

Downside mitigation with multi-asset solutions

Event summary

Our recent webinar on downside mitigation with multi-asset solutions featured insights from Nelson Arruda, Portfolio Manager and Head of Mackenzie's Multi Asset Strategies Team.

Key takeaways

- There are currently more than 6 million Canadians aged 60 and above, a number that is projected to grow to 10 million by the end of the decade. Over the same period, their investable wealth is expected to grow from \$3.2 trillion to more than \$5 trillion.¹
- This vast and growing retirement market is often facing a 25-year investment horizon, with a whole new set of risks that differ from those of their accumulation years.
- Our Monthly Income Portfolios are designed to address these new risks facing retirees and have consistently demonstrated their effectiveness since inception.

Why it matters

The three key risks that retirees face are inflation and market (capital) risk, sequence of returns (timing) risk, and risk of outliving their portfolio (longevity).

Our Monthly Income Portfolios are designed with these risks top of mind and seek balance between downside risk mitigation, income generation and capital growth. The portfolios are available with three risk profiles: conservative, balanced and growth.

Downside risk mitigation

Since the 1950s, markets have experienced drawdowns of greater than 20% every six years, on average. For retirees, this can have devastating effects as they may not have time to rebuild their portfolios. The Monthly Income Portfolios are designed to mitigate downside risk, with both implicit and explicit risk management. The implicit component includes broad asset class and geographic diversification. Interest rate risks are tackled by holding the Mackenzie Unconstrained Fixed Income Fund, which employs tactical strategies around interest rate risk. There is also a small allocation to inflation sensitive assets and a strategic USD overweight due to its safe haven nature.

However, there are times when asset class correlations converge and that's where explicit risk management comes into play. We use options to continually hedge our equity exposure, considering cost, liquidity and performance in different regimes. Our fixed income strategy uses put options with some tactical management. This multi-pronged risk management strategy allows us to provide the downside protection that retirees seek.

Income

Cashflow is very important, as it replaces retirees' regular employment income. All three portfolios aim to enhance income production with investments in dividend paying stocks and high-yielding bonds, and pay a 4% fixed rate distribution that provides steady cash flow retirees can rely upon to manage their liabilities.



Growth

A recent retirement survey found 71% of retirees believe their portfolios should be set up for protection and not growth. We feel that growth is undersappreciated, considering many retirees will spend upwards of 25 years in retirement. Our Monthly Income Portfolios are constructed to participate in growth, which is reflected in their performance. To date, the portfolios have outperformed the majority of category peers. However, performance is only part of the story. Our standard deviation measures over five years are roughly 33% less volatile and our Sharpe ratios are roughly double that of our peers, highlighting that we have taken much less risk per unit of return.ⁱⁱ

What advisors can do about it

The Monthly Income Portfolios are engineered for retirees and can help simplify your business and your clients' investment experience and we think now is the right time to rethink your approach to portfolio construction and consider the Mackenzie Monthly Income Portfolios for your clients.

ⁱ Source: Canadian Institute of Actuaries; Statistics Canada.

ⁱⁱ Source: Mackenzie Investments, Morningstar, at December 31, 2022

Since inception dates: Mackenzie Monthly Income Conservative Portfolio – Apr 21, 2015; Mackenzie Monthly Income Balanced Portfolio – Jan 13, 2015; Mackenzie Monthly Income Growth Portfolio – Oct 19, 2021

Disclaimer

For Advisor Use Only. No portion of this communication may be reproduced or distributed to the public as it does not comply with investor sales communication rules. Mackenzie disclaims any responsibility for any advisor sharing this with investors.

This document may contain forward-looking information which reflect our or third-party current expectations or forecasts of future events. Forward-looking information is inherently subject to, among other things, risks, uncertainties and assumptions that could cause actual results to differ materially from those expressed herein. These risks, uncertainties and assumptions include, without limitation, general economic, political and market factors, interest and foreign exchange rates, the volatility of equity and capital markets, business competition, technological change, changes in government regulations, changes in tax laws, unexpected judicial or regulatory proceedings and catastrophic events. Please consider these and other factors carefully and not place undue reliance on forward-looking information. The forward-looking information contained herein is current only as of December 31, 2022. There should be no expectation that such information will in all circumstances be updated, supplemented or revised whether as a result of new information, changing circumstances, future events or otherwise.

The content of this document (including facts, views, opinions, recommendations, descriptions of or references to, products or securities) is not to be used or construed as investment advice, as an offer to sell or the solicitation of an offer to buy, or an endorsement, recommendation or sponsorship of any entity or security cited. Although we endeavour to ensure its accuracy and completeness, we assume no responsibility for any reliance upon it.

©2023 Mackenzie Investments, 180 Queen St W, Toronto, ON, M5V 3K1. All rights reserved.

©2023 Morningstar. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results. This material is for informational and educational purposes only. It is not a recommendation of any specific investment product, strategy, or decision, and is not intended to suggest taking or refraining from any course of action. It is not intended to address the needs, circumstances, and objectives of any specific investor. Mackenzie Investments, which earns fees when clients select its products and services, is not offering impartial advice in a fiduciary capacity in providing this sales and marketing material. This information is not meant as tax or legal advice. Investors should consult a professional advisor before making investment and financial decisions and for more information on tax rules and other laws, which are complex and subject to change.

© 2023 Mackenzie Investments. All rights reserved. Quartile rankings and peers beaten are calculated by Mackenzie Investments based on the fund series-level data Morningstar provides. Morningstar Star Ratings reflect performance of Series F as of December 31, 2022 and are subject to change monthly. The ratings are an objective, quantitative measure of a fund's historical risk-adjusted performance relative to other funds in its category. Only funds with at least a three-year track record are considered. The overall star rating for a fund is a weighted combination calculated from a fund's 3, 5, and 10-year returns, as available, measured against the 91-day Treasury bill and peer group returns. A fund can only be rated if there are a sufficient number of funds in its peer group to allow comparison for at least three years. If a fund scores in the top 10% of its fund category, it gets 5 stars; if it falls in the next 22.5%, it receives 4 stars; a place in the middle 35% earns a fund 3 stars; those in the next 22.5% receive 2 stars; and the lowest 10% receive 1 star. For more details on the calculation of Morningstar Star Ratings, see www.morningstar.ca. Quartile rankings and peers beaten are calculated by Mackenzie Investments based on the fund series-level data Morningstar provides. The CIFSC categories, Star Ratings and number of funds in each category are: Morningstar Star Ratings reflect performance of Series F as of December 31, 2022 and are subject to change monthly. The ratings are an objective, quantitative measure of a fund's historical risk-adjusted performance relative to other funds in its category. Only funds with at least a three-year track record are considered. The overall star rating for a fund is a weighted combination calculated from a fund's 3, 5, and 10-year returns, as available, measured against the 91-day treasury bill and peer group returns. A fund can only be rated if there are a sufficient number of funds in its peer group to allow comparison for at least three years. If a fund scores in the top 10% of its fund category, it gets 5 stars; if it falls in the next 22.5%, it receives 4 stars; a place in the middle 35% earns a fund 3 stars; those in the next 22.5% receive 2 stars; and the lowest 10% receive 1 star. For more details on the calculation of Morningstar Star Ratings, see www.morningstar.ca