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

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

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

Top 10 Holdings		
Total number of holdings	147	
Assets in Top 10 Holdings	23.02%	
Name	**Sector**	**% of Assets**
Japan (Government Of)	-	3.60%
Japan (Government Of)	-	3.11%
Lukoil Security B V	-	2.55%
Australia (Commonwealth of)	-	2.41%
Anheuser-Busch InBev N.V./S.A.	-	2.02%
Republic of Singapore	-	1.98%
Republic of Singapore	-	1.96%
Anglo American Capital PLC	-	1.84%
Starbucks Corporation	-	1.80%
Hyndai Capital America	-	1.76

Volatility Measurements	
3-Yr Std Dev (volatility)	7.18%
3-Yr Mean Return (average)	12.19%

FUND PERFORMANCE

Performance from 21 June 2016 to 30 June 2020:

	2016	2017	2018	2019	2020
Allianz Strategic Bond Fund	-0.80%	0.74%	1.93%	10.43%	25.58%
Vanguard Global Bond Index	-1.08%	2.00%	-0.11%	6.63%	3.41%

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

	1 year	3 years	Since launch
Allianz Strategic Bond Fund	29.10%	41.20%	41.26%
Vanguard Global Bond Index	4.80%	11.20%	11.15%

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….

These updates have been written at the time of the Coronavirus Pandemic of 2020, which has impacted the global financial markets in a way that has never been seen before.

In the last update we flagged the concern over the inconsistent performance. Up to the 30th September 2018 the fund underperformed the index. Going into the last quarter of 2018 it outperformed and has continued to do this, with significant outperformance in 2020.

Clearly the managers have done well. However, the concern is the level of outperformance and whether this is sustainable. One of the concerns we raised in the last update was whether investors could expect periods of underperformance and then sudden spikes. Currently this seems to be the case, and if investors are happy with that and they like the manager this could be a fund for them to consider.

The fund has three targets – outperformance, zero correlation to equities, and asymmetry. They look to uncover returns across rates, credit, inflation, and currency across both developed and developing economies.

Coming into Q4 2018 they were defensively positioned towards government bonds. Then during Q4 2018, and Q1 2019 they took advantage of cheap Italian Sovereign Bonds and emerging market debt. This meant they were one of only six funds which performed well both in Q4 2018 and Q1 2019.

Coming in to 2020 they again moved to a more defensive position by using a mix of assets, including currency. Taking advantage of the market dislocation, the strategy moved away from credit hedges and emerging markets and towards developed market credit where they saw the best risk/reward returns.

In terms of positioning the fund is currently overweight US rates and underweight Eurozone. It is also “long” Australian and Singapore rates. It is lower UK breakevens (a measure of future inflation), and long US and European inflation. They are using currency as a hedge and are long Japanese Yen and have a small long in US dollars. They are short EM Currency as well as Australian and UK.

They have started to cut back some of the credit exposure where much of the returns have come from this year. The fund size has grown significantly this year and they are aware of size constraints, although they explained that they look to invest in the most liquid assets. They will review the fund size when it reaches £5 billion.

In summary, the managers have proved in two period of market dislocation that they have been able to position it in the right areas to protect both on the downside and significantly outperform on the upside. This would be enough for most investors, but we would ere on the side of caution.

The source of information in this note has been provided by Allianz and is correct as at July 2020. 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.