

HOW WE BUILD OUR PORTFOLIOS FOR STRONG RETURNS OVER TIME

Ask the PORTFOLIO MANAGER

What is your team's process for building a bond portfolio?

Transcript of a video recorded on November 30, 2017.

Matt Freund, Co-CIO, Head of Fixed Income Strategies, Senior Co-Portfolio Manager, explains why the team tends to take contrarian positions when building a portfolio.

When we're building portfolios, we will often take what appear to be very contrarian positions to the marketplace and there's a reason for this. So when you think about any strategy, any trading strategy, you really have three choices: you can be early, you can be late, or you can be precisely on time. And while being precisely on time is great and everybody wants to buy at the bottom and sell at the top, that's really an objective. That's not a strategy. That's not something that you can repeatedly do. So that gives you the choice. You can be early to a trade or you can be late.

Well, in the fixed income markets, liquidity can be very fleeting. So unlike stocks where you can wait to see the turn before buying in, in fixed income you really have to have those attractive positions in your portfolio prior to the turn because once it turns and once it becomes clear, bonds just won't be available at an attractive price. So what you'll see us do is once we've identified themes and companies and securities that we like, we will generally lag into them slowly but we will be buying on the way down and sometimes it's painful. But what we found is that leads to strong returns over time. So the key to investing is to have everyone agree with you, but only when you're selling.

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MATT FREUND

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Video recorded 11/30/2017.

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