

Brandywine Global Income Optimiser

Sterling Strategic Bond

Introduction

The fund seeks to generate income in all market conditions over a rolling three-to-five-year period whilst maintaining the value of the fund. The fund uses macroeconomic input to inform its sector and geographic allocations, and a deep fundamental analysis at the company level.



[Click here to read the Franklin Templeton approach to ESG investing.](#)

Why RSMR Rate this Fund

- The team seeks to achieve an all-weather portfolio by actively moving across sectors based on macro input.
- The team will look for attractive valuations in the context of the business cycle, and complete cross sector analysis to judge the relative value of sectors.
- Very valuation focused

Fund Process

The fund's investment philosophy revolves around four key elements; i) Interest rates, credit spreads and currencies – elements which regulate economic activity. ii) asset price movements, where extreme moves may lead to economic, corporate and policy reactions. iii) traditional fixed income index constructions which typically favour the largest debtors instead of the most disciplined. iv) the team view risk as the probability of permanent capital loss which is not a benchmark relative metric.

All PM's across the mandate are macro generalists with around half focused on the corporate market and the other half on sovereigns. The gives the team sufficient diversity in opinions on the fixed income markets. The macro view is fed into the process and looks to identify which sectors of an economy could do well and this will lead to preferred sectors rotating through the macro/business cycle. The team will actively move exposure from the corporate to the sovereign markets should there be a concern on valuations, tighter spreads in the corporate market relative to history, or a reduction in the covenants on new issues becomes more prevalent. The team are able to use derivatives within the strategy and these are periodically used to generate alpha or manage risk. They also reduce the volatility of the fund for investors.

Evaluation

The team's focus on capital preservation means they are willing to give up income in order to preserve capital for fundholders – the income is optimised in this context. Should valuations or spreads on bonds fall the team will make a relative value assessment of the sector and the bonds. This is where the macro evaluation of an economy comes in, which can point the team to sectors which are expected to trade better or have been unloved. Crucially these will often offer a better return potential on a 12 month forward basis. Fixed income indices offer an additional opportunity for active managers, where the focus is on those bond issuers which are disciplined and not merely those that issues the most debt, which is how indices are calculated. Indices can be a price agnostic buyer of debt whilst the team will look for a margin of safety and often a catalyst within in the business or the economy which can drive performance.

Application

The fund can be used as a component of a blended fixed income allocation. Given that the fund's underlying exposures can vary across corporate and sovereign issuers, holders should understand that the income may fluctuate but the focus on capital preservation is fundamental to the process.

Our Opinion

The fund has a strong track record of delivering positive performance for investors. The team's focus on capital preservation does lead them to include sovereign exposures and derivatives on fixed income indices, with the latter a more cost effective way to express their macro views and reduce the net exposure to corporate holdings. The team are active within the underlying portfolio seeking out relative value across sectors and geographies.

Important Notice

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