



Investing in securitized fixed income

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Your success. Our priority.

The securitized assets market is inherently complex, and there are a lot of moving variables.

Securitized products are bonds that are ultimately backed by underlying assets and cash flows of those assets. The universe is very broad and diverse from very high quality assets such as government-guaranteed securities like agency mortgages to riskier assets that are ultimately more reflective of the credit markets, such as non-agency mortgages, commercial mortgages, the asset-backed securities market as well as CLOs.

Some of the most attractive risk-adjusted returns have come from investments that focus on the recovering housing market, the strength of the U.S. consumer. Those investments have not only delivered very attractive absolute returns but have done so with significantly lower levels of volatility than a lot of traditional corporate investments.

The correlation in structured products is one of the factors that make securitized assets very attractive. Traditionally, they behave very differently than both Treasuries as well as corporate securities, and as such, it really improves the efficiency of overall portfolios

Active management is crucial to investing in the securitized market space, because most of the interesting investment opportunities reside outside of traditional benchmarks -- such as non-agency mortgages, such as some of the more non-traditional segments of the asset-backed market. Those are areas that we have the investment capabilities and research capabilities to be able to appropriately analyze the investments.

What do we look for? We look for a couple things. First and foremost is the quality of the underlying collateral. And then secondarily is the capital structure, so how well-secured do we feel like our investment is based on where we participate within the capital structure.

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