

# Introducing Alliance Trust Monthly Income Bond Fund – Video Transcript

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## Fund Manager Video – Rod Davidson

**As head of the Fixed Income team Rod Davidson draws on 20 years of experience in managing money, teams and business in the global fixed income arena. Here he provides an overview of the Alliance Trust Monthly Income Bond Fund.**

### Why did you and the other members of the team choose to join Alliance Trust?

Alliance Trust offers us the potential to bring a new Fund to the market with a team of experienced professionals. When we look at our alternative situation, working for a large company, where there were constraints on the number of Funds that we were managing, the range of clients we were managing for and the general size of assets, this made it very difficult to produce active management across the range of Funds. Within Alliance Trust we're going to be able to do that, because in a sense they had no, or very little allocation to Fixed Income.

### What experience do you have and how do you interact as a team?

The team has a tremendous level of experience of managing Fixed Income assets. In fact, between us, we have over 80 years of working in bond markets in some shape or form. So this is a tremendous opportunity. The four of us have worked together for a couple of years at SWIP, but the guys between them have been Heads of Credit at various well known organisations across the city. So this is a one-off opportunity of pulling the guys together and working on, at the moment, a single portfolio. The interaction between the team is excellent; we all bring a range of different skills together. Myself, I've been Head of Fixed Income in a number of organisations and launched new products, as has Gareth and Stuart Steven. So when we come to looking at what the market wants from a Fixed Income Manager, we think we are able to deliver a higher level of product than our competitors.

### What are the key characteristics of the new Fund?

The team has engineered a new Fund for the market that will sit in the Corporate Bond space; and before we came with the product, we analysed historically what has happened within the Corporate Bond space and devised a strategy that would suit the market going forward and one that we feel happy to invest in ourselves. We see an active management capability as a strong driver. The Fund will be primarily invested in investment grade credit, but it can allocate to high yield and overseas market, so it has the strategic component, but also it will look to actively manage the interest rate exposure during the course of the cycle, which in a way protects the investors from a degree of the capital volatility that would be seen in a normal Fund in that sector.

### Who will be managing the Fund?

As I mentioned before, the team has a vast experience of managing money in the Fixed Income markets, but we have two specialist Credit Managers in Gareth Quantrill and Stuart Steven. So they will be lead managers on this particular Fund. Whilst myself and Stuart McMaster will concentrate on looking and analysing the interest rate side of the Fund, the other two guys will be actively managing the credit exposure within the Fund.

## What is the objective of the Fund and what sort of yield is it expected to have?

Again, when we put the Fund together, we realised that the market was crying out for a consistent level of income. So as high a level of income as we can derive from a conservative range of investment grade corporate bond holdings. When the Fund launches, it should have an income yield of about 6.5%\*, which we think is an attractive proposition given the current market conditions.

*\*At launch, the estimated distribution yield is expected to be approximately 6.5%. The yield is not guaranteed and may fall below this figure. Income can fall as well as rise as a result of market and currency fluctuations. Capital growth may be constrained or eroded with annual charges being deducted from capital. Investors may be subject to tax on distributions.*

## What type of investor is the Fund targeted at?

The Fund is targeted at a range of investors, from the retail income seeking investor through to the retirement drawn-down investor, or through to the institutional investor who again is looking for an actively managed, but conservative exposure to the Fixed Income markets.

## Why are you launching a corporate bond fund now and what makes the Fund different from other corporate bond Funds?

After much deliberation, the team decided that we would launch a Corporate Bond Fund as the first Alliance Trust Fixed Income fund. Primarily because the demand for income out there in the market is so high, given the low cash rates and the fact that the Corporate Bond sector is the largest in the IMA. Why is this different than our competitors? Well two-fold. It's unusual to get such an experienced team working together on one Fund, but also right now the illiquid nature of the market and the low level of new issuance, means it's ideally suited for a new small Fund coming to the market, where we believe this Fund will be able to pick up the best investment opportunities on a risk adjusted basis. So a lot of our peer group investors will be heavily invested in high yield at the moment, but we don't feel there's a need to go down that route actually; we can generate a higher level of income without having the volatility of a high yield exposure at the moment.

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