abrdn Strategic Bond

Fund Research Centre
Recommended

Why we recommend the fund

- This Recommended fund is managed by experienced fixed income practitioners. Luke Hickmore has a strong credit background. Matthew Amis, provides insights regarding rates markets and macro strategies.
- They access the firm's breadth of resources through the asset class specialists, who cover all aspects of global fixed income markets (developed, emerging, structured).
- The success of the fund relies upon the managers' strong working relationship, their pragmatic implementation of the broader team's views and their significant experience in using the credit opportunity to set portfolio positioning.

Key characteristics and expected outcome

- In spite of its unconstrained mandate, the desire is to offer a fund that is diversified in nature. The managers are thoughtful about overall risk exposures and achieving a good risk-adjusted total return is more important to them than outright performance.
- With their strong credit background, investment grade credit typically incorporates at least half of the portfolio at all times.
- The managers are open-minded investors and are pro-active in adjusting exposures as markets and their views change, using derivatives actively to do so.
- We see this as a good option for investors who are seeking a flexibly managed and diversified fixed income fund, where all aspects of the global opportunity set are considered.

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 score is in keeping with the sector. Statistically, its risk profile has been slightly lower than some peers over the longer term, which speaks to its diversified nature, its investment grade bias and the managers' risk awareness. Different share classes could have differing SRRI scores.



Key Fund Facts

Inception Date:	14 June 2010
Manager(s) Since:	Sterling Investment Grade & Aggregate Team (Jun 10)
Fund Domicile:	United Kingdom
Base Currency:	£ Sterling
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 flexibly managed, diversified fixed income fund. The managers aim to deliver attractive risk-adjusted returns through a combination of strategic allocation decisions, credit selection and tactical positioning. Within this sector, the fund features in our 'Dynamic' category.

Investment Team

The fund is managed by Luke Hickmore and Matthew Amis. Mr Hickmore is an investment director in the Sterling Investment Grade & Aggregate team and has been a manager on this fund since its launch. Mr Amis is an investment director within the firm's rates team and provides macro insights and positioning ideas.

Investment Philosophy

The managers believe that investing actively in fixed income markets, on the basis of forward-looking fundamental analysis, provides them with the scope to deliver attractive returns, whilst being cognisant of downside risk. Strategic positioning and the successful blending of assets from across the fixed income spectrum is the managers' key focus.

Investment Process

The managers invest with flexibility across the fixed income spectrum and the blending of assets in the fund is adjusted according to their views on the prevailing market conditions and valuations. The broader fixed interest team undertakes fundamental macro-economic and credit research. At the macro level, regional teams establish firm-wide central, best and worst case scenarios. In terms of credit analysis, initial screens are used to assess factors such as liquidity and business model complexity. Issuers that pass through to the next stage undergo detailed analysis, culminating in an internal credit score. In determining relative value, return forecasts and downside risks are established for countries while for credits, fair value targets are determined on the basis of various factors, including company fundamentals, sovereign risk and liquidity.

The managers combine these broad inputs with their own market views. To aid portfolio construction, they maintain a list of market-driving themes that are important for shaping the portfolio and determining the preferred asset allocation split between government, investment grade and high yield bonds. Potential buy candidates are those where their perception of valuation differs from the market, whilst taking into consideration price volatility. Derivative strategies are deployed actively for hedging and for achieving market exposures, particularly in expressing tactical views in both credit and duration.

Portfolio Construction and Risk Controls

Notwithstanding the fund's unconstrained nature, the managers believe in the importance of diversification. At least half the fund is likely to be allocated to investment grade at all times. They use a risk budgeting approach when constructing the portfolio and overall credit risk is monitored in terms of duration times spread (DTS) analysis. Portfolio duration resides in the 2 to 7 year range. While global opportunities are considered, the fund's composition is largely pan-European in nature.

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