

# Key notes



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## Christine Johnson, manager of Old Mutual Dynamic Bond Fund

### Fund saw improved returns in Q3

- Correctly anticipated the US Federal Reserve's latest round of quantitative easing (Operation Twist)
- Cut exposure to corporate bonds on the back of fears about eurozone crisis and impact it may have on global growth

### Eurozone crisis so deep it is important for fund managers to retain flexibility

- A very complex and politicised affair, no one can predict the end result
- Bill for solving it may end up in the trillions rather than the billions
- Stay flexible so you can go from being hedged to buying risk assets at the appropriate time

### 2011 is not the same as 2008

- Drivers of the crisis are different
- But similarity is that there is huge turmoil in market, some financials need to be recapitalised
- Downside risk to risk assets remains in place

### Fund has been cutting back direct and indirect exposure to Europe over last 12 months

- Has not got direct exposure to peripheral Europe via sovereign or corporate bonds
- Identified French banks as heavily exposed to Italian and Spanish sovereign debt, so cut this exposure right back
- German and Scandinavian banks (with the exception of Commerzbank) have far less exposure to peripheral Europe

### Fundamentals are not driving the corporate bond market at present

- On fundamental view corporates offer very good value
- Spreads compensate you even for losses on scale not seen since the Great Depression

### Current positioning of the portfolio

- Substantial allocation to cash and government bonds
- These are cash-generative businesses
- The key for markets to really recover is a solution to eurozone crisis
- One focus is cable companies, which are 'new utilities'

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