



Which areas of global fixed income are most attractive?

After equity markets plunged in late 2018, attention turned back to fixed income. So where are advisors looking for exposure?



Joseph Bakish

Vice-president and portfolio manager
Bakish Wealth, Richardson GMP

"At this stage of the credit cycle, the additional yield to be earned by owning lower-quality bonds is quite low. In addition, rates have risen in the US, giving high-quality corporate bonds and government bonds a decent yield with the potential for capital gains should rates drop.

While they don't offer the projected income we got used to seeing in the 1990s, we believe some diversification benefits will continue to add to Canadian portfolios, in particular, owning high-quality US corporate and government bonds. After a six-month rally, we would aim to keep duration relatively short."



Sean Ryder

Senior executive financial consultant
Loreto Ryder & Associates
Private Wealth Management

"I am focused on providing a range of managed solutions – including global fixed-income exposures – to build diversified portfolios designed to help clients achieve the investment objectives set out in their financial plan. Overall, the benefit of building a diversified portfolio doesn't change, even in a low-rate environment."

I like to take advantage of global fixed-income opportunities as they arise. My solutions include investments with the flexibility to adjust their interest rate, duration, credit, and currency exposures, never overweighting one component, as diversification is the key to success in the long term."



Mike Gomes

Financial planner
Ironshield Financial Planning

"Overall, fixed income has been a challenging asset class due to the low and rising interest rate environment of the last few years. Although many portfolio managers currently have fixed-income positions below their target benchmark, some are capitalizing on the higher yields that emerging market fixed-income investments are currently providing.

With the downward pressure on traditional fixed income, it's important to explore integrating complementary alternative fixed-income strategies such as private debt, market-neutral investments and properly structured permanent life insurance solutions to our clients' holistic financial plans."

BEYOND BONDS

At the end of a year in which the Dow Jones Industrial Average fell 5.6%, the S&P 500 took a dip of 6.2% and the Nasdaq Composite dropped 4%, investors looking for safe havens sparked a move to fixed income. But today's fixed-income products go well beyond traditional government bonds in an attempt to deliver yield. In early April, for example, European fixed-income ETF provider Tabula Investment Management launched the Tabula JP Morgan Global Credit Volatility Premium Index UCITS ETF, which aims to generate yield by capturing the difference between realized and implied volatility in credit default swap index options markets. "Investors are very keen to find new sources of return that are structural and have limited correlation to other market index investments," Tabula CEO Michael John Lytle said when announcing the product's launch.