

Standard Life launches its first Diversified Income Fund in response to investors seeking higher-than-cash returns

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Standard Life Ireland launches its first Diversified Income Fund in response to savers and investors seeking higher than cash returns in the current ultra-low interest rate environment.

The fund is managed by Aberdeen Standard Investments and targets a yield of 4.5% p.a.*

Traditionally income funds were comprised of government, corporate bonds and high yielding equities. However, these assets struggle to make meaningful returns in a lower global growth environment. In addition, Aberdeen Standard Investments does not expect European interest rates to rise materially any time soon.

This fund combines a highly diversified and interesting mix of traditional and alternative asset classes that many individual investors may have not been able to access until now. The latter includes social housing, renewable energy, aircraft leasing, specialist credit, emerging markets bonds etc. See notes for further detail.

Many of these alternative assets are yielding high single digit returns, significantly higher than investment grade government and corporate bonds.

“Due to the much broader and more diversified asset mix, this fund has historically been less volatile than traditional multi asset funds,” said Mike Brooks, Head of Diversified Assets, Aberdeen Standard Investments. “We expect this fund to appeal to individual investors who want a genuinely diversified portfolio including exposure to areas such as renewable energy, social housing, market place lending and aircraft leasing.”

The fund is not tied to a benchmark which allows it greater flexibility and doesn't limit it to excessively restricted asset class choices.

The fund is suitable for people:

- Comfortable with a medium level of risk
- Seeking to invest in a fund focussed on income producing assets but understand the annual targeted income is not guaranteed.
- Who can take risk with their capital
- With an investment horizon of at least five years
- Seeking the potential for long term capital appreciation

Ends

Notes for editors:

*The target yield is not guaranteed and will be reviewed annually.

This fund is a medium risk fund with an ESMA risk rating of 4 out of 7.

Social Housing. This is a growing area with attractive returns and strong diversification benefits. The UK suffers from a severe housing shortage like Ireland, Specialist UK investment companies help address this deficit by owning and managing social housing properties. This sector benefits from long-dated, inflation-linked government cash flows.

Renewable energy is another great example. The fund invests in companies that own a number of wind and solar farms which benefit from long-dated revenue streams, partly from government subsidies and from selling electricity to power companies. Renewable infrastructure has low economic exposure and is a growing area given the focus on sustainable energy by many governments. The fund has a number of wind farms nationally including:

Knockacummer - Co. Cork,
Dromadda More - Co. Kerry
Killhills - Co. Tipperary
Lisdowney wind farm – Co. Kilkenny
Tullynamoyle (2 wind farms) Co. Leitrim

Aircraft leasing is essentially the long-term leasing of aircraft to airlines. Long-term returns in this sector are driven by leasing income plus the potential via the sale of aircraft at the lease's end.

Specialist credit seeks higher returns than those from investment grade corporate or government bonds and include global loans, mortgage-backed securities and market placed lending via peer-to-peer platforms.

The minimum saving/investments amounts for individual investors are:

€25 per month via a pension retirement saving account (PRSA) , €125 per month via a regular investment saving account or a lumpsum amount of €10,000.

The annual management charge is 1.35%.

The Diversified Income Fund is managed by the Diversified Assets team at Aberdeen Standard Investments.

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