

## SHINING A LIGHT ON..... PIMCO GLOBAL INVESTMENT GRADE CREDIT FUND

### At a glance

In recent updates we have focused on fixed interest funds which can invest across the credit asset spectrum to drive the best returns. In this update we consider with the negative sentiment building on High Yield whether an Investment Grade Fund might be worthy of consideration.

PIMCO are considered one of the leading specialists in the Fixed Income space and this is a Corporate Bond Fund focusing on Investment Grade (good quality) companies.

The manager, Mark Kiesel, has been at the helm of the fund since it was launched in 2003. For performance I have compared to the M&G Optimal Income and the Global Bond Sector.

### Who are the team behind the fund?

Mark Kiesel is CIO Global Credit. He is a member of the Investment Committee, a generalist portfolio manager and the global head of corporate bond portfolio management, with oversight for the firm's investment grade, high yield, bank loan, municipal and insurance business as well as credit research.

Morningstar named him Fixed-Income Fund Manager of the Year in 2012 and a finalist in 2010. He has written extensively on the topic of global credit markets, founded the firm's Global Credit Perspectives publication and regularly appears in the financial media. He joined PIMCO in 1996 and previously served as PIMCO's global head of investment grade corporate bonds and as a senior credit analyst. He has 23 years of investment experience.

### Fund highlights?

Their view of the world is different to the likes of Odey and Jupiter.

In their view they do not feel the world is heading towards a recession, and any potential recession is several years away. What they do feel is that the likes of High Yield and equities are highly valued and investors are not been compensated in terms of risk and reward.

Because of the type of fund it is, you would expect this response; their view is that Investment Grade is where you should be at this point of the cycle and you can get equity type returns with half the volatility.

He went on to explain how PIMCO approach their investments, effectively they are searching out the best companies operating in the most supportive economic environments. For them currently this means looking at companies in developed economies where the fundamentals are better.

Risk plays a big part in the analysis with a focus on companies with barriers to entry and the ability to deliver growth through higher returns on capital. So this will be companies with pricing power, intellectual property etc.

His view is that we are currently in a sweet spot for credit with \$1.2 trillion of new Corporate Bonds in issuance to take advantage of low interest rates so there is plenty of supply. Turning to High Yield he explained that the supply is just not there and he feels the opportunities do not exist.

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With rising rates, he feels this is supportive of the fund because of where it focuses. Currently the fund is positioned with nearly 27% in banks and brokerages with an average duration of 5.7 years and BBB is 38% of the fund. The yield is averaging just above 4%.

This was the first time we had viewed this fund and certainly feel that the manager is good at what he does and understands the market. The argument with strategic bond funds is that they take out the decision making process of where investors should be as this can be difficult to call. Ultimately it is for investors to decide. If they want Investment Grade investments then this is certainly worthy of consideration, however if they want someone else to make the decisions for them then a strategic bond may be a better option.

In summary a well-managed fund from a respected fund manager. This may appeal to investors who specifically want to invest in investment grade assets.

### Fund performance

Performance from 2010 to 30 September 2015:

|   | 2010   | 2011  | 2012   | 2013   | 2014   | 2015   |
|---|--------|-------|--------|--------|--------|--------|
| <b>PIMCO GIS Global Investment Grade Credit Fund (\$)</b> | 13.11% | 5.30% | 8.54%  | -2.64% | 14.14% | 3.09%  |
| <b>M&amp;G Optimal Income Fund</b>                        | 9.83%  | 7.12% | 14.31% | 8.30%  | 5.78%  | -1.52% |
| <b>IA OE Global Bonds</b>                                 | 13.34% | 2.44% | 7.98%  | -2.54% | 4.87%  | -1.93% |

1, 3, 5 and since launch performance:

|   | 1 Year | 3 Years | 5 Years | Since launch |
|---|--------|---------|---------|--------------|
| <b>PIMCO GIS Global Investment Grade Credit Fund (\$)</b> | 8.69%  | 16.52%  | 30.44%  | 111.53%      |
| <b>M&amp;G Optimal Income Fund</b>                        | -0.19% | 16.32%  | 38.47%  | N/A          |
| <b>IA OE Global Bonds</b>                                 | -0.62% | 2.56%   | 10.58%  | 65.17%       |

*You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation, but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.*

*The source of information in this note has been provided by PIMCO and is correct as at October 2015. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this and you should carry out your own research before making a decision. You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well rise.*