PGIM FIXED INCOME

Value Stands Out in Our Investment Process

Transcript

Robert Tipp, CFA, Chief Investment Strategist and Head of Global Bonds: What we're trying to deliver is repeatability—adding value to the portfolio on a repeatable basis. And the best way to do that is to have a lot of high-conviction sub-strategies in the portfolio—as many bottom-up, high-conviction, high-expected information ratio opportunities. The only way to do that is to have extensive resources around the globe looking for those opportunities in every corner of the market, in every currency.

[Music]

Robert: We see the opportunities. We see the risks in the market. But there's a lot of fine-tuning. How do we want to do this, in what size, when, when to scale in, when to scale out, working with the team to make those decisions.

Cathy Hepworth, CFA, Head of Emerging Markets Debt: Because the world is so large, and our clients are so broad, and the types of assets that they want to invest in can be so differentiated, in order to really roll up your sleeves and understand value—particularly from a relative-value, bottom-up perspective—you have to have a large team that works together as a group, but is also specialized. Relative value really starts with formulating our own credit view. Regardless of the asset class, we have our own credit rating and that's the basis upon which we can determine whether or not something has value.

Brian Barnhurst, CFA, Head of Global Credit Research: We employ a sector PM–sector analyst model in order to develop strong and deep conviction and to invest confidently against that conviction. And the idea is to develop a strong, fulsome view of the industry and sub-industries in which we're covering, and to be able to best identify changes in trend, competitive dynamics, any developments that may impact the future trajectory of companies in which we invest or don't invest.

Katharine Neiss, PhD, Deputy Head of Global Economics and Chief European Economist: Where the macroeconomics team comes into play is giving that overarching theme of direction of travel, if you like, for the economy where those credits sit. And I think bringing those two elements together, that overarching view of where we think the macroeconomic economy, where the outlook is going. Together with that very micro view on individual credits is what can really help to differentiate us and identify where best we think we should be allocating our investment decisions.

Stephen Warren, Head of Quantitative Analysis and Risk Management: We think a lot about delivering the alpha we know our clients need and expect from us, but we try to do it in the most risk-controlled way possible. It's especially important for us because we rely so extensively on our proprietary analytics. That includes both a proprietary risk model, as well as a number of proprietary relative value analytics.

Juan Surís, PhD, Co-Head of Quantitative Modeling and Strategies: Being rooted in these fundamental principles gives you that foundation you need to not only manage these, you know, turbulent markets, but also keep grounded, and be agile, and be able to navigate these high volatility environments.

Robert: I think what makes it different in our firm is the flatness of the structure. There's interaction across the firm on a daily basis for each different area of activity in the portfolios. And we have the right frameworks, the right meetings, the right pods, the right structures to get that information really well-distributed across the firm so that it operates like a small partnership.

[Music]

Notice: Important Information

Source(s) of data (unless otherwise noted): PGIM Fixed Income, as of July 2024.

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