

**SHINING A LIGHT ON THE.....
Allianz Strategic Bond Fund**

AT A GLANCE

Investment Objective	
The Fund aims to maximise total return primarily through investment directly in debt securities or by gaining exposure indirectly through the use of derivatives. The Fund will invest internationally although at least 80% of its assets shall be invested in Sterling denominated (or hedged back to Sterling) debt securities. Investors should be aware that the Fund's capital is at risk and there is no guarantee that the Fund will achieve its investment objective over any particular period or at all.	

Inception Date	3 rd March 2003
Fund Factsheet Link	https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F0GBR04GHK

Management	
Manager Name	Start Date
Mike Riddell	30 th November 2015
Kacper Brzezniak	11 th February 2019

Investment Style Details	
Equity Style	
Market Capitalisation	% of Equity
Giant	-
Large	-
Medium	-
Small	-
Micro	-

Top 10 Holdings		
Total number of holdings	108	
Assets in Top 10 Holdings	96.03%	
Name	Sector	% of Assets
Sli30442 Irs Gbp R F 3.35300	-	31.23%
Sl5c463u Irs Gbp R F 3.63750	-	17.07%
Slow0b7u Irs Czk R V 06mpribo	-	16.23%
Slow0b9i Irs Usd R F 1.85500	-	5.21%
Slow0bg2 Irs Usd R F 1.70900	-	5.18%
Sp2s111d Cds Usd R V 03mevent	-	5.11%
Norway (Kingdom Of)	-	4.73%
Sp2s0id7 Cds Usd R V 03mevent	-	3.84%
Sp2k1sq6 Cds Usd R V 03mevent	-	3.84%
Italy (Republic Of)	-	3.60%

Volatility Measurements	
3-Yr Std Dev (volatility)	4.83%
3-Yr Mean Return (average)	3.49%

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FUND PERFORMANCE

Performance from 21 June 2016 to 30 September 2019:

	2016	2017	2018	2019
Allianze Strategic Bond Fund	-0.80%	0.74%	1.93%	11.92%
Vanguard Global Bond Index	-1.08%	2.00%	-0.11%	7.67%

Performance over 12 months, 3 years, and since launch of the new strategy.

	1 year	3 years	Since launch
Allianze Strategic Bond Fund	16.51%	10.46%	14.00%
Vanguard Global Bond Index	8.81%	6.61%	8.52%

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....

The aim of the meeting was firstly to understand the fund and whether as an active strategy this is better than the passive option. If we look at the performance over 12 months, 3 years and since launch of the strategy, the fund has outperformed. However, if you look at the performance up to the end of December 2018 the fund only slightly outperformed by about 1%. Going back to the 30th September 2018 the fund has significantly underperformed the index. The performance which has changed the figures came through in the last 12 months.

Taking a step back, the new team came on board in November 2015 and launched a brand-new strategy on 21 June 2016. The performance should only be taken from this date. The argument from the team is that to make this strategy work they need volatility in the market. This didn't come to play until the last 12 months where they have seen a spike in performance. They also argue that they look to outperform the index over a 3 to 4-year time frame.

Our concern is that up and until 12 months ago the strategy was underperforming (where other strategies were outperforming). Twelve months of good performance has reversed this, but it is unclear how the fund will perform moving forward. Are there likely to be periods of underperformance and then a big spike? Anyone investing would need to consider this carefully.

The team also explained that this is a straightforward bond fund. They want it to look like a bond fund and behave like one. This means making the most of credit, rates (duration), yield curve and currency. They will not hold any equities.

In terms of active vs passive, they feel the index is skewed towards government bonds and there is not much upside within this. They are just buying the market and not necessarily the best yielding asset. There is also a risk from a sell-off in government bonds. This being the case then an active bond manager should be able to find opportunities outside of the index, and for this fund they didn't seem to be able to do this for the first two years of the strategy, although now they have started to outperform.

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Interconnected with this, is that in 2019 many strategic funds outperformed the index so it is hard not to say that we are in a period where anyone in theory could outperform or whether the strategy is playing through.

In summary, we take the argument of the team that this is looking to outperform over a 3 to 4-year time frame. We can see that they are active in the way they invest. Our concern is that the outperformance has only been in the last 12 months, and this is a time when other funds have done the same (and many of these have outperformed over a longer period). Mike has an excellent background, coming from M&G, and we would expect him to produce an excellent strategy. However, we would like to wait and see how this plays out over the next 12 to 24 months before considering investing. Some investors may feel that it takes time for a strategy to bed in and that now is the time to invest.

The source of information in this note has been provided by Allianz and is correct as at October 2019. 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.