BlackRock Corporate Bond

Fund Research Centre
Recommended

Why we recommend the fund

- This Recommended fund benefits from the manager's ability to harness BlackRock's significant fixed income resource in building a portfolio that benefits from a range of investment strategies.
- The diversified, risk-aware nature of the approach is evident through the portfolio constraints but the manager has sufficient flexibility to implement his top-down views with conviction.
- BlackRock's extensive risk teams and portfolio systems helps the manager pinpoint the risks in the portfolio.

Key characteristics and expected outcome

- The flexibility of the manager's approach and the team's expertise at both top-down and bottom-up research should mean the fund has the potential to perform well across a range of market conditions.
- Nevertheless, the manager will use the bounds of the mandate to reflect tactical as well as strategic views. In part, this reflects his desire to be placed in the top quartile of the IA sector and increases the risk of bouts of shorter-term underperformance.
- Even with this caveat, we believe the robust and flexible nature of the approach means the fund can act as a complementary holding in an investor's corporate bond blend.

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%.

The fund's five-year standard deviation is similar to mainstream investment grade credit benchmarks. We would expect the reasonably diversified nature of the manager's approach to lead to a volatility outcome in keeping with the asset class over most five-year periods. Different share classes could have differing SRRI scores.



Key Fund Facts

Inception Date:	24 July 1995
Manager(s) Since:	Ben Edwards (May 12)
Fund Domicile:	United Kingdom
Base Currency:	£ Sterling
Fund Benchmark:	BofAML Sterling Corp Securities
IA Sector:	£ Corporate Bond

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

An investment grade corporate bond fund with a flexible mandate. The approach typically incorporates a range of investment strategies, including off-benchmark opportunities. Within its sector, the fund features in our 'Dynamic' category.

Investment Team

Fund manager, Ben Edwards, is a member of Simon Blundell's Fundamental Sterling Fixed Income team. Mr Edwards joined BlackRock from Legal & General in 2010 and has been involved with the fund since May 2012. He benefits from BlackRock's vast resource, encompassing a top-down Investment Strategy Group, an extensive global credit analyst team and government bond specialists

Investment Philosophy

The manager believes that successful bond investing is achieved through incremental outperformance from a range of strategies, combined in a risk-controlled manner. He believes he can benefit from BlackRock's significant resource to build a portfolio that adds value across a range of strategy types.

Investment Process

In line with the philosophy of adding value across a range of different positions, the portfolio reflects the team's macro-economic analysis and credit analysis. The macro-economic and global market research is designed to analyse the economic outlook for key regions and to forecast market behaviour in this context. It is particularly important in driving the portfolio duration, a measure of sensitivity to interest rate movements, the regional preferences and the overall level of credit risk in the portfolio.

The top-down input can also direct the manager towards particular sectors of the credit market. However, the issuer selection is underpinned by the credit analysis undertaken by the team. The analysts are responsible for undertaking fundamental company research and making relative value recommendations within their sectors of expertise. Their research covers four factors: industry attractiveness, competitive position, financial position and management quality. The best ideas are incorporated in the portfolio with due regard for aggregate risk exposures.

Portfolio Construction and Risk Controls

The core of the portfolio is constructed through issuer and sector analysis within sterling corporate bonds and incorporates significant relative value judgements and strategies against the benchmark. However, the manager has the flexibility to invest in overseas bonds, mostly hedged to sterling, and to invest up to 20% of assets in high yield issues. The fund has a neutral duration position of 6.5 years, but the manager has the flexibility to manage around this. Aladdin, an on-line trading and portfolio system designed by BlackRock, is used to support efficient portfolio construction.

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