not go up in a nice straight line and there will be peaks and troughs and periods of economic uncertainty, which makes diversification of income sources even more important.

*Reinvesting income for the future can be a useful strategy to build up returns relatively quickly, which can then be used to take a higher income, or to benefit from more capital growth.*

# Q&A with Helen Bradshaw

*Portfolio manager Helen Bradshaw, explains why she chose income investing over the law and why the culture and people were key to her joining Quilter Investors.*

## Q *What are the new income portfolios?*

The Income range is made up of two risk- targeted portfolios – Monthly Income and Monthly Income & Growth – each with a slightly different yield and total return profile. Diversification is at the very heart of the process, and we are able to consider any and all asset classes, regions and sectors, to take advantage of the best income opportunities around the globe through a range of different investment vehicles.

The portfolios are managed on a risk targeted basis. If you look across global markets many of them are delivering yields close to their historic lows. This creates a temptation to reach into riskier assets to find sources of income, so having an upper volatility boundary creates an important discipline that ensures we aren't over-stretching. Aside from being risk-targeted, the portfolios also offer a monthly smoothing of income. This allows advisers and clients to have greater confidence in the sustainability of the income as it aims to even out some of the variability and seasonality in dividend payments.

That said, re-investing those dividends can super-charge a customer's portfolio when they roll-up dividends to benefit from compound growth.

## Q *What drew you to multi-asset investing?*

I originally wanted to be a lawyer, but there wasn't an area that I could see myself specialising in for the rest of my life. I had always been interested in economics and markets so looked for a way into the industry that allowed me to combine this interest, along with my legal knowledge and training. A perfect role materialised – offshore product development at Henderson (now Janus Henderson) - which allowed me a great deal of interaction with all the fund managers and I loved learning about how they invested and why, and I very quickly realised that's where I wanted to be.

I like the challenge and variety that no two days are the same – and the part of the product development job that I loved was going out and speaking to the managers, learning how they invest and why they invest in that way, which is something I still really enjoy doing. That's why I will always go and meet the fund managers that I invest in, I mean the chance to meet and speak to some of the best and most respected managers there are, that's a great job.

Multi-asset is the broadest investment discipline, and the universe is constantly changing and evolving with new asset classes and strategies or styles of investing to choose from. This gives you far more levers to pull in a portfolio, which is particularly useful in the current environment.

## Q *Why specialise in income investing?*

There is a clear customer need for income investments, and it is not a theme that is going away any time soon. Many people are seeking a solution that provides a regular income from their capital, while also offering the opportunity to continue to grow the value of their portfolios. That need for income comes in all shapes and sizes, and as it has become harder for people to find sustainable and diversified sources of income, income investing itself has evolved. In the last decade a whole range of interesting asset classes have become accessible, many offering attractive yields, such as specialist property, renewables, infrastructure and infrastructure debt to name just a few.

## Q *What is your investment style?*

Consistency and balance are really important to me. For example, it can be tempting to try and predict the outcome of significant world events. But even if you can correctly identify the outcome, estimating the market reaction is often almost impossible.

It might work in some cases, but inevitably there will be times when you are wrong and the portfolio suffers as a result. I don't believe those kind of swings are what our customers are looking for, and I prefer to try and position for a range of outcomes, with a number of different drivers within the portfolios.

# *Important information*

***Past performance is not a guide to future performance and may not be repeated. Investment involves risk. The value of investments and the income from them may go down as well as up and investors may not get back the amount originally invested. Because of this, an investor is not certain to make a profit on an investment and may lose money. Exchange rate changes may cause the value of overseas investments to rise or fall.***

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*The Funds invest principally in other collective investment schemes. Your attention is drawn to the stated investment policy which is set out in the prospectus.*

Quilter Investors offers a range of high-quality, innovative solutions to help protect and grow our customers' prosperity and provide confidence to help them invest in their future.

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