21 January 2013

PIMCO/EQT sees FUM increase in bond funds

There are clear signs that investors are starting to heed calls to maintain a balanced portfolio, says Harvey Kalman, Equity Trustees' (EQT) head of corporate fiduciary and financial services.

"We are seeing money starting to move out of term deposits, and other cash deposits, not just into equities but also into bonds.

"Last year the funds under management in the PIMCO EQT retail bond funds increased by over $1 billion, $820 million of which was net inflows.

"We see three main sources for these substantial inflows: investors getting out of term deposits; a switch from passive to active managers; and a rebalancing out of model portfolios.

"It also helped that the PIMCO EQT Global Bond Fund delivered returns of over 14 per cent in 2012, while the PIMCO EQT Australian Bond Fund returned 8.6 per cent. While such exceptional returns may not continue during the year ahead, nonetheless we believe that bonds will continue deliver markedly better returns than cash during 2013.

"Falling domestic interest rates during the year have clearly been a factor, focusing investors' minds on the need for alternatives to cash products. At the same time, financial planners have clearly done a terrific job in getting clients to understand the benefits of diversification in their portfolio," Mr Kalman said.

Peter Dorrian, head of global wealth management at PIMCO Australia, added that bond investors are increasingly recognising the benefits of active funds management in managing risk.

"We feel that all asset markets will remain volatile in 2013 and that alpha is going to be a major consideration, supporting the need for active managers.

"There also appears to be better understanding of how active management can help protect fixed income investors in the event of rising rates," Mr Dorrian said.

Mr Kalman added that diversification should continue to be a major theme for 2013 if investors are to manage risk and protect capital.

"Chasing income has become almost an obsession for investors in recent years, which is not a healthy long-term investment strategy.

"Investors need to look for both income and alpha, avoid getting caught up with market runs, and spread their investments across asset classes.

EQT Media Release
Discover the value of experience

EQUITY Trustees

"Financial planners can take credit for improving clients' understanding that putting all capital in one asset class is very dangerous as it draws investors into a boom/bust cycle, leaving them very vulnerable," Mr Kalman said.

Equity Trustees offers a range of co-branded retail and wholesale funds in Australia, and provides responsible entity and trustee services for both international and domestic fund managers. Through its alliance with PIMCO, it is responsible entity for the PIMCO EQT Australian Bond Fund and the PIMCO EQT Global Bond Fund

The PIMCO EQT Australian Bond Fund has returned 8.68% over 1 year, 9.86% over 2 years, 9.58% over 3 Years and 9.71% over 5 years*. The PIMCO EQT Global Bond Fund has returned 14.06% over 1 year, 11.17% over 2 years, 12.54% over 3 years and 10.26% over 5 years*.

-oOo-

* *As at 31 December 2012*

About Equity Trustees:
Equity Trustees is a publicly listed company that provides a range of financial services to corporate and private clients. Its businesses include funds management, responsible entity appointments, private client wealth management and corporate and personal superannuation. The company has over $4 billion in its funds management, private client and superannuation businesses and has more than $19 billion under responsible entity administration. Equity Trustees employs over 180 people in its Melbourne, Sydney and Brisbane offices.

About PIMCO Australia:
PIMCO Australia was established in 1997 and provides investment management services in both domestic and global fixed interest strategies to a range of clients in Australia, New Zealand and the South Pacific nations.

-oOo-

For more information please contact:

Harvey Kalman
Equity Trustees
Phone: 03 8623 5301
Email: hkalman@eqt.com.au