



## Investment Alerts Archive

### Alternative Ways to Invest

#### 1. Systematic Trend-Following Strategy

Buying and selling strategies are integral to making gains in the investment market. Nothing beats the satisfaction of knowing that you have acquired, or sold, an investment at the right time.

However, it can at times be very frustrating for investors to enter and exit markets at the troughs and peaks respectively. The sudden twists and turns in the market can be hard to navigate, making it tough to ensure that you are reaping the maximum gains possible from your investments.

We have witnessed many instances where investors have seen their long-term gains wiped out overnight by unexpected and severe market movements, such as the Black Monday of 19 October 1987, when stock markets around the world dropped in value in a very short time. The Dow Jones Industrial Average, for instance, lost almost a quarter of its value in a single day, the largest single percentage loss in history.

More recently, the long drawn and widespread financial crisis led many to question the virtue of buy-and-hold strategies, as investments have failed to appreciate in value as anticipated.

In a bid to get around these limitations, investors can explore the use of systematic trend-following strategies.

Trend-following strategies do not attempt to forecast or predict markets or price levels. Instead, it is a disciplined approach that seeks to profit in falling market conditions, as well as rising ones. It relies on precise rules (no guessing or wild emotions) and utilises quantitative investment strategies to systematically comb global asset markets to identify and capitalise on recurrent and persistent price trends and current market volatility.

Investors have an opportunity to tap into this strategy via the MAN AHL Trend fund, which is the first systematic trend-following fund to be permitted for offer to retail investors in Singapore. It has an investment objective to achieve medium-term capital growth targeting double digit annualised returns for a target annualised volatility of around 15% over the medium term.

The fund profits from being short or long in a falling/rising market environment accordingly. This creates a highly disciplined investment mandate that removes human rationality out of the investment equation, whilst seeking to generate strong, medium-term returns.

#### 2. High Yield Bond Fund

The traditional way to participate in a market recovery is through investing in equities. However, equity investing tends to be volatile and subject to market swings. To participate in the rising markets with lesser market volatility swings, investors can choose high yield bond investments to enjoy the equity returns with lesser volatility.

In finance, a high-yield bond is also known by investors as other variant names like non-investment-grade bond, speculative-grade bond, or junk bond. A bond's credit rating is usually determined by an independent rating agency which then assigns a rating based on a matrix of criteria. Bonds rated BBB- and higher are called investment grade bonds. Bonds rated lower than investment grade on their date of issue are known as high yield bonds. These bonds have a higher risk of default or other adverse credit events, but typically pay higher yields than better quality bonds in order to make them attractive to investors.

Income nature of the high yield bonds cushions against downside volatility and can provide a buffer against rising interest rates, whilst waiting for the principal upon maturity. A positive economic environment leads to positive corporate earnings, which in turns supports the bond prices as the risks of defaults decreases.

Investors have an opportunity to tap into this strategy via the AllianzGI US High Yield Fund, which targets a regular fixed income payout. Its investment objective aims to provide investors with long-term capital appreciation and income by investing primarily in the US corporate bonds rated below investment grade, hence giving investors the opportunity to invest in a unique fund that offers equity-like returns with bond-like volatility.

#### Conclusion

Going beyond the realm of traditional asset classes, investors should look to include alternative investments in their portfolios. This will help to further diversify their investments and help lower portfolio volatility and potentially improve the risk/reward characteristics of their investment portfolio.

To see how you can diversify your portfolio or discuss any investment ideas, simply contact your Relationship Manager or the Premier Hotline at **1800 PREMIER (773 6437)** to schedule an appointment.

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Allianz Global Investors is the manager of Allianz Global Allianz US High Yield Fund.

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