Ninety One

Raising the bar on resilience

To deliver dependable, income-driven total returns for investors across market cycles requires an individual security-led strategy that is focused on outcomes, not benchmarks or peers.

Why is resilience important to income fund managers?

The priority for investment portfolios is shifting. With companies now facing a macro regime with high levels of uncertainty, rates and inflation, there is a pressing need for a thoughtful approach to portfolio construction that, in many cases, incorporates more resilience.

We believe income offers a more reliable source of returns than capital generation. Achieving this in reality, however, calls for a focus on individual securities with resilient yields, not just high ones.

Ultimately, to build resilient portfolios that can navigate diverse investment landscapes, investors must first identify the true drivers of risk and return, while still aligning with long-term portfolio objectives.

There are four broad steps:

- **Be risk aware** – able to manage risk and mitigate volatility
- **Be diversified** – provide exposure to multiple sources of uncorrelated return drivers
- **Be nimble** – flexible enough to capture changing market opportunities
- **Be consistent** – deliver steady risk-return profile across market cycles

Which features of the Ninety One Global Managed Income Fund makes it resilient?

To practice what we preach, we buy securities, not asset classes. Our universe is also relatively wide – we own a portfolio comprising 300+ holdings diversified by asset type, sector and geography. This reflects a selective approach across global bond and equity markets, with a focus on seeking attractive yields underpinned by solid cashflows to drive a dependable, income-driven total return.

Put simply, we are focused on an outcome. We do not manage against a benchmark nor a peer group, but rather align the portfolio's exposure seeking to deliver a consistent, low volatility, income-driven return. We also have a clear focus on downside management in difficult market environments.

In line with this, we choose positions which best mirror the outcome from a very broad global universe. We change the holdings through time, based on where we find the most compelling and 'safest' income opportunities.

Ultimately, our aim is to give clients a reliable building block and complementary strategy within their overall portfolio. This may then serve as a defensive alternative allocation or as a complement to traditional fixed income.

How are you positioned to capture investment opportunities based on current market scenarios?

If inflation and interest rates both fall in many parts of the world, selective exposure to government bonds in a range of markets is potentially attractive amid higher yields and good value.

On the flipside, we are finding fewer opportunities in equity markets and, in particular, corporate bonds, where valuations increasingly do not price in enough uncertainty.

This mind-set changes if growth and inflation turn out to be stronger. In that case, our options exposure should help us to participate in further equity market strength and cushion us to some extent from falling bond prices.

Regardless of scenarios, we continue to manage our Ninety One Global Managed Income Fund for a low volatility outcome, with an emphasis on managing against the impact of market drawdowns.

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