PAY YOURSELF WITH IVY GLOBAL BALANCED

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Key Takeaways

- When drawing income from investments, employing higher risk funds in a portfolio can lead to lower levels of capital over time compared with lower risk funds – even if the returns are slightly better for the high risk fund.
- Downside protection is critical to improving investment outcomes of clients who need to draw down income from their investments.
- The Mackenzie Ivy Global Balanced Fund has experienced better-than-market returns and downside protection over the long term.

For investors who draw regular income from their investments, capital preservation is equally important as growth, if not more so. The Mackenzie Ivy Global Balanced Fund combines the best global equity ideas of the Mackenzie Ivy Team and the best global fixed income ideas from the Mackenzie Fixed Income Team, according to the views of the Multi-Asset Strategies Team with the goal of providing consistent return on capital, diversification and some income. Due to the focus in the equities on protecting capital, the fund has experienced better-than-market downside protection over the long term.

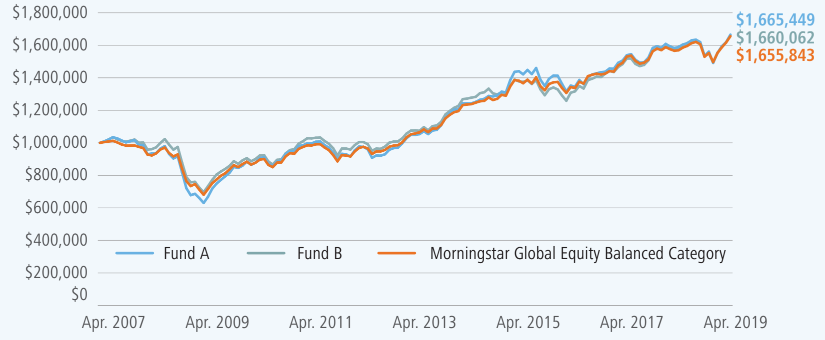
Why does downside protection matter?

If a fund always goes up, income distributions to investors would partially come out of gains, and the rest can be return of the investor's own capital, which is as they left it. However, we know that all markets move down, as well as up, and that income needs do not usually go down with markets. Investors end up taking money out when the investments are down, which leads to lower levels of compounding over time.

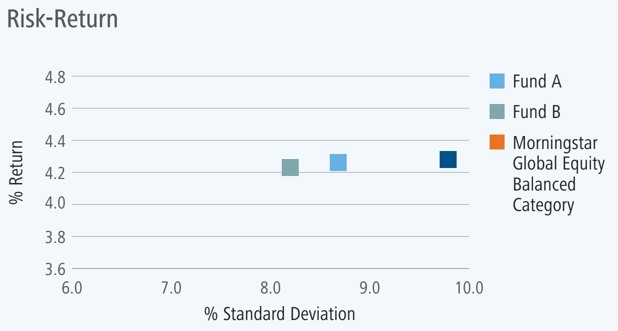
To illustrate the effects of improved downside protection, we chose a review period to be at the peak of the most recent market cycle for this market, starting at the market peak in February 2007 and ending April 30, 2019.

Take the example of the two funds below. Fund A and B have roughly the same return over the review period; fund A slightly outperformed Fund B but did so with more volatility. These funds belong to the same balanced peer group, and are considered outperformers.

Growth of $1M since peak

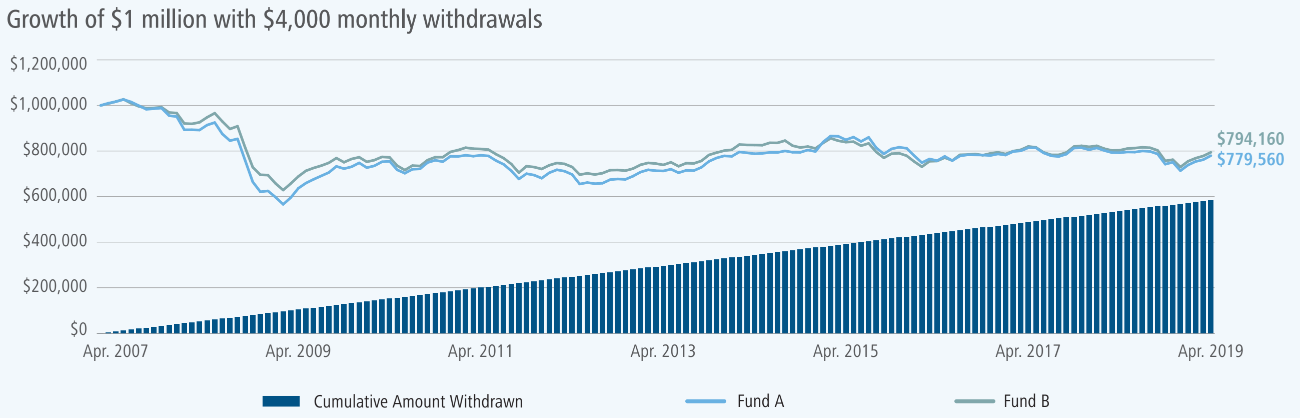


Source: Mackenzie, Morningstar. As of April 30, 2019.



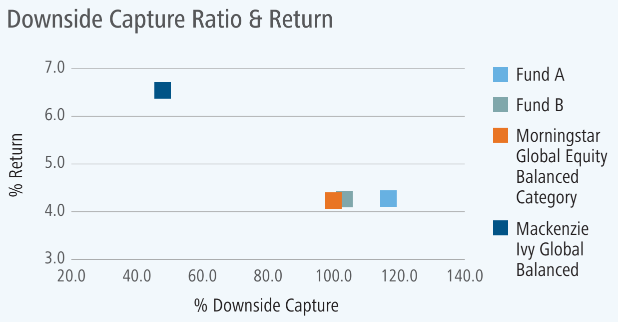
Source: Mackenzie, Morningstar. As of April 30, 2019.

To illustrate the effects of taking income from an investment with more risk and lower downside protection, we have set up automatic monthly withdrawals $4,000 from an initial portfolio value of $1,000,000 for each fund. Fund A has a slightly higher rate of return when the portfolio was untouched, but the lower risk of portfolio B means that the withdrawals have a less negative impact on future value. At the end of the review period, Fund B has about $14,600 more due to its more modest risk profile.



Source: Mackenzie, Morningstar. As of April 30, 2019.

The Mackenzie Ivy Global Balanced Fund/Class aims for through-the-cycle growth with an emphasis on specifically managing downside risk. This focus amplifies the benefits of balanced funds for clients who are seeking to draw income, and allows the funds to last longer.



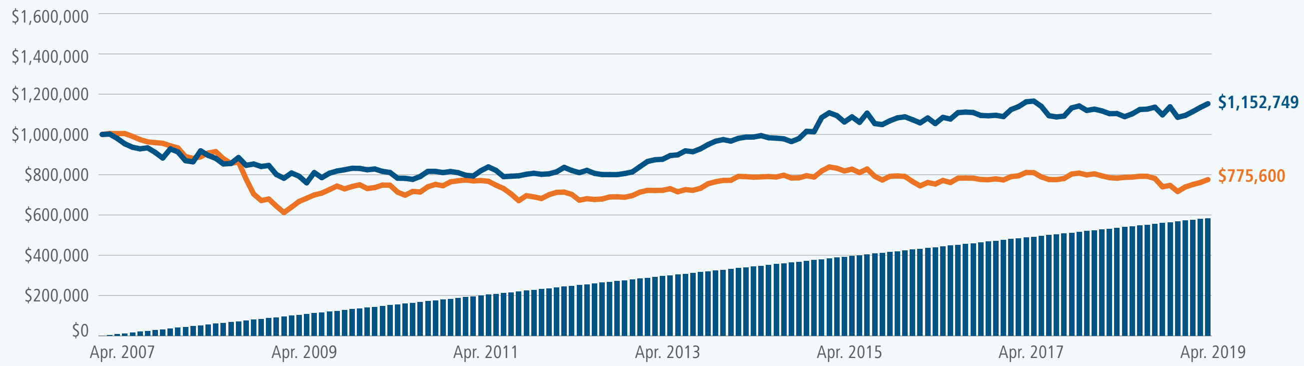
Source: Mackenzie, Morningstar. As of April 30, 2019.

Downside capture ratio is the % of market returns the fund achieves when the market benchmark declines. If the benchmark declines 10% and the fund declines 9%, then the downside capture ratio is 90%. Pictured to the left, the Mackenzie Ivy Global Balanced Fund's downside capture ratio % is shown against the two example funds shown, as well as the peer group average. Mackenzie Ivy Global Balanced Fund has much lower downside capture.

To illustrate further, we present the same $1,000,000 portfolio with $4,000 taken out monthly over the review period while invested in Ivy Global Balanced and compared to the Morningstar Peer Group. The effects that lower overall risk, lower downside risk, and better through-the-cycle performance produces better overall client experience for investors who start to take that much deserved income out of their investments.

At the end of the review period and after $4,000 gross monthly income, the $1,000,000 portfolio has grown to $1,152,749, or about $377,000 more than the average competitor balanced fund.

Growth of $1 million with $4,000 monthly withdrawals



Source: Mackenzie, Morningstar. As of April 30, 2019.

Summary

The Mackenzie Ivy Global Balanced Fund/Class has outperformed peers over long time horizons and with lower downside risk than the overall market and competitor funds average. We believe that this combination of characteristics makes the strategy ideally positioned as a long run core position in which investors can keep their money invested and use it to draw income. Because of these, over the review period a $1 million portfolio invested in this strategy could have generated $48,000 in gross annual income and an additional $152,749 of growth net of income, potentially increasing the longevity of investors' capital.

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