

Key Features

Unconstrained, high conviction approach seeks strong risk-adjusted returns from across the opportunity set

'Global, go-anywhere' mandate particularly well-suited to exploiting opportunities in today's fixed income markets

Flexibility to generate positive returns from volatility and falling as well as rising markets

Experienced portfolio management team draws on collective investment expertise and proven track record in managing absolute return bond strategies

Well-diversified and liquid portfolio with focus on risk management

Global Opportunities Bond strategy

Key facts*

Lead portfolio manager: James Cielinski

Benchmark: 1-Month USD LIBOR

Investment objective: The strategy aims to generate a positive absolute return in all market conditions by investing in a 'best ideas' portfolio of global fixed income securities

Investment universe: Developed and emerging market debt, investment and non-investment grade and unrated corporates, asset-backed securities, currencies, cash and money market securities. Exposure is on a long / short basis via bonds and derivatives

Performance target: To outperform the benchmark by 4.5% per annum (gross of fees)

Target tracking error: 5-6% over a market cycle

Gross exposure: Typically 175% and 400% (longs + shorts)

Net exposure: Typically -50% and +175% (longs - shorts)

Number of holdings: Typically between 75 and 125 positions (longs and shorts)

Total AUM managed in Absolute Return Bonds strategies: USD 2.4 billion

Investment philosophy

- Teamwork defines us and is fundamental to our investment process. We believe we are stronger together, that we produce better results for our clients, by working collectively rather than as individuals.
- A flexible and multi-disciplined approach is valuable to interpreting the fundamental, structural and valuation factors that drive fixed income markets. Emphasis among these factors varies with the investment and economic cycle, and we adapt our approach to market conditions.
- The sources of return in fixed income markets can vary widely over time. We consider all potential alpha sources and allocate active risk to where our research process identifies the best opportunities.

*All information as at 31 March 2012. Where references are made to portfolio guidelines and features, these may be subject to change over time and prevailing market conditions. Actual investment parameters will be agreed and set out in the prospectus or formal investment management agreement. Please note that the performance target may not be attained.

Investment team

The lead portfolio manager accesses the full range of asset class strategies and skill sets across our fixed income team including government bonds and currencies, corporates, emerging markets debt and asset-backed securities.

We also draw on our global and integrated investment approach that encompasses expertise across asset classes. This ensures our collective intellectual capital is available across all our fixed income portfolios.



James Cielinski
Head of Fixed Income
29 years' experience



Quentin Fitzsimmons
Head of Government
Bonds and Currency
21 years' experience



Henry Cooke
Head of ABS
26 years' experience



Barrie Whitman
Head of High Yield
25 years' experience

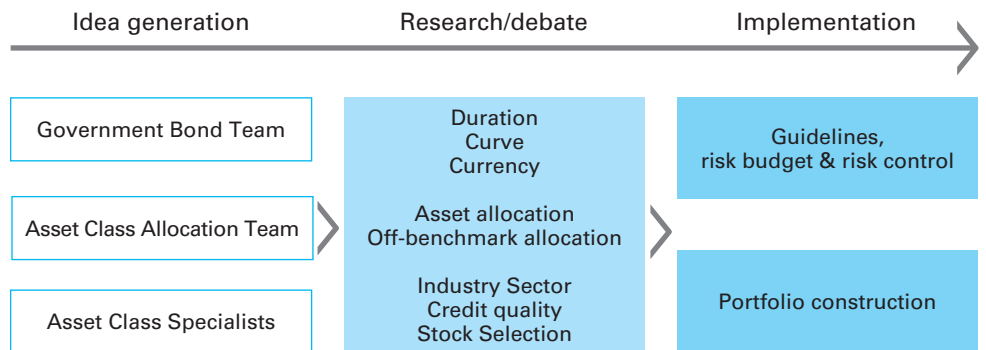


David Oliphant
Head of Investment
Grade Credit
23 years' experience

Investment process

We combine top-down macro-economic insights and sector allocation preferences with bottom-up research analysis to uncover the best investment opportunities across fixed income markets. We manage the strategy and assess its investment risk holistically.

Our investment process is illustrated in the diagram below:



For the purposes of portfolio construction, we consider the portfolio as having two main building blocks, each of which delivers different aspects of performance: The *'core portfolio'* is the bedrock of the strategy. It comprises short-dated bonds and credit default swaps to provide an attractive carry with limited risk, reflecting the importance of income to the strategy's absolute return objective.

The *'investment overlay'* represents our high conviction ideas. It seeks to exploit pricing anomalies, trends and 'event' opportunities within fixed income markets by investing in derivative strategies to generate high levels of return. There are a number of strategies within the overlay and their relative emphasis varies over time.

Idea generation

We combine the outputs from a series of formal, investment meetings, with specialist teams' meeting cycles, to generate a team view on the different opportunities within fixed income markets. These include:

- Fundamental macroeconomic analysis, together with structural and valuation analysis on interest rates and government bonds. This drives our duration, curve and currency views and sets the top-down input into our views on credit markets and individual credits.
- Asset class allocation formulates our views on the relative attractiveness of fixed income asset classes using fundamental, structural and valuation analyses. This drives our allocation between the diverse strategies and fixed income asset classes available within global fixed income markets.
- Asset class specific processes that develop views on industry sectors and countries; on credit quality positioning; and at the issuer and bond level.

Taken together these inputs provide our specialist teams with a team view on each of the alpha sources we look at for fixed income markets.

Portfolio construction

The lead portfolio manager has ultimate responsibility for portfolio construction.

The *'core portfolio'* is constructed with a bias to stability and to minimise interest rate risk. Positions typically have a maturity of up to three years and comprise short-dated securities and may include derivatives. The *'investment overlay'* represents our highest conviction views. From this we decide, for instance, whether to express a view through a relative value or directional strategy; this flexibility also allows us to hedge out unwanted risk. The weighting between the *'core portfolio'* and *'investment overlay'* also reflects our market views, sector allocation preferences and strength of conviction.

All investment decisions are taken within the context of the strategy's risk budget – both in isolation and more importantly as part of the overall portfolio – while volatility and liquidity are also important considerations. Position sizes will reflect our level of conviction and leverage is also employed. We actively manage the net and gross exposures between strategies to help ensure that the portfolio reflects our current views on market direction and themes.

Risk management

Our independent risk management team produces daily reports on every portfolio we manage, using a proprietary risk system to provide comprehensive risk analytics. We use these to understand and assess where we are taking risks, ensuring their direction and extent is appropriate.

Furthermore, our methods of evaluating risk will enable us to manage better aggregate portfolio risk. Models and processes that re-define risk as the possibility of losing money rather than tracking error will enable us to de-risk portfolios at the appropriate times. Our use of stress testing and scenario analysis to supplement traditional risk metrics, for example, broadens our measurement of overall portfolio risk.

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