



# **LWM Consultants Ltd**

## **Meeting the Fund Manager**

### **L&G Dynamic Bond Trust**

The L&G Dynamic Bond Trust is not a holding in our portfolios but it is a fund on our watch list. The strategic bond fund enables us to pass the responsibility of calling the bond market between corporate, government et al to the fund manager. There are two excellent funds in the market, the M&G Optimal Income Fund and the L&G Dynamic Bond Trust.

They are similar in style and performance and it was a good opportunity to meet one of the senior members of the team, Brigid Jackson who is a Fixed Income Product Specialist.

#### **Investment objective and profile**

To achieve a total return (capital and income) by investing principally in a range of fixed and variable rate income securities.

#### **Managing the fund**

The description of the fund seems a bit woolly so what does it mean, the fund is effectively not caught in one sector it has what is known as an unconstrained asset allocation mandate across the bond market whether looking at government bonds, investment grade credit or high yield bonds it can also use other instruments such as derivatives and where it is felt right up to 20% can be held in equities.

What the manager is therefore looking to achieve is a return by being in the right part of the market at the right time. This means that at certain times he may have more in the corporate market than say government bonds, at the moment the fund is around 40% in high yield. The reason is that currently they believe there is little value in government bonds.

The next step was to understand how they arrive at any decision. This is almost like a sandwich with the fund manager in the middle. At the top is what is happening in the market so looking at macro themes, sector allocation, countries and then risk. Below is the availability of investments and a system of researching and screening to deliver a list of recommendations. These all meet in the middle for the fund manager to make his decisions.

So for example at the top level this is showing sovereign risk is high and corporate fundamentals are better for non-financials this then can help to drive the stock selection.

In summary what you are doing with the fund is passing the responsibility for calling between debt instruments to a “safe pair of hands” who has the responsibility and freedom to look across the market and invest in what he sees as the best opportunities at any given point in time.

## **Conclusion**

Meeting Brigid provided a useful insight to the fund and certainly if we were to consider a secondary strategic bond fund this would be one we would consider.

The source of information in this note has been provided by L&G and is correct to the end of April 2012. These are notes from meeting the fund manager and should not be seen as a recommendation to purchase this fund. 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. You should also note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise.