

Deutsche Asset Management

Deutsche Bank Group



- Manages **global absolute return bonds** for MLC, since 2010.
- Manages \$711 billion, across the world, as at 30 June 2011
- Deutsche Banks' origins date back to 1870
- Portfolio managers based in Melbourne, with investment staff located in Frankfurt, London, New York, Singapore and Louisville.
- Employs 150 global fixed income investment professionals

Deutsche's motto "passion to perform" is more than a tagline; it's a way of life. The fixed income team is passionate about bonds, even if you're not!

Why MLC has chosen Deutsche

Deutsche's mandate is ideal for a multi-manager portfolio because it's expected to produce a return above the cash rate that is not correlated with our other bond portfolios. Deutsche derive returns from multiple active strategies across global fixed interest and currency markets; drawing on the skills and experience of its considerably broad and deep investment team. Despite having a large team, individuals have accountability for their investment decisions which avoids "group think".



Chris Siniakov
Head of Fixed Income,
Asia Pacific (ex Japan)

Philosophy on investing

Deutsche believes consistently strong risk adjusted returns require:

- broad and deep global resources to conduct fundamental research,
- multiple independent perspectives that help to achieve minimal correlation among the decisions implemented in client portfolios, and
- a systematic approach to capitalising on diverse insights incorporating risk management, quality control and accountability.

Investment process

Deutsche's fixed income investment process can be divided into 3 distinct components; research and decision making, portfolio design and construction and implementation. Overarching the investment process is a process management framework.



The foundation of Deutsche's investment process comprises proprietary research and decision making. In fixed-income markets it is possible to isolate individual decisions across a large global investment universe. Each of these decisions is a source of alpha. Investment specialists research individual alpha sources and produce investible decision signals. Broadly speaking, they have identified over 120 top-down macro investment decisions and over 1,000 bottom-up credit issuer decisions.

In making investment decisions across alpha sources, responsibility is delegated to individual decision-makers who are specialists in their area. By operating a globally integrated fixed income platform, every client, regardless of size or geographical location, benefits from the best decision-makers.

Portfolio designs are documented in a design blueprint which specifies eligible alpha sources and permitted risk sizing. In this way when constructing client portfolios, Deutsche can effectively funnel decisions and investment signals from alpha specialists into each portfolio in a consistent, transparent and risk controlled way.

Investment people

Portfolio managers for MLC's global absolute return bonds

- **Chris Siniakov, Head of Fixed Income – Asia Pacific (ex Japan)**

Joined Deutsche Asset Management in July 2008 with 15 years of funds management experience. Chris has broad responsibility managing the Asia Pacific fixed income business including strategy formulation, product development and investment.

BSc (Hons) in Mathematics & Statistics from Monash University; Graduate diploma in banking and finance from Financial Services Institute of Australia.

- **Andrew Canobi, CFA, Portfolio Manager**

Joined Deutsche Asset Management in May 2008 with 15 years of industry management experience. Andrew has broad experience in Fixed Income Portfolio Management including macro strategy formulation, credit research and portfolio construction.

Chartered Financial Analyst. BA from University of Melbourne; Graduate Diploma in Commerce & Industrial Relations from University of Melbourne School of Business; Graduate Diploma in Applied Finance and Investment from Securities Institute of Australia. Member of the Melbourne Society of Financial Analysts.

Stock story

Due to the asymmetric risk profile of fixed interest investments, Deutsche's process aims to add value incrementally using multiple investment strategies. Therefore any one individual security or strategy is not expected to have a significant impact on the overall performance of the fund.

With a focus on providing investors with consistent, stable returns, risk management forms an important part of Deutsche's process. For every strategy actively managed within Deutsche, the decision-maker must support their prevailing position with profit review and stop-loss review levels. Should these levels be breached, the decision-maker is required to review their position. This control mechanism ensures that stale positions are not maintained in portfolios and is essential to proactive risk management.

Portfolio design is another important control that helps Deutsche to preserve the portfolio characteristics investors expect from their defensive asset class solutions. Deutsche's portfolio design process recognises the inherent volatility of credit markets and more effectively diversifies risk by combining a relatively conservative capital allocation to credit overlaid with a large diverse array of fixed interest strategies that tend to be uncorrelated. This ensures a level of diversification which can not be achieved by simply investing in a large number of credit issuers. Combining a large number of investment strategies provides breadth in client portfolios and enables position sizing that ensures that no one position can overwhelm the product's performance.

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