

**SHINING A LIGHT ON THE.....
L&G Dynamic Bond Fund**

AT A GLANCE

Investment Objective	
To achieve growth of capital and income by investing principally in a range of fixed and variable rate income securities. The Trust will have a wide discretionary (unconstrained) approach to asset allocation and may invest in investment grade and sub-investment grade securities with a credit rating from a recognised credit rating service or which are listed or traded in an OECD Country.	

Inception Date	30 April 2007
Fund Factsheet Link	http://www.morningstar.co.uk/uk/funds/snaps/hot/snapshot.aspx?id=F000000EPJ

Management	
Manager Name	Start Date
Shahzada Saeed	1 July 2015

Investment Style Details	
Bond Style	
Credit Quality Breakdown	% of Equity
AAA	14.46%
AA	2.49%
A	1.95%
BBB	14.75%
BB and Below	66.35%

Top 10 Holdings		
Total number of holdings	264	
Assets in Top 10 Holdings	24.25%	
Name	Sector	% of Assets
L&G High Income Trust R Dist	-	7.90%
Italy (Republic Of) 3.5% PIDI BDS 01/	-	3.43%
Diamond 1 Finance Corporation /Diamond	-	3.22%
Autopistas del Sol SA 7.375% SNR PIDI	-	1.67%
Petroleos Mexicanos 6.75% SNR MTN 21/	-	1.60%
Argentina (Republic of) 6.25% UNSUB P	-	1.49%
Bombardier Inc. 7.5% SNR PIDI NTS 15/	-	1.31%
Petrobras Global Finance B.V. 6.125%	-	1.28%
VMware Inc 3.9% SNR PIDI NTS 21/08/20	-	1.20%
Provincia de Buenos Aires 7.875% UNSU	-	1.16%

Volatility Measurements	
3-Yr Std Dev (volatility)	3.27%
3-Yr Mean Return (average)	-0.99%

LWM Consultants Ltd

FUND PERFORMANCE

Performance from 1st January 2013 to 30 April 2018:

	2013	2014	2015	2016	2017	2018
L&G Dynamic Bond Trust	6.44%	3.94%	1.34%	-0.20%	4.32%	-1.60%
Vanguard Global Bond Index	-0.13%	7.97%	1.25%	3.51%	2.00%	-0.93%

Performance over 12 months, 3 years, 5 years and since launch:

	1 year	3 years	5 years	Since launch
L&G Dynamic Bond Trust	0.98%	0.68%	10.68%	108.68%
Vanguard Global Bond Index	0.18%	4.31%	12.30%	-

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.

UPDATE....

For the past 30 years bonds have had a bull market delivering strong returns, but this is beginning to falter. Speaking to the manager of L&G Dynamic Bond Trust he seems to share similar concerns. He doesn't feel that investors are being compensated for the level of risk they are taking, and, in many cases, bonds are offering negative returns.

As an example, he talked about UK Gilts, where investors are guaranteed to lose 17% over 10 years. But this doesn't reflect that 60% of the market is bought and owned by LGIM and the Bank of England, both of which are reducing their exposure. Additionally, it comes at a time when the government is issuing more to fund spending and there isn't the market out there that wants to buy them. He therefore feels that the fall in gilts over the next 10 years will be significantly greater than 17%.

In the US, Shahzad has concerns as well. Deregulation of the banks is likely to be implemented and this will be positive for the dollar and bank stocks. This will naturally benefit risk stocks but not US bonds.

He also has concerns in Europe with Italian bonds and the Australian market. For a very bearish (negative) manager why would we invest in his fund? For the many the reasons for holding bonds is to protect capital and keep volatility as low as possible. Over 3 and 5 years, if you ignore inflation, the assets have been protected and so investors have received what they were expecting.

Turning to the fund Shahzad explained that despite being negative about the market ultimately his aim is protecting client's assets and generating returns. To do this he will invest across a broad range of assets depending where he sees the potential value. The fund is currently positioned with 27% in high yield, 18% investment grade, 17% emerging markets. The balance is across cash, hedging strategies and swaps.

LWM Consultants Ltd

In summary, there was not a great deal that we took away from this meeting. This is a strategic bond fund and there are better options in the market. The fund performance is mixed and certainly over 3 and 5 years hasn't outperformed the benchmark. This style of fund will appeal to investors looking for downside protection, but it would be worth considering other funds before deciding where to invest.

The source of information in this note has been provided by L&G and is correct as at May 2018. 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. We would also recommend that you receive advice before following up on any decision.