

US fixed income Sector summary May 2013

SECTOR SOUNDBITES

- Consensus among managers that, although parts of the credit markets are expensive, the market as a whole is not yet overvalued.
- Most fund managers we interviewed were overweight spread product relative to their indices.
- Managers are hesitant to make a short-term call on duration against a backdrop of low interest rates that are unlikely to rise in the short term.
- Those interviewed were unanimous that there may be buyers of equity but no sign of sustained selling of fixed income.
- A number of pre-crash market trends have reappeared, such as event risk, PIKs, cov-lite deals and CLOs.

Kate Hollis, sector head
US fixed income

KEY FACTS

Sector name:	US fixed income					
Peer groups:	US fixed income		US multi-sector bonds		US short-medium fixed income	
Review period:	1 January 2012 to 31 December 2012					
Number of graded funds:	10					
Dispersion of gradings:	Platinum	1	Gold	7	Silver	2
	Bronze	0	On Hold	0	Grading Removed	0
Peer group	Index	Median fund performance (%)		Index performance (%)		
		Year to	Review period*	Year to	Review period*	
		31 April 2013		31 April 2013		
US fixed income	Barclays U.S. Aggregate Bond TR	0.81	5.015	0.89	4.22	
US multi-sector bonds	Barclays U.S. Aggregate Bond TR	2.22	10.25	0.89	4.22	
US short-medium fixed income	BofA Merrill Lynch US Cor & Govt 3-5 Y A & Above TR	0.25	1.57	0.74	3.08	

* Review period = 1 January 2012 - 31 December 2012

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GRADING CHANGES

There were no gradings changes during the period under review.

GRADINGS SUMMARY

US fixed income		US short-medium fixed income	
AXA IM FIIS US Corporate Bonds	Silver/V3	BlackRock Global Funds - US Dollar Short Duration Bond Fund	Gold/V2
Fidelity Funds US Dollar Bond Fund	Gold/V3	BlackRock Global Funds - US Government Mortgage Fund	Gold/V2
♦ MFS Meridian Funds - Research Bond Fund	Silver/V3	♦♦ Franklin Templeton Investment Funds - Franklin US Government Fund	Gold/V2
♦ PIMCO Funds - Global Investors Series plc - Total Return Fund	Platinum/V3		
Schroder International Selection Fund - US Dollar Bond	Gold/V2x	♦ Fund with a 5-year Long-term Grading designation - ie, the fund has achieved a Silver grading or above for 5 consecutive years	
		♦♦ Fund with a 10-year Long-term Grading designation - ie, the fund has achieved a Silver grading or above for 10 consecutive years	
US multi-sector bonds			
♦♦ AllianceBernstein - American Income Portfolio	Gold/V4		
♦ Pioneer Funds - Strategic Income	Gold/V4		

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