

LWM Consultants Ltd

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

Credit Quality	
AAA	36.58%
AA	9.41%
A	6.03%
BBB	29.25%
BB	10.85%
B	4.47%
Below B	3.42%
Not Rated	0.00%

Top 5 Holdings – 367 bond holdings, 418 other holdings		
IRS CNY 2.50000 06/16/21-1Y (WHT) LCH Receive	-	23.74%
5 Year Treasury Note Future Sept 22	-	17.09%
CDX IG38 5Y ICE	-	13.40%
IRS KRW 1.75000 12/15/21-5Y LCH Receive	-	12.78%
United States Treasury Bonds 2.375% 2.375%	-	9.42%

Fixed Income	
Effective Maturity	6.43
Effective Duration	3.42

UPDATE....

This was a new introduction for us. This fund was launched three years ago in June 2019. We would want to do more work before considering adding to our watch list.

Emerging markets are seen as an alternative credit option to developed markets. They feel it offers low valuations and the underlying credit risk is no different to that of US corporates with the same rating. Over the last ten years emerging market debt has delivered higher returns with less volatility and there is a high degree of diversification. As with any region care needs to be taken as there will be winners and losers, especially with the war in the Ukraine.

Some of those winners include Chile, Brazil, and South Africa. The strategy aims to offer a best idea funds to investors that invests across both hard and local currency and corporates as well as sovereign debt.

This aims to protect on the downside and this is one of the key elements of this strategy. The returns come from three areas:

Reconstructing the EM risk profile (around 35% of returns) – this looks at the risks within the index and how they can mitigate those risks.

Active allocation across hard and local currency (around 20% of returns) – this considers investments across asset classes which includes interest rates, currencies, country by country allocation etc.

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Alpha overlay (around 45% of returns) – this is about positioning, which can include bespoke investment deals.

This is all about diversification across EM so no one country dominates the portfolio, and the fund currently has more hard currency debt.

In an uncertain environment for fixed income investments EM offers something different, and allowing a specialist to manage selection across the market takes away that risk from individual investors.

In summary, this is effectively a strategic bond that focuses purely on the emerging markets. We would want to do more work on this strategy before we consider adding to the watchlist but there many positives so we would want to see who else offers these types of funds.

The source of information in this note has been provided by PIMCO and is correct as of June 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 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.