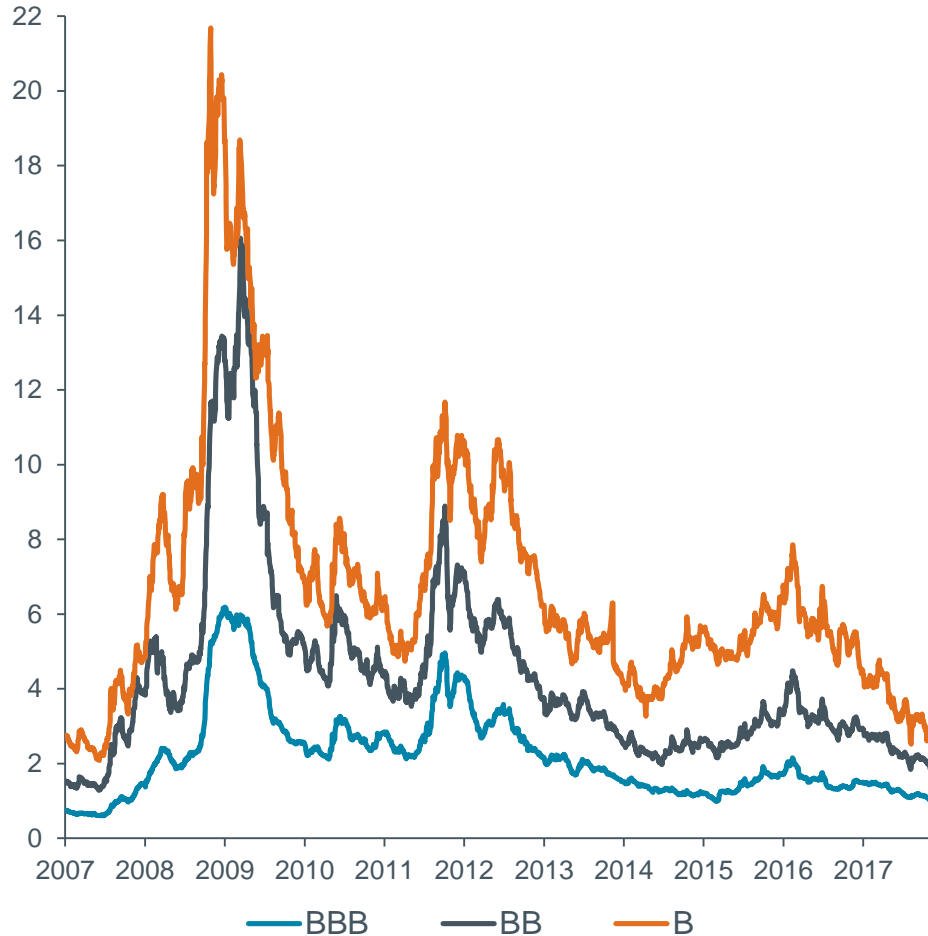


# Overcoming the income challenge in 2018

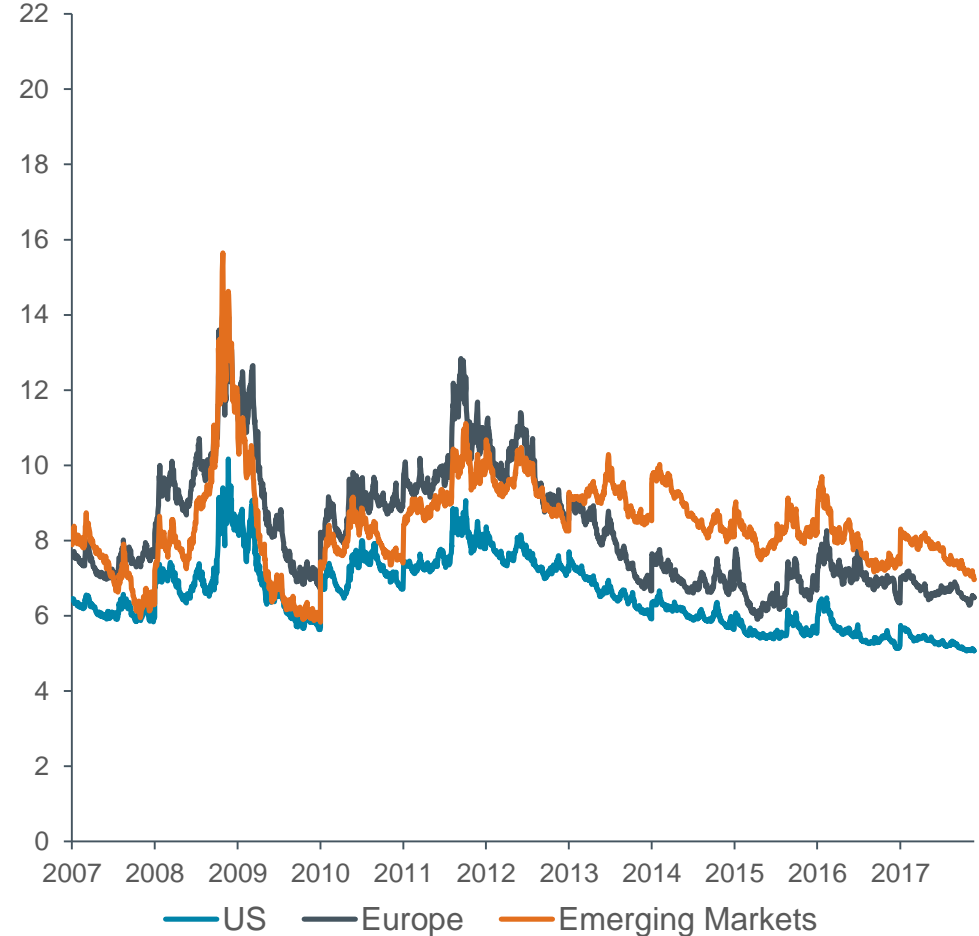
## Kames Global Diversified Income Fund

Nick Edwardson – Senior Product Specialist, Multi Asset Group  
29 November 2017

### Credit spreads by rating (%)

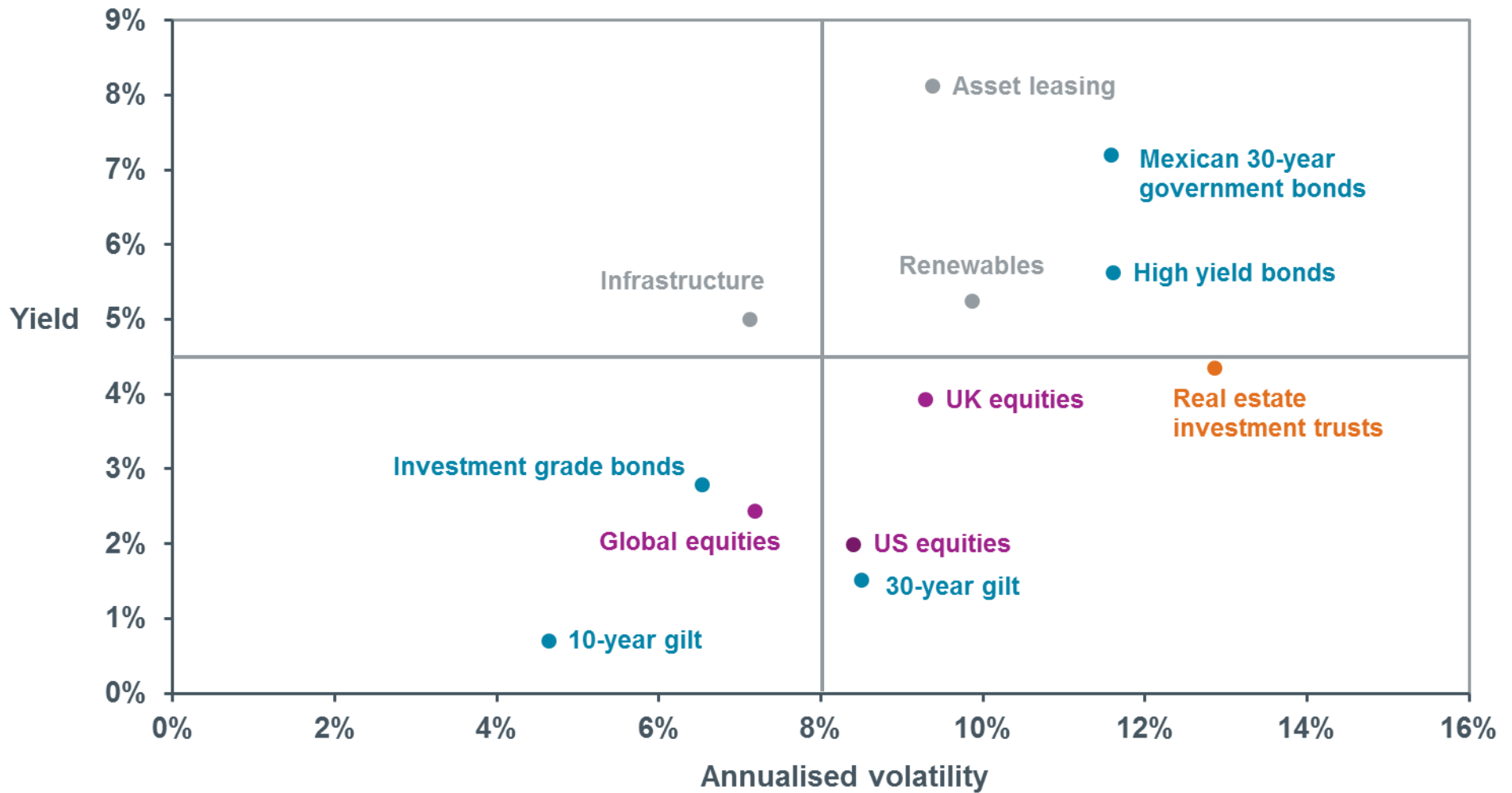


### Estimated equity market earnings yield (%)



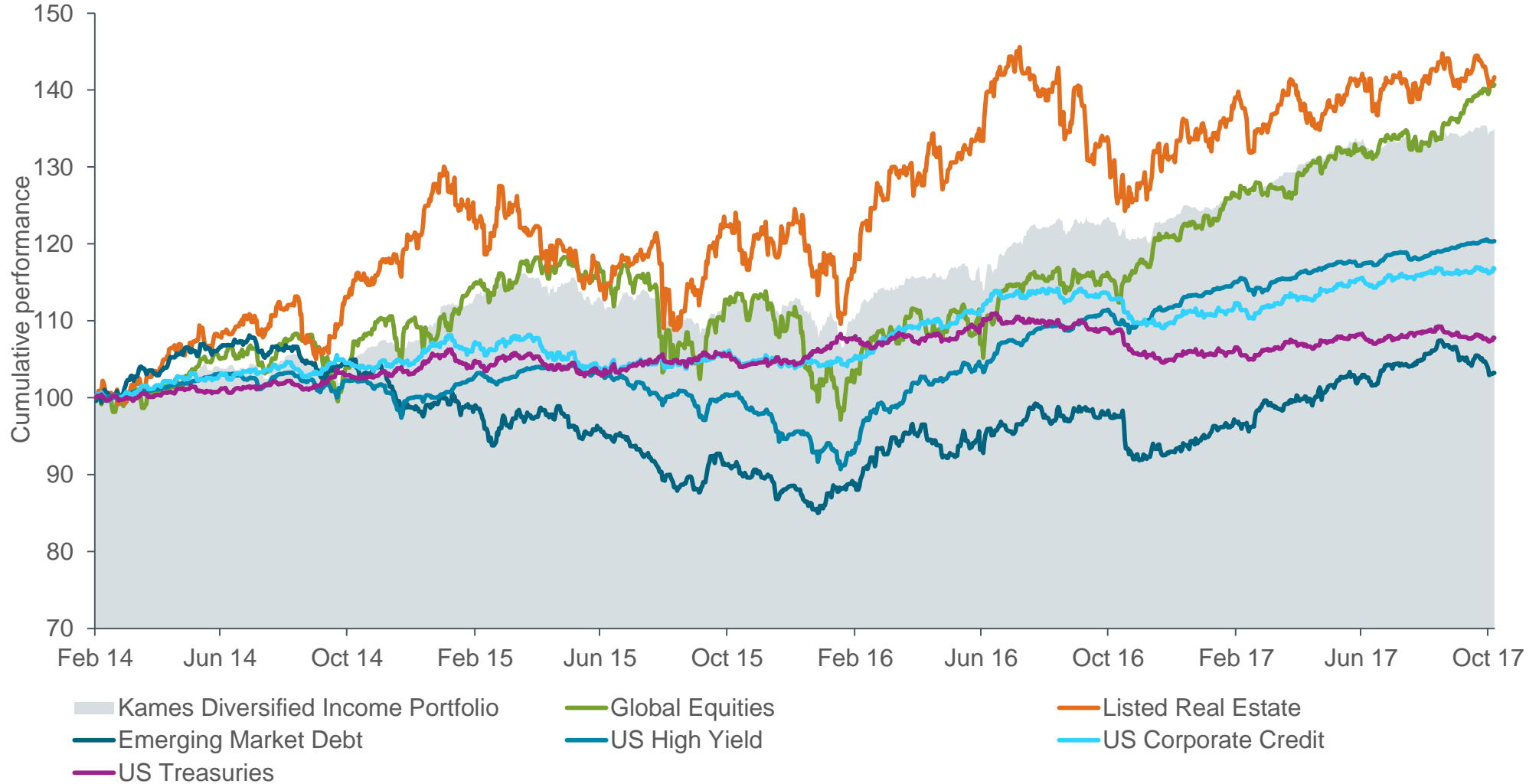
Source: Bloomberg. As at 23 November 2017.

# Asset class options by yield and volatility



Source: Kames Capital. As at 31 August 2017. For illustrative purposes only.

# Lower volatility, better risk-adjusted returns



Source: Bloomberg as at 31 October 2017. Performance shown: Kames Diversified Income Portfolio. All returns rebased to 100 as at 25 February 2014. Correlations based on daily price movements since 25 February 2014.

	Objective	Outcome since inception
Total return	Positive total return over the medium term	10.1% per annum
Income	5% per annum payable monthly*	5.3% per annum
Volatility	Half to two-thirds equity market risk	57% of equity market volatility



**Vincent McEntegart**  
Investment manager



**Jacob Vijverberg**  
Investment manager\*\*

Source: Lipper, NAV to NAV, noon prices, income reinvested, net of ongoing charges, excluding entry or exit charges as at 31 October 2017. Performance shown: Kames Global Diversified Income Fund B Inc Eur. Inception 21 April 2016  
 \*Target income is not guaranteed and may be revised in the future, capital is at risk and there is no guarantee that the fund will generate a positive return. The 5% is a target yield, being the fund's target total distribution over the next 12 months as a percentage of the current mid-market share price. Volatility data sourced from Bloomberg. Equity market reference index: MSCI ACWI TR (local currency). \*\* As at 1 November 2017.

# Investment outlook: Four themes influencing our asset allocation

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1. Deflationary forces are structural

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2. From deflation to 'Goldilocks light'

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3. Political economics

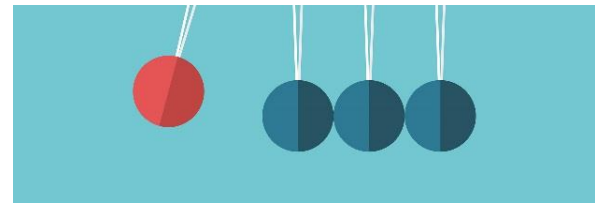
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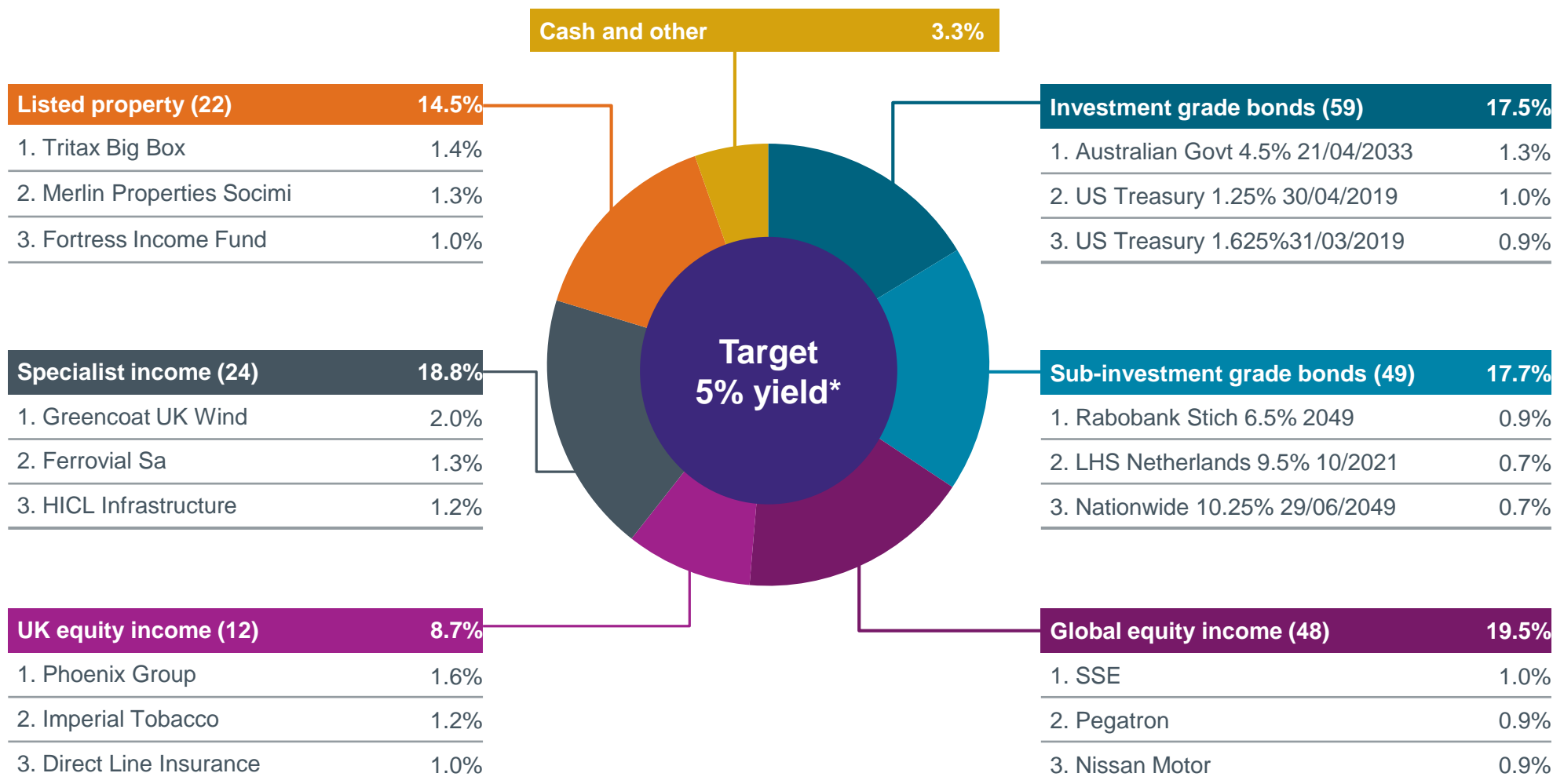
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4. More volatile times ahead

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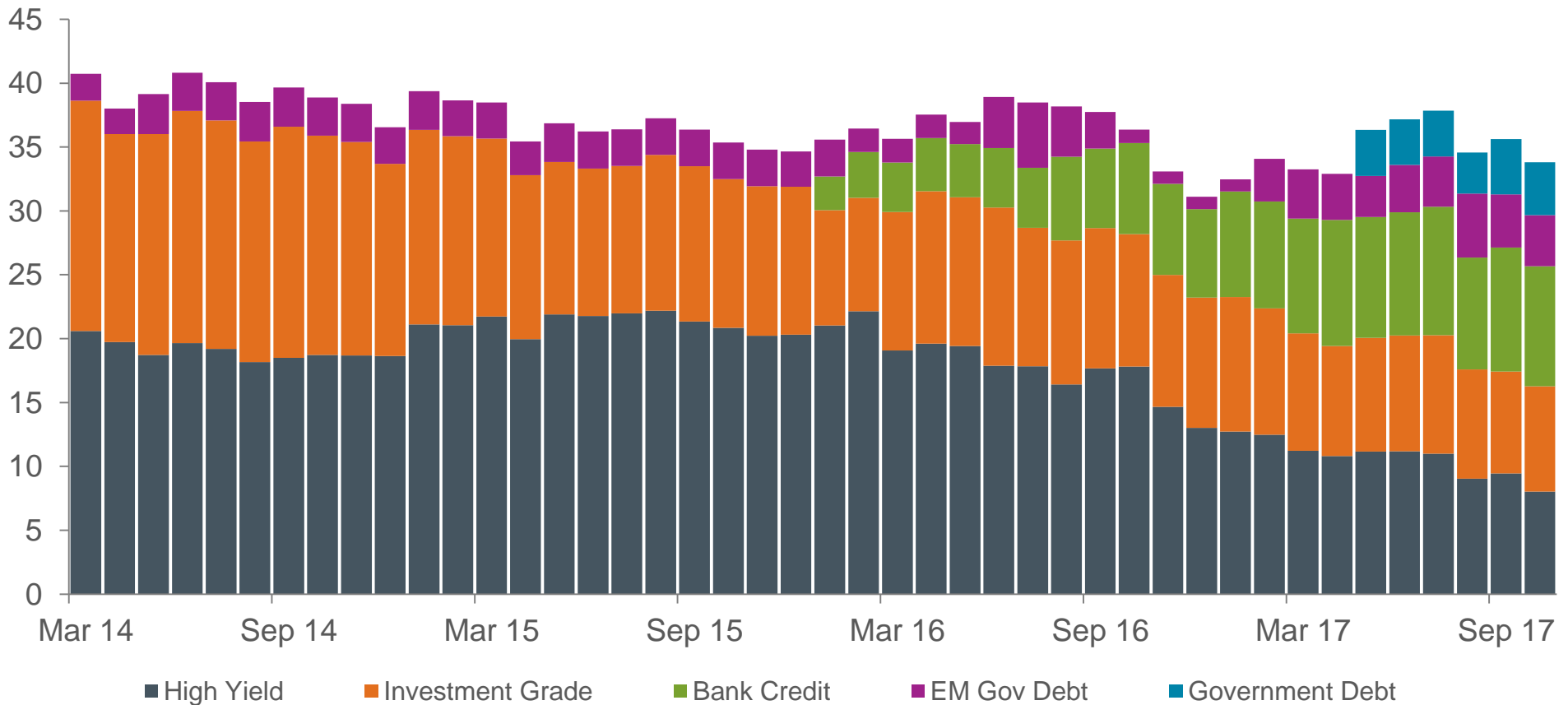
# More than 200 income ideas in one portfolio



Based on portfolio holdings as at 31 October 2017. \* Target income is not guaranteed and may be revised in the future, capital is at risk and there is no guarantee that the fund will generate a positive return. The 5% is a target yield, being the fund's target total distribution over the next 12 months as a percentage of the current mid-market share price.

# Fixed Income – 108 holdings, 35.2% of portfolio

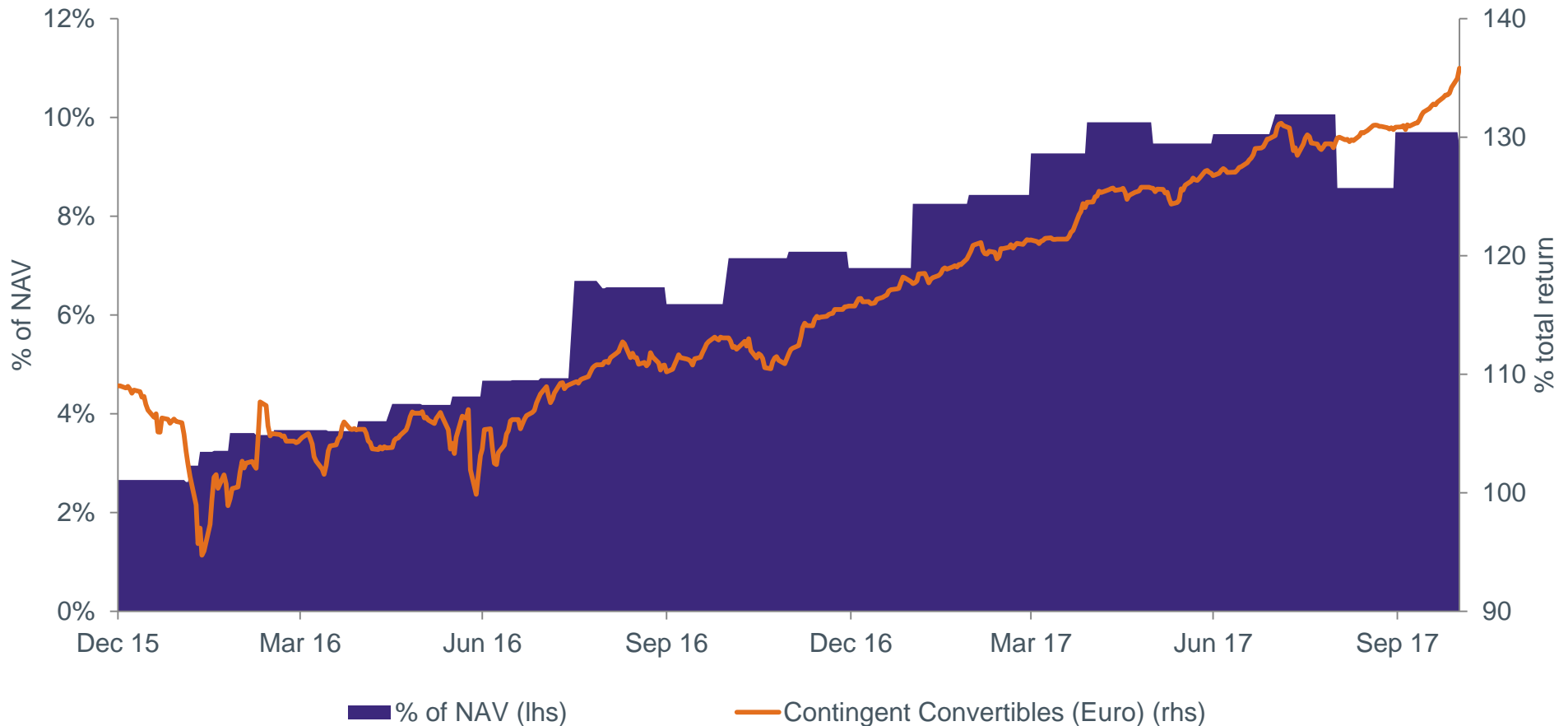
Fixed Income asset allocation (% of fund)



As at 31 October 2017. Fund shown: Kames Diversified Income Portfolio.



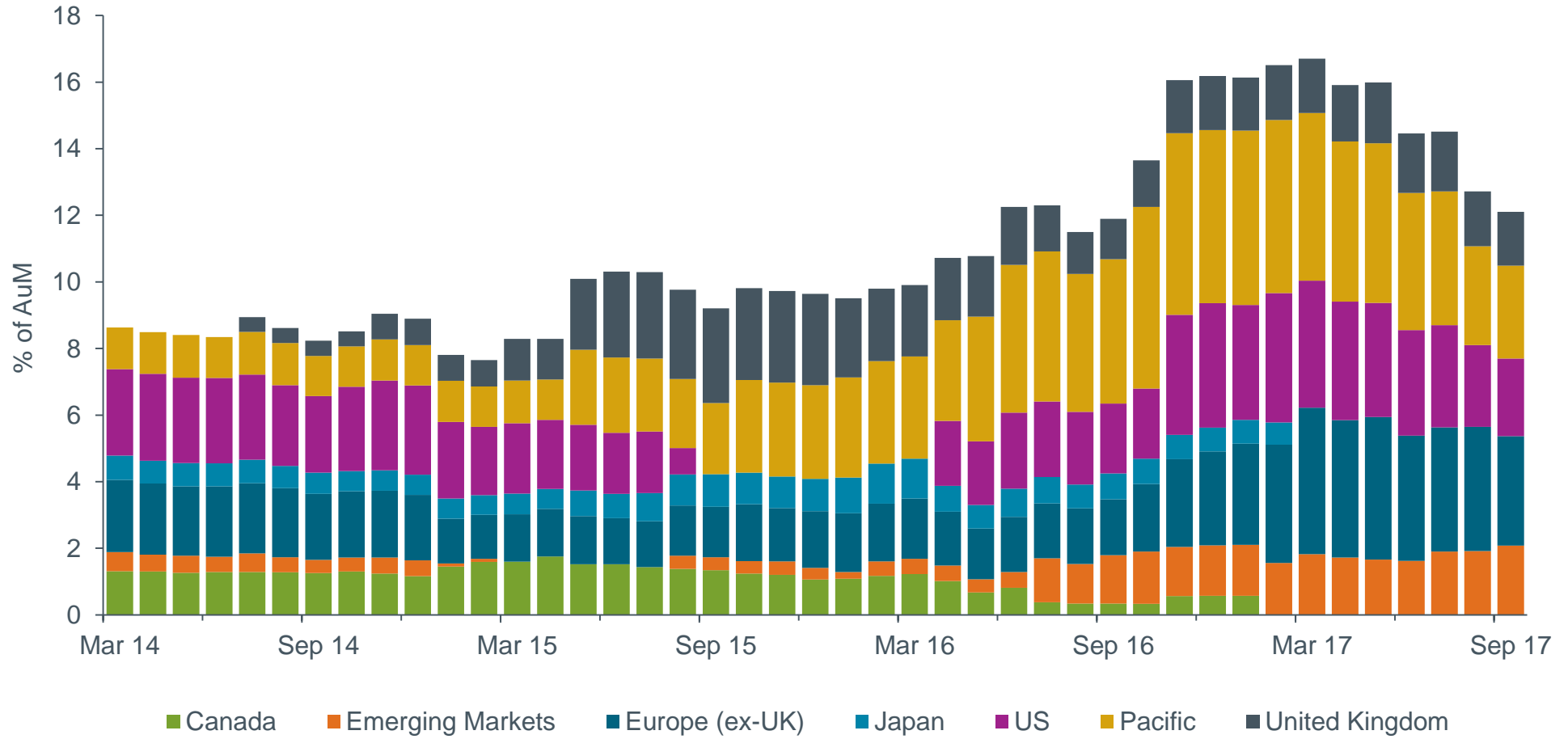
## Bank credit allocation



All data as at 31 October 2017. Fund shown: Kames Diversified Income Portfolio.

# Listed Real Estate – 22 holdings, 14.5% of portfolio

## Regional allocation in REITs



As at 30 September 2017. Fund shown: Kames Diversified Income Portfolio.

# Specialist income

## 24 holdings, 18.8% of the portfolio

Asset class	Infrastructure	Renewable energy	Asset leasing
Example investments	Ferrovial	Nextenergy Solar	DP Aircraft I
Underlying assets	Toll roads, airports	Solar farms	Boeing 787s
Sources of revenue	Third parties	Subsidies and sale of power to grid	Norwegian Air Shuttle, Thai Airways
Key features	<ul style="list-style-type: none"> <li>✓ Strong economic demand</li> <li>✓ Robust dividend</li> <li>✓ Global infrastructure portfolio, investing across 10 countries</li> <li>✓ Long duration assets (e.g. Canadian 407 ETR toll road has 81 years to maturity)</li> </ul>	<ul style="list-style-type: none"> <li>✓ 50% of revenue similar to 20-year inflation-linked bond</li> <li>✓ Stable production volumes over the medium term</li> </ul>	<ul style="list-style-type: none"> <li>✓ Contractual revenues from high-quality counterparties</li> <li>✓ Lessee pays maintenance costs over 12-year lease period</li> <li>✓ High dividend yield (&gt;7%)</li> <li>✓ Potential for capital gain at end of lease period</li> </ul>
Expected return	5-6% p.a.	7-8% p.a.	>8% p.a.



Toll road, Texas (United States)



Boxted Airfield, Colchester (Essex)

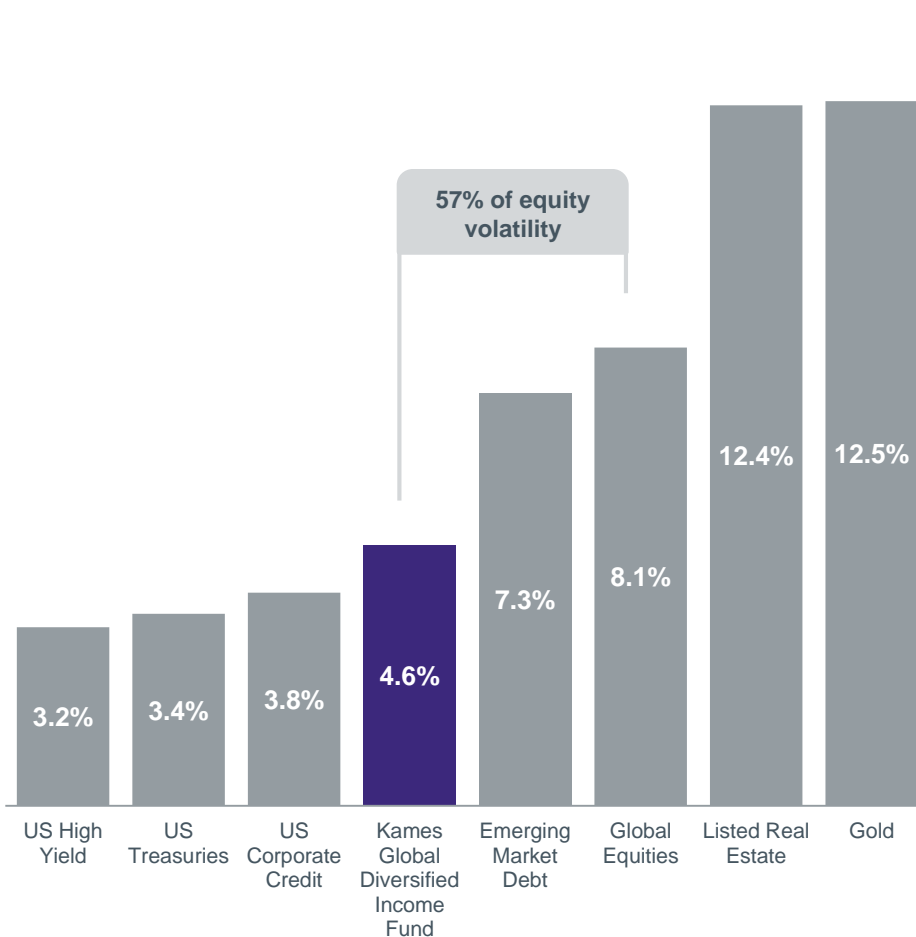


Boeing 787 'Dreamliner'

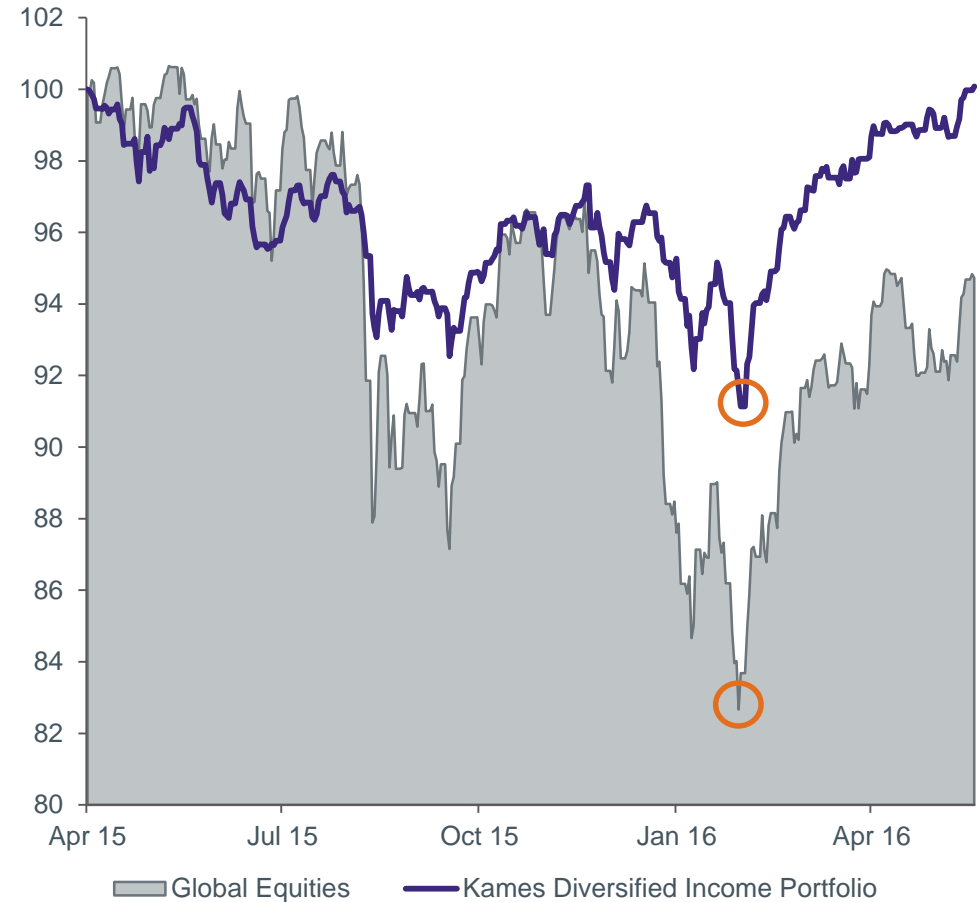
These examples are not actual investments, but are for illustrative purposes only and do not guarantee actual performance.

# Lower volatility and drawdown than equity markets

Standalone volatility (annualised)

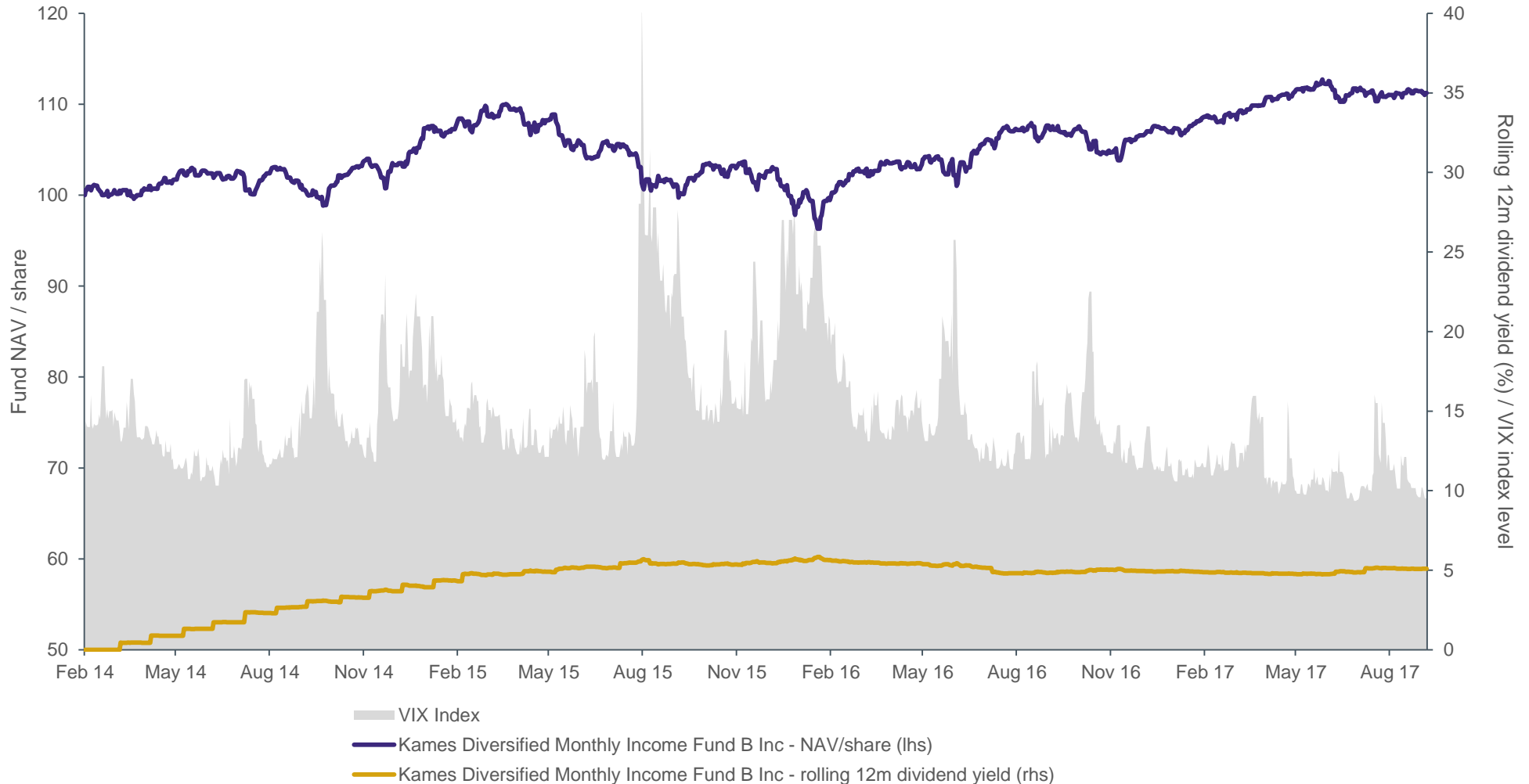


Period of maximum drawdown (daily)



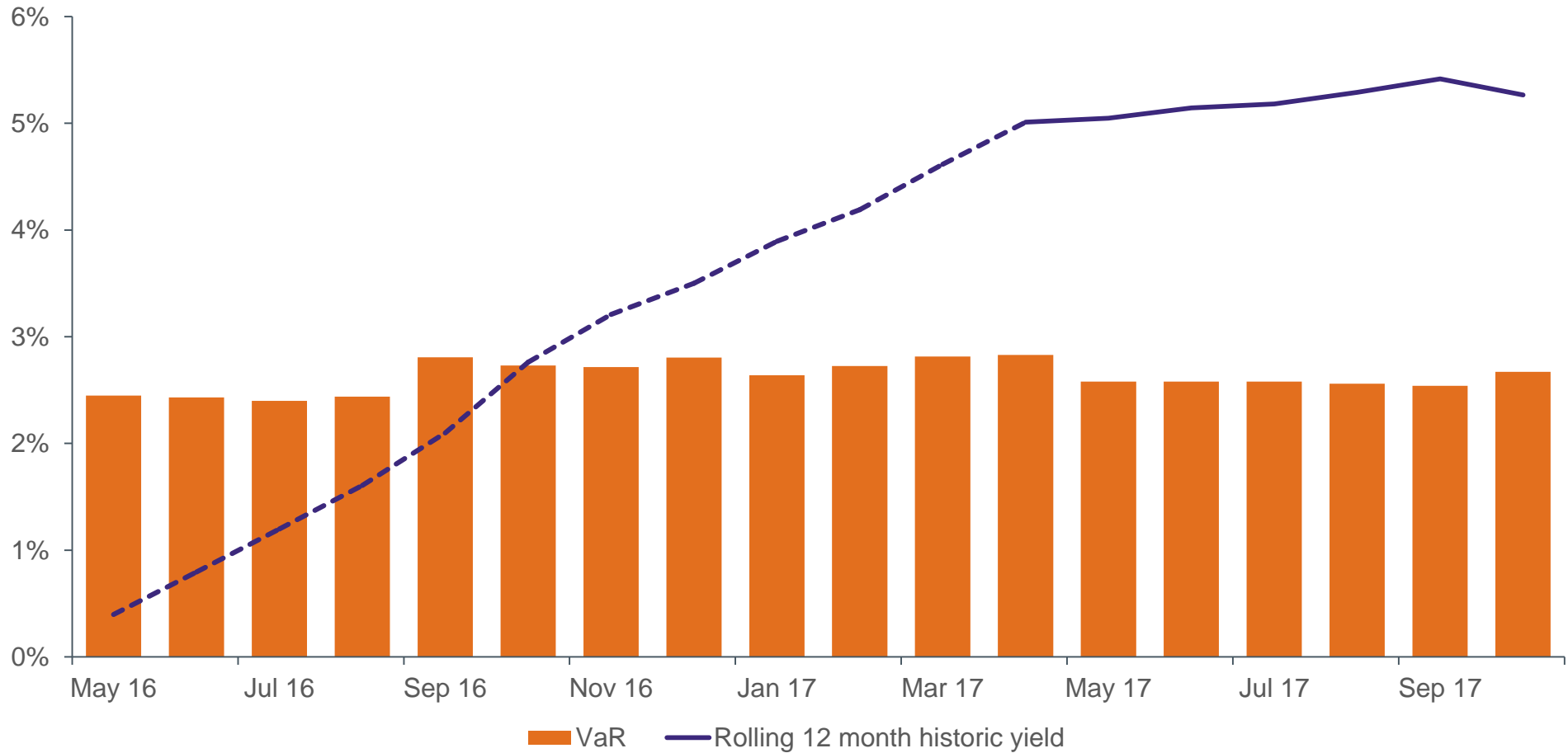
Source: Bloomberg as at 31 October 2017. Chart on left shows annualised volatility as measured by the standard deviation of daily returns from inception, net of ongoing charges and noon-priced. Inception date 21 April 2016. Chart on right shows the period of maximum drawdown (based on daily returns) for the Kames Diversified Income Portfolio. Equity market reference index: MSCI ACWI TR (local currency) Index.

# Delivering stable income and capital growth during periods of exceptional market volatility



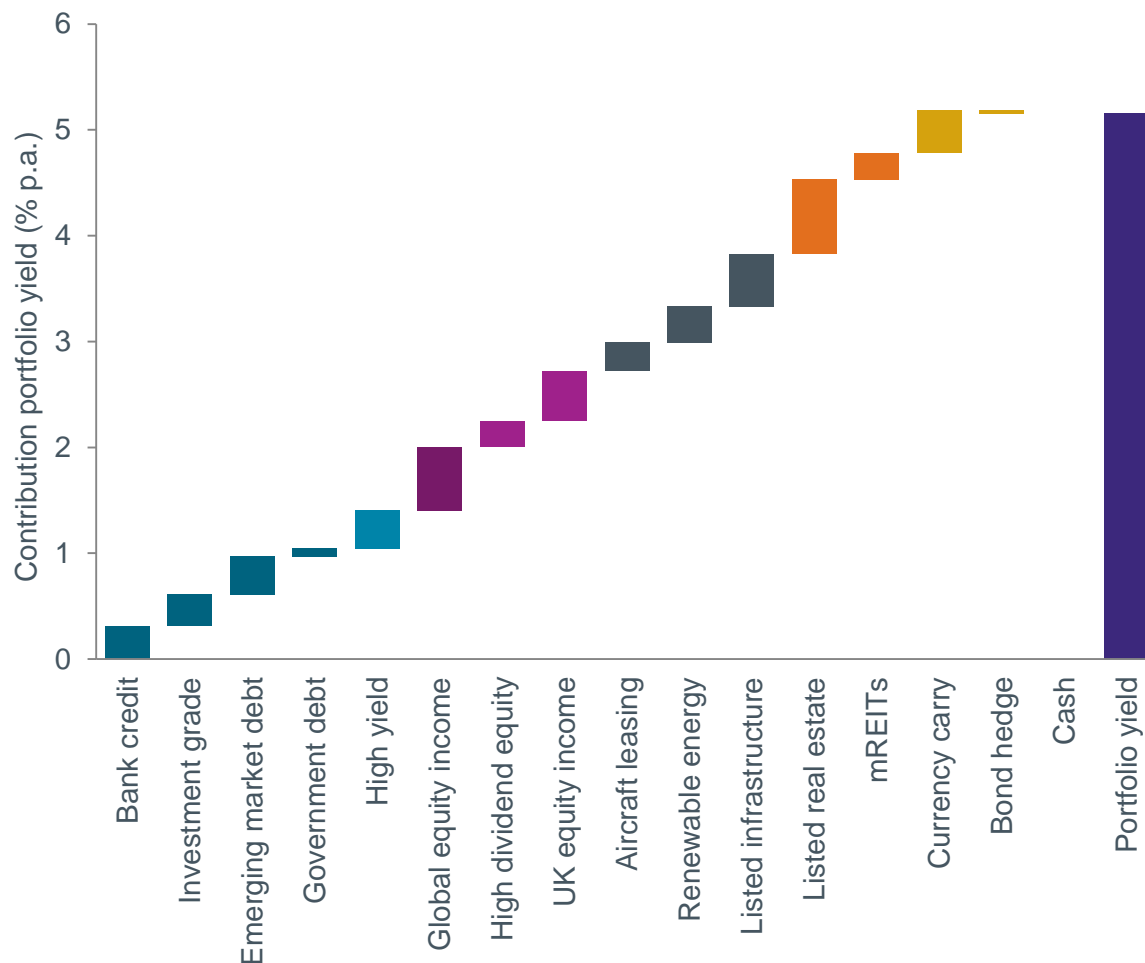
Source: Bloomberg as at 30 September 2017. From inception of the Kames Diversified Monthly Income Fund B Inc (25 February 2014). Target income is not guaranteed and may be revised in the future, capital is at risk and there is no guarantee that the fund will generate a positive return. The 5% is a target yield, being the fund's target total distribution over the next 12 months as a percentage of the current mid-market share price.

# Consistent delivery of income



As at 31 October 2017. Kames Global Diversified Income Fund B Inc Eur. Inception 21 April 2016. Historic yield as at 1 November 2017. Target Income is not guaranteed and may be revised in the future, capital is at risk and there is no guarantee that the fund will generate a positive return. Most recent month yield is estimated.

# Delivering the target income yield

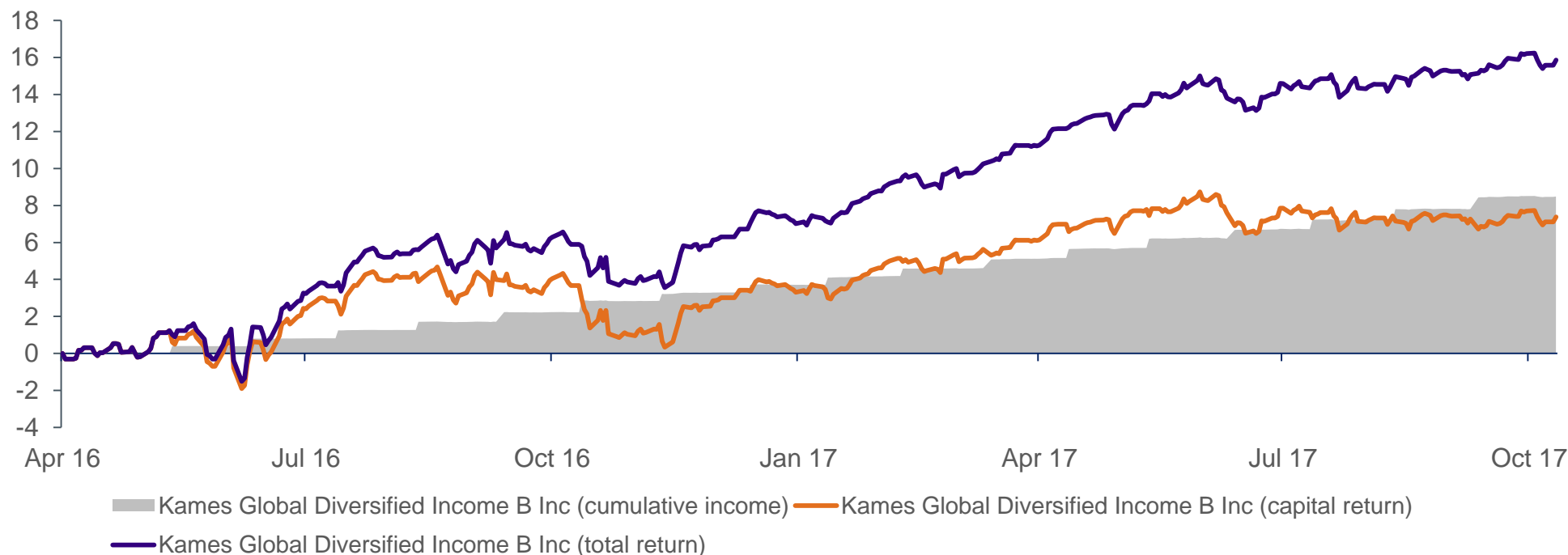


Strategy	Allocation	Yield
Investment grade bonds	18%	3.6%
Sub-investment grade bonds	18%	4.1%
Global equity income	20%	4.3%
UK equity income	9%	5.5%
Listed property	15%	6.6%
Specialist income	19%	5.9%
<b>Total</b>		<b>5.2%*</b>

Based on portfolio holdings as at 31 October 2017. For illustrative purposes only. \*Total portfolio yield includes contributions from bond hedge and currency carry, although these are not split out in the table above. Fund shown: Kames Global Diversified Income Fund B Inc Eur.

# Fund performance

To 31 October 2017 (%)	1 month	3 months	6 months	1 year	Since inception* (% p.a.)
<b>Total return</b>	<b>0.7</b>	<b>1.3</b>	<b>3.3</b>	<b>9.4</b>	<b>10.1</b>
Income return	0.6	1.6	3.0	5.8	5.3
Capital return	0.1	-0.2	0.4	3.6	4.8



Source: Lipper, NAV to NAV, noon prices, income reinvested, net of ongoing charges, excluding entry or exit charges as at 31 October 2017. Fund shown: Kames Global Diversified Income Fund B Inc Eur. Inception 21 April 2016. Periods over one year are annualised.



- ▶ **The economic outlook is encouraging**
- ▶ **Monetary policy development will be a long, slow process**
- ▶ **Bond market consolidation is likely to continue**
- ▶ **Hold on to your equities**
- ▶ **Increased volatility will bring risks and opportunities...**
- ▶ **...which multi-asset solutions are well-placed to exploit**

<b>Total return focus</b>	<ul style="list-style-type: none"> <li>✓ Total return of 10.1% p.a.<sup>1</sup></li> <li>✓ Cumulative capital growth of 7.4%<sup>1</sup></li> </ul>
<b>5% p.a. sustainable income objective</b>	<ul style="list-style-type: none"> <li>✓ Income return of 5.3% p.a.<sup>1</sup></li> <li>✓ Consistent delivery of income without increasing risk</li> <li>✓ Only paying out natural income</li> </ul>
<b>Lower volatility than equity markets</b>	<ul style="list-style-type: none"> <li>✓ <b>57%</b> of equity market volatility since inception<sup>2</sup></li> <li>✓ Lower drawdown than equity markets during periods of stress</li> </ul>
<b>Very competitive fees</b>	<ul style="list-style-type: none"> <li>✓ AMC of 55bps</li> </ul>

# Kames Global Diversified Income Fund

Shareclass	ISIN	Bloomberg	WKN	Ireland	Austria	Germany	Belgium	Switzerland	Spain	UK	Guernsey*	Italy	Jersey*	Luxembourg	Malta	Netherlands	Portugal*	Sweden
A Acc EUR	IE00BYYPF474	KAGDAE ID	A2APJN	✓	✓	✓		✓				✓			✓			
A Acc USD (Hedged)	IE00BYYPGR78	KAMGDAA ID			✓	✓		✓	✓						✓			
A Inc EUR	IE00BYYPF581	KGDIAE ID	A2APJP	✓	✓	✓		✓	✓			✓			✓			
A Inc GBP (Hedged)	IE00BYYPF706	KAMGDAG ID			✓	✓		✓	✓						✓			
A Inc USD (Hedged)	IE00BYYPGS85	KAMGDAU ID			✓	✓		✓	✓						✓			
B Acc EUR	IE00BYYPFG98	KGDIBAE ID	A2AHG2	✓	✓	✓	✓	✓	✓			✓		✓	✓	✓	✓	
B Inc EUR	IE00BYYPFH06	KGDIBIE ID	A2AHG3	✓	✓	✓	✓	✓	✓	✓		✓		✓	✓	✓	✓	
B Inc GBP (Hedged)	IE00BYYPFK35	KGDIBIG ID		✓				✓			✓		✓		✓			
B Inc USD (Hedged)	IE00BYYPH181	KGDIBIU ID	A2AHG1	✓	✓	✓		✓			✓		✓	✓	✓			
B Inc CHF (Hedged)	IE00BYYPH306	KGDIBIC ID		✓				✓										
B Inc SEK (Hedged)	IE00BYYPFM58	KGDIBIS ID		✓				✓										✓
C Inc EUR	IE00BYYPFT28	KGDICIE ID	A2AHG5	✓	✓	✓	✓	✓	✓			✓		✓		✓	✓	
C Inc GBP (Hedged)	IE00BYYPFW56	KGDICIG ID		✓				✓			✓		✓					
C Inc USD (Hedged)	IE00BYYPH967	KGDICIU ID		✓				✓										
C Inc CHF (Hedged)	IE00BYYPHC90	KGDICIC ID		✓				✓										
C Acc EUR	IE00BYYPFS11	KGDICAE ID	A2AHG4	✓	✓	✓	✓	✓	✓			✓		✓		✓	✓	

As at 30 September 2017. \*Institutional only

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Fund Charges are taken from capital, increasing distributions but constraining capital growth. Yield for Kames Global Diversified Income Fund B Inc at 31 October 2017.

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