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# A growing need for dynamic asset allocations

*The need for greater flexibility in managing fixed income asset allocations is prompting the growth of multi-asset credit (MAC) funds, according to Jeff Boswell of Investec Asset Management.*

Given the low yields pervasive in large segments of the fixed income market, there is evidence of an ongoing shift among investors out of traditional assets and into multi-asset credit. Investors are also moving higher on the risk curve.

"In current volatile markets, investors are buying into the idea that there should be flexibility to make changes without being tied down to duration or big bets. Instead, the changes are based on change in credit spreads, with managers moving from one segment to another whenever a better position is available," said Jeff Boswell, head of developed market credit at Investec Asset Management at the Investec Global Insights Asia forum in Hong Kong in late 2016.

Developed market credit has experienced significant growth since the global financial crisis, and demand remains high for high-yielding quality credits that can also generate income. However, with a plethora of credit instruments in the market, each with different attributes, it's difficult to decide what to invest in and what to avoid.

That's where multi-asset credit funds come in. They take away the asset allocation decision from the actual investor and shift it to the fund manager, who can dynamically shift the portfolio to suit market circumstances. "The key feature of a multi-asset strategy is that it is unconstrained," noted Boswell. "It can look for the best returns for a given level of risk across the credit spectrum. It offers the broadest opportunity set to a manager."

However, this is different from unconstrained bond strategies, which effectively seek to capture the broader beta from a certain market.

The big difference between a MAC fund and an unconstrained bond fund, is that MAC funds are typically constructed with very low duration, he explained. "A large proportion of our return comes from credit spread and we don't take any currency risk."

One structural trend that Boswell highlighted focused on the rise in global savings pool, something that hasn't been talked about much in recent years. "The Western world had aged and there has been a meaningful increase in savings."

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Central bank policies in developed markets have also led to more money creation. The result: a lot of money is chasing a limited supply of assets. "In a yield-challenged environment, a high-yielding multi-asset credit strategy that controls for volatility should appeal to investors," said Boswell.