BNY Mellon Real Return

Fund Research Centre
Recommended

Why we recommend the fund

- This Recommended fund is built from the perspective of risk and return and aspires to achieve an absolute return over the medium term.
- Using the fund's flexible mandate, the team adjusts the portfolio's allocations according to their global themes, risk/return assessments and valuation opportunities, whilst never losing sight of their capital preservation mantra. They are prepared to stand firm in their views even when the market is moving away from them.
- The team is supported by a well-resourced global research team covering global equity sectors, credit, strategy and responsible investments.

Key characteristics and expected outcome

- Framed by the team's global themes, the portfolio is constructed with a return-seeking core and a series of offsetting risk positions with a view to dampening volatility and preserving capital.
- The fund's sensitivity to market direction changes through time. The team is not afraid to expose the fund to risk at times of opportunity, albeit with a constant awareness of the downside. Equally, they are prepared to stand aside when valuations or other factors render risk assets relatively unattractive.
- This total return-orientated multi-asset fund is suited to cautious investors seeking to grow their capital in a conservative fashion.

Risk commentary

The fund's KIID Synthetic Risk and Reward Indicator (SRRI) is 4. This is a regulatory measurement that is, where possible, calculated from the volatility of its weekly performance over a five-year period. A score of 4 means the fund's historic volatility is between 5% and 10%.

Our analysis indicates that the fund's five-year standard deviation is more elevated than lower risk funds in the diverse IA Targeted Absolute Return sector, notably market neutral equity funds. This is to be expected given the 'directional' attributes of the fund. We are not surprised to see the score vary through time, as market conditions and the team's asset allocation preferences change. Different share classes could have differing SRRI scores.



Key Fund Facts

Inception Date:	01 September 1993
Manager(s) Since:	Aron Pataki (Dec 18) Nick Pope (May 25) Trevor Holder (Aug 26)
Fund Domicile:	United Kingdom
Base Currency:	£ Sterling
Fund Benchmark:	N/A
IA Sector:	Targeted Absolute Return

Formal documentation, including the fund prospectus and the KIID, should be sought directly from the asset manager. A link to the asset manager's website can be found on the relevant fund page at fundresearchcentre.co.uk.

Fund Snapshot

A globally diversified, multi-asset fund that is structured around the team's global themes. The fund is constructed with a return-seeking core combined with a series of offsetting risk positions. The fund aims to deliver positive returns within a range of cash and cash plus 4% (SONIA 30-day compounded) before fees over 5 years. Within its sector, the fund features in our 'Multi-Asset, Directional' category.

Investment Team

The fund is co-managed by Aron Pataki, Nick Pope and Trevor Holder of Newton Investment Management, a wholly owned subsidiary of The Bank of New York Mellon Corporation. They are members of the Newton Absolute Return team, which is part of the Multi-Asset & Charities division, headed by Paul Flood. The Absolute Return team incorporates portfolio managers with expertise in a wide range of disciplines, and they work closely with the Multidimensional Research team, which is responsible for providing inputs for idea generation across asset classes.

Investment Philosophy

By adopting a global approach to understanding the prospects for asset classes and giving due consideration to the thematic drivers of those assets, the team aims to identify the forces of change influencing various investment opportunities. This is all undertaken within a very risk-aware framework.

Investment Process

The fund's emphasis is upon traditional asset classes, managed with a long-term mindset. The portfolio is constructed with a return-seeking core and a series of offsetting risk positions, with a view to dampening volatility and preserving capital. The process begins with the identification of investment themes, which direct analysts and managers towards what they perceive to be the best investment opportunities globally. At a macro level, the team generates views on the relative attractiveness of base asset classes from both a short and long-term perspective. Extensive use is made of the global analysts to generate a large database of proprietary research. The fixed interest exposure uses the same thematic framework to analyse valuations and trends within global bond markets.

Positions in the portfolio are added according to the long-term view of the investment environment, with the team always being aware of the objective to generate "real", absolute returns and a lower volatility outcome. The return-seeking core can be comprised of corporate debt, equities, emerging market debt, infrastructure and energy renewable-related investments. The stabilising (or risk-offsetting) layer can feature commodities, cash and short-term debt, a variety of derivatives, active currency positions and currency/equity market hedges. The portfolio features no leverage, no individual short positions and no exposure to direct property.

Portfolio Construction and Risk Controls

The team takes a holistic approach to portfolio risk assessments. All positions in the portfolio are conviction-based, with the size of any position a function of the expected risk/return profile. There are no formal asset allocation restrictions in place and the team can shift the portfolio tactically as required.

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