Nomura Funds Global Dynamic Bond

Fund Research Centre
Recommended

Why we recommend the fund

- This Recommended fund is managed by Dickie Hodges, a well-known industry practitioner who operates with a highly distinctive investment process.
- The manager has extensive experience of managing dynamic portfolios, always using a broad range of fixed income instruments. He makes extensive use of derivatives, pinpointing the risks to which he wishes the portfolio to be exposed.
- The fund is a unique and sophisticated offering in the sector, with its focus upon generating a total return, with a consummate level of income, in an unconstrained fashion.

Key characteristics and expected outcome

- The portfolio is highly diversified, with the manager's dynamic, top down allocation decisions the main source of return potential.
- The manager makes extensive use of derivatives with a view to protecting the portfolio, as well as to hedge specific risks embedded in certain trades. Investors should be comfortable with the relatively sophisticated and pro-active approach.
- Through portfolio construction, he seeks to reduce the degree of dependency on market direction for return generation. For investors who require greater sensitivity to underlying market beta, it should be combined with more traditional fixed income offerings.
- The desire to generate a total return from an unconstrained approach means that the fund's risk/return profile can be idiosyncratic and differ markedly from indices and peers.

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 risk statistics are broadly in keeping with other funds in the sector, notwithstanding periods of idiosyncratic behaviour. Different share classes could have differing SRRI scores.



Key Fund Facts

Inception Date:	30 January 2015
Manager(s) Since:	Richard Hodges (Jan 15)
Fund Domicile:	Ireland
Base Currency:	US Dollar
Fund Benchmark:	N/A
IA Sector:	£Strategic 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

A globally invested fixed income fund that is managed without constraints with a view to maximising total returns. The flexibility of the mandate permits the use of a wide range of instruments and investment strategies. Within its sector, the fund features in our 'High Conviction' category.

Investment Team

The fund is managed by Dickie Hodges, who is Head of Unconstrained Fixed Income at Nomura Asset Management. He joined in 2014 from Legal & General Investment Management, where he managed the well-known Dynamic Bond Trust. He is supported by Kaoru Naganuma (on convertibles), Victoria Robinson (on derivatives, rates and hedging) and Kliment Toshev. The team also has access to the global credit teams across the wider Nomura group.

Investment Philosophy

The manager believes that an unconstrained approach to investing in fixed income allows for the greatest possible diversification of instruments and investment strategies. A dynamic asset allocation approach, combined with a very broad investment mandate, is the means by which he pursues the objectives of yield generation ahead of cash with the potential for capital gain, but with lower volatility than conventional bond indices.

Investment Process

The manager's top-down assessments are the driving force of the process and, in executing investment strategies, he accesses a wide range of fixed income sectors and deploys derivative-based hedging techniques. He begins by formulating a medium to long-term investment view, taking into account interest rates, economic and corporate fundamentals. This drives the asset allocation preferences, but any selected investment must also have the capacity to be hedged, from either an interest rate or credit spread perspective. Where the credit analysts have strong preferences or high conviction views, these are fed into the sector outlook or views on the broader economy. Shorter-term strategies are also featured where opportunities arise from themes, technicals or valuations.

In combining the strategies, the manager assesses risk and return potential, correlations and time horizons and uses a wide range of hedging strategies to mitigate and control unwanted risks.

Portfolio Construction and Risk Controls

The core allocations are to investment grade bonds, high yield bonds and convertibles (up to 20%) and these are complemented by hedging strategies. Duration is actively managed, with a great deal of flexibility on both the scale and focus of any chosen positioning. Risk management is an integrated part of the investment process but in addition, there are regular formal meetings with the Head of Fixed Income and other risk and review committees.

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