

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

**AT A GLANCE**

Investment Objective
To The objective of the Fund is to maximise total return, consistent with preservation of capital and prudent investment management, primarily through investment directly in debt securities issued by corporate, government, supranational institutions and local regional agencies or by gaining exposure indirectly through the use of derivatives, as well as any other security. 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. The ACD aims to achieve the investment objective by investing (directly or indirectly) in treasury bills, certificates of deposit, medium term notes, private placements, structured notes, preference shares, convertible bonds, gilts, investment grade and below investment grade bonds, bonds of emerging markets issuers, agency bonds and asset or mortgage backed securities or floating rate notes.

Fund Factsheet Link
<a href="https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F000013G37">https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F000013G37</a>

Management	
Manager Name	Start Date
Mike Riddell	30 <sup>th</sup> November 2015
Joe Pak	1 <sup>st</sup> November 2011
Ravin Seeneevassen	1 <sup>st</sup> November 2011

**FUND PERFORMANCE**

Performance from 1<sup>st</sup> January 2016 to 31<sup>st</sup> January 2022:

	2016	2017	2018	2019	2020	2021	2022
<b>Allianz Strategic Bond Fund</b>	4.26%	0.74%	1.93%	10.43%	30.17%	-8.51%	-1.15%
<b>Bloomberg Global Aggregate TR Hdg GBP</b>	3.66%	1.93%	0.10%	6.46%	4.96%	-1.54%	-1.58%

Performance over 12 months, 3 years, 5 years and since fund manager inception:

	1 year	3 years	5 years	Since fund manager inception
<b>Allianz Strategic Bond Fund</b>	-8.98%	26.00%	34.79%	37.61%
<b>Bloomberg Global Aggregate TR Hdg GBP</b>	-2.55%	7.35%	10.97%	14.18%

*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.*

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Tracking Error	Upside Capture Ratio	Downside Capture Ratio	Batting Average	Beta	Alpha	Credit Quality
7.15	167.63	28.69	52.78	0.84	6.82	Medium

Volatility Measurements	
3-Yr Std Dev (volatility)	7.65%
3-Yr Mean Return (average)	8.01%

Credit Quality	
AAA	80.48%
AA	-18.15%
A	27.55%
BBB	-6.30%
BB	9.25%
B	1.70%
Below B	0.34%
Not Rated	5.14%

Top 5 Holdings – 224 bond holdings, 323 other holdings		
2 Year Treasury Note Future Mar 22	-	24.19%
5 Year Treasury Note Future Mar 22	-	13.19%
Korea 3 Year Bond Future Mar 22	-	4.45%
South Africa (Republic of) 8%	-	2.77%
France (Republic Of) 0.25%	-	2.75%

Fixed Income	
Effective Maturity	4.94
Effective Duration	6.12

### UPDATE....

We have always struggled with this strategy. In 2018 and 2020 this fund outperformed the market, and this is reflective of the team getting the macro call right. Kacper Brzezniak who was part of that team has since left.

If you take out the macro bets, then the performance is average at best. This means anyone investing in this must be confident that the team can get this right. They must understand that the performance will be lumpy, so effectively poor periods of performance alongside significant outperformance.

The strategy runs along three lines:

1. To outperform the benchmark
2. To be uncorrelated to equities
3. To make more money when they get things right than when they loose money

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2018 was when they got the macro call right and 2020 was the real standout for the strategy. They were at pains to explain this is not an equity type bond fund and they will move to being more defensive or “risk on” depending on their views at the time.

In 2021 there was a large sell-off in bonds and they were part of this sell-off. The two main positions where they lost money during the year were being short UK inflation and currency in EM positions.

The fund is currently positioned more defensively, and this means they have held up better coming into 2022. They think the market is wrong now and they are positioning to take advantage of this.

Firstly, they think inflation is peaking and will come down faster than the market is pricing in. On UK inflation, if you price in Brent at \$90 and 250p for natural gas, this would lead to inflation at around 3%. The market is pricing around 5 to 7%. Interest rates are expected to go to 2% in the US and 1.25% by the end of Q3 in the UK. If inflation drops back and growth slows then these expectations could change significantly.

Secondly, in terms of growth they think a growth slowdown will come through into Q2 this year. Growth has been driven by monetary stimulus and this is slowing. The slowdown predicted by the market doesn't reflect tightening and interest rates, and where China has driven global growth there is evidence that it will not do the same level of stimulus moving forward.

In summary, this is a strategic bond but with a macro-overlay. This means that when they get it right investors will be rewarded and really this is the main driver of performance. They invest across rates, credits, inflation, and currency. Currently they are positioning around the market being wrong on inflation and some of the areas they are adding to include rates and in particular government bond exposure. The choppiness of the fund may not appeal to all investors.

*The source of information in this note has been provided by Allianz and is correct as of February 2022. 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 decide based on these notes we cannot take responsibility for this, and you should carry out your own research before deciding. We would also recommend that you receive advice before following up on any decision.*