

# Ninety One Diversified Income

## Opinion

- This Recommended fund is managed by John Stopford, a highly experienced investor who we consider to be an excellent steward of capital. Given his tenure, he is a highly respected figure at the firm.
- We believe that this thoughtfully constructed, outcome-driven mandate allows him to use his experience and talents to full effect. We like the methodical approach used to flex the portfolio's risk profile according to the team's assessment of prevailing conditions.
- The Multi-Asset team at Ninety One (formerly Investec Asset Management) is well-resourced and the process is set up to harness ideas from asset class specialists.

## Characteristics and Utility

- There is no formal benchmark as the managers are focused upon delivering the stated outcome, which is centred around sustainable income delivery and resilience. Asset allocation is flexible.
- The fund targets a yield of 4-6% that will vary according to the opportunity set and the prevailing market conditions. The managers anticipate that a good proportion of the total return will emanate from the income generated by the portfolio over time.
- While this is a defensive return strategy, the fund is nonetheless invested in risk assets through the market cycle. As such, a degree of capital volatility should be expected, although the managers aim to limit downside risk through the focus on sustainable income, diversification and tactical hedging.
- The fund is suited to investors seeking a relatively conservative profile. Monthly income paying share classes are available. As such, it is particularly well-positioned for the retirement market.

## Risk Commentary

The fund's KIID Synthetic Risk and Reward Indicator (SRRI) is 4. This is a regulatory measurement that is, where possible, calculated from the volatility of its weekly performance over a five-year period. A score of 4 means the fund's historic volatility is between 5% and 10%.

The fund's five-year standard deviation is towards the lower end of the 5-10% range. The fund has a track record of lower volatility and shallower drawdowns compared to many funds in the peer group. By the same token, such a profile is also commensurate with a lower total return outcome than riskier peers. Different share classes could have differing SRRI scores.



## Key Fund Facts

<b>Inception Date:</b>	18 April 1994
<b>Manager(s) Since:</b>	John Stopford (Jul 12) Jason Borbora-Sheen (Feb 19)
<b>Fund Domicile:</b>	United Kingdom
<b>Base Currency:</b>	£ Sterling
<b>Fund Benchmark:</b>	N/A
<b>IA Sector:</b>	Mixed Investment 0%-35% Shares

Formal documentation, including the fund prospectus and the KIID, should be sought directly from the asset manager. A link to the asset manager's website can be found on the relevant fund page at [theadvisercentre.co.uk](http://theadvisercentre.co.uk). An asset manager adviser factsheet is also provided there.

## Fund Snapshot

A defensively-managed, mixed asset fund that aims to deliver an attractive and sustainable income with some capital growth over the long term. The annual yield target is between 4% and 6%. The focus is upon resilient assets and the limitation of downside risk. It is suited to investors seeking a relatively conservative risk/return outcome. Within its sector, the fund features in our 'Income Priority, Globally Diversified Asset Allocation' category.

## Investment Team

The fund is co-managed by John Stopford and Jason Borbora-Sheen. Mr Stopford has worked at Ninety One (formerly Investec Asset Management) for over two decades and has managed a variety of fixed income and multi-asset strategies over that time. He takes ultimate responsibility for asset allocation and security selection, but is supported by the Income Strategy Group, which he also leads. Mr Borbora-Sheen joined the firm in 2015 and has experience in managing multi-asset strategies.

## Investment Philosophy

The managers have three key objectives: to generate a defensive return strategy, to deliver an attractive but sustainable level of income and to achieve these goals through a resilient multi-asset portfolio that has bond-like volatility. They argue that a bottom-up approach to generating ideas and building the portfolio is more robust than a classic top-down approach. Categorising investments as either "Growth", "Defensive" or "Uncorrelated", based on their behaviour, is the means by which they seek to avoid what they refer to as naive diversification, where asset types correlate at times of stress.

## Investment Process

Bottom-up ideas are generated by the seven specialist research groups within the multi-asset team. The ideas are appraised using the "Compelling Forces" framework (which assesses fundamentals, valuation and market price behaviour) in regular team meetings, where existing ideas are reviewed and new ideas discussed. Any investment under consideration must contribute to the fund's yield, display resilience in terms of a sustainable income and offer the prospect for capital growth. Equity selection favours companies with sustainable dividends, stable cashflows and strong balance sheets. Fixed income and currency selection is based upon outright and relative value opportunities, which are cross-checked with proprietary fair value models. Credit selection favours companies with strong cashflow generation, sustainable capital structures and good earnings visibility to ensure the company can service its debt. Emerging market debt is included opportunistically when it is deemed inexpensive, while property and infrastructure investments emphasise the sustainability and transparency of cashflows.

## Portfolio Construction and Risk Controls

Selected investments are divided into "Growth", "Defensive" or "Uncorrelated" assets. During the monthly Global Asset Allocation meeting, the desired skew towards growth or defensive assets is determined following consideration of the prevailing fundamental, valuation and price behaviour backdrop. In summary, for much of a typical the cycle, "Growth" assets are likely to be favoured. As the cycle matures, a more "Uncorrelated" stance is preferred. When the risk of recession rises, "Defensive" positioning is key.

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