

Manager profile

investigate

Company overview

Standish Mellon Asset Management Company LLC (Standish) traces its roots back to 1933, when its predecessor firm, Standish Ayer & Wood Inc, began managing fixed income portfolios for US financial institutions, banks and insurance companies. It's a dedicated fixed income manager with US\$63 billion in assets under management as at 31 December 2009. As a wholly-owned subsidiary of The Bank of New York Mellon Corporation (BNY Mellon), Standish enjoys the support and backing of a well-capitalised parent company with a strong balance sheet.

Standish emphasises fundamental research and quantitative models in an attempt to outperform agreed client benchmarks. This combination allows for highly customised client solutions, and also requires both strong risk controls and a high level of dedicated client service.

Investment philosophy and style

When managing Global Fixed Income portfolios, Standish believes the following.

- **The search for value drives the investment process.**

Value is realised most often when supported by both fundamental and technical factors.

- **A broader opportunity set results in better returns.**

A portfolio's risk-adjusted performance improves with an increase in the number of strategies employed in its management.

- **Consistent outperformance requires both top-down and bottom-up expertise.**

Teams of experienced professionals must use both quantitative and fundamental methods to identify value in both macro and idiosyncratic positions.

- **Rigorous risk management is the key to long-term investment success.**

A variety of risk management methods and techniques minimises the chance of negative surprises.

Investment process

Standish's search for value uses a blend of top-down, macro-economic analysis and bottom-up, fundamental securities research. Its Global Fixed Income specialists conduct broad top-down, macro-economic analysis that identifies general investment themes and risks with an emphasis on region, country, curve, duration and currency. The main indicators used to achieve the desired strategy results are grouped into the following the categories.

Valuation: using a number of valuation indicators and quantitative models to help establish fair value for a bond or currency. While valuation is a cornerstone of its investment process, Standish recognises that it's not a timing tool and that there are other indicators that also need to be monitored.

Cyclical research: once the level of fair value is estimated Standish then performs cyclical research, which is classical fundamental macro-economic based. Its cyclical research and indicators try to answer the basic question of why a bond is over or under valued. It understands where capital is going to flow based on shifting portfolio balances.

Market expectations: the last step of its macro-economic assessment is to understand market expectations, using a behavioural or contrarian indicator. For example, if everyone is bullish, then the good news is likely already 'priced-in'. If Standish doesn't have an opinion that is different than the consensus, then it won't take a trading position.

Standish is best able to capture the highest risk-adjusted returns from a bond or currency when:

- it finds a security that's undervalued
- its cyclical research identifies that portfolios should rebalance in favour of the security that's undervalued
- the consensus view towards the security is at a bearish extreme.

Investment team

David Leduc (Chief Investment Officer) and Brendan Murphy (Global Fixed Income Portfolio Manager) are supported by their global team's Sovereign Analysts who construct model portfolios of the 'best ideas' within their given sector, such as global government bonds, liquid products (includes US Treasuries, TIPS, Agencies, and MBS), and emerging markets debt. These sector model portfolios form an 'ideas pool' from which portfolio managers select securities for inclusion in portfolios. Although Senior Portfolio Managers have ultimate decision-making authority and accountability in this strategy, Standish uses a team approach to portfolio management, with all team members expected to provide input and contribute to the investment process. By using a team portfolio management structure, it takes advantage of the different ideas and perspectives offered by the various members. As a result, there is active discussion among the participants, which allows Standish to incorporate the best ideas into the portfolio management process.

By using a team approach, it takes advantage of the different experience and perspectives offered by the various team members and investment professionals throughout the firm.

Reason Advance selected Standish

Standish is an active manager that aims to outperform from a balanced focus on sector and country allocation, issue selection and duration/yield curve positioning strategies.

We favour Standish's disciplined investment process with its strong emphasis on risk control. The approach is team-based with an emphasis on bottom-up, fundamental research and analysis conducted by the sector strategists. Standish adds value through active sector allocation and credit migration strategies, rather than duration strategies. It combines both qualitative insight and quantitative inputs for each source of added value.

Contact Centre: 1800 819 935

Adviser Services: 1300 361 864

advance.com.au

This information is of a general nature only and has been prepared without taking into account the objectives, financial situation or needs of any particular person. Before acting on the information, a person should consider its appropriateness having regard to these factors. The Advance Funds (Funds) are issued by Advance Asset Management Limited ABN 98 002 538 329 AFSL No. 240902. Before deciding whether to acquire or to continue to hold an investment in a Fund, investors should obtain and consider the Product Disclosure Statement for the Fund, available from Advance at www.advance.com.au or by calling 1800 819 935. Whilst every effort has been taken to ensure that the assumptions on which the outlooks given in this document are based are reasonable, the outlooks may be based on incorrect assumptions or may not take into account known or unknown risks and uncertainties. Past performance is not a reliable indicator of future performance. Information from third parties is believed to be reliable however it has not been independently verified. While the information in this document is given in good faith, no warranty is given that it is accurate, reliable, free from error or omission. Advance is a member of the Westpac Group. An investment in a Fund does not represent an investment in, deposit with or other liability of Westpac Banking Corporation or any other member of the Westpac Group. Subject to any terms implied by statute which cannot be excluded, no member of the Westpac Group nor its directors, employees and associates accept any responsibility for errors in, or omissions from the information. This document is current as at October 2010.

AD11039C-1010pm

ADVANCE
INVESTIGATE