

# FIXED INCOME'S ROLE IN A PORTFOLIO

## Ask the PORTFOLIO MANAGER

### What role does fixed income play in a portfolio?

Transcript of a video recorded on November 30, 2017.

**Matt Freund, Co-CIO, Head of Fixed Income Strategies, Senior Co-Portfolio Manager, says investors need to remember these three reasons to own fixed income: the asset needs to be cheap, provide needed income or serve as a hedge against other positions in a portfolio.**

The role of fixed income in an investor's portfolio has changed over time. When I started in the business you would buy equities for capital appreciation and you would buy bonds for income. Over the last several years, the opposite has been true. You're buying bonds not for their income but for their appreciation and equities actually had a higher yield. We think that's reversing—we think that's going to change. But even if it doesn't, there are really only three reasons to own a fixed income portfolio or really any portfolio.

The first is that you think that the securities in them are cheap, meaning they're attractively priced relative to other asset classes and relative to their history. The second one is that you need the income or a characteristic that that security provides. And then the last one—and this is very important—you need a hedge or protection against other parts of your portfolio that might go down at the wrong time. So when we think about the market today, it's hard to argue that fixed income is exceptionally cheap. But if you have income needs or you're looking for a hedge, we think fixed income still has a place in your portfolio.



**MATT FREUND**

**Co-CIO, Head of Fixed Income Strategies, Senior Co-Portfolio Manager**

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*Video recorded 11/30/2017.*

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