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Top-quartile Renaissance Optimal Income Portfolio wins FundGrade A+ rating

by Dave Paterson
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Fund company: CIBC Asset Management
Fund type: Canadian Fixed Income Balanced
Fundata FundGrade® Rating: A
Fundata FundGrade A+ 2013
Style: Blend
Risk level: Low-Medium
Load status: Optional
Manager: CIBC Asset Management
MER: 1.92%
Code: ATL 048 (front end)
Minimum Investment: $500

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A+ 2013

Analysis: Looking at the underlying funds, this is a portfolio that really punches above its weight, offering investors decent risk-adjusted returns and cash flow, all at a reasonable price.

The portfolio is a fairly static mix of a number of Renaissance offered funds. The target asset mix is set at 30% **Renaissance Canadian Bond Fund**, 25% **Renaissance Canadian Dividend Fund**, 15% **Renaissance Global Infrastructure Fund**, 15% **Renaissance High Yield Bond Fund**, 10% **Renaissance Global Bond Fund**, and 5% **Renaissance Real Return Bond Fund**. This mix stays pretty consistent over time, with portfolio turnover averaging about 3% a year for the past five years.

Launched in late 2007, the timing for this fund couldn't have been worse. Still, it's performance numbers have been very respectable. For the five years ending February 28, it gained an annualized 9.5% per year, finishing firmly in the top quartile. Perhaps more impressive is that it has generated these returns with modest levels of volatility. That contributed to the fund's January Fundata FundGrade A grade as well as its FundGrade A+ rating for 2013.

It pays a monthly distribution that is currently set at $0.033 per unit. At current prices, this works out to an annualized yield of just under 4%. If you are looking for more cash flow, there are T-6 and T-8 versions available that offer yields of 6% and 8% respectively. A word of caution with the higher cash flow is that you will likely experience erosion of your capital if returns don't exceed the payout. That's not necessarily a bad thing depending on your circumstances, but it is something you need to be aware of.

Consistent strong performer

With more than half the fund invested in fixed income, and a high proportion of the equity invested in interest rate sensitive sectors, it may be difficult to generate the same level of returns that it has in the past. However, I still expect that it has the potential to continue to deliver attractive returns relative to other fixed-income-focused balanced funds.

Looking ahead, I expect with the interest rate sensitivity in both the fixed income and equity portions of the portfolio that it will be difficult to deliver the levels of absolute returns that it has in the past. Still, I expect that it has the potential to continue to deliver attractive relative returns. This outperformance will likely be the result of its exposure to high yield bonds and infrastructure investments, which I expect to perform well in the near term.

Bottom line

All things considered, this is a pretty decent balanced fund offering for those looking for decent income, low to medium risk, and modest total return potential, all at a reasonable cost.

Dave Paterson, CFA, is the Director of Research, Investment Funds for D.A. Paterson & Associates Inc., a consulting firm specializing in providing research and due diligence on a variety of investment products. He uses a unique analytical approach to identify funds with strong, risk-adjusted returns, and regularly publishes his insights and analyses in Fund Library.

Notes and Disclaimers

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