



Allianz Multi Asset Long / Short

Active is: Re-defining diversification

For fund
distributors
and professional
investors only

Q&A WITH JAMES PEARSON

Allianz Multi Asset Long / Short offers an alternative to traditional investments, looking to generate attractive returns, added diversification and low correlations to equities and bonds.

Q What is the strategy designed to achieve?

Allianz Multi Asset Long / Short is a managed futures (or trend-following) strategy that can take both long and short positions across a broad opportunity set – equities, fixed income, commodities and currencies. With the ability to move both long and short, the strategy seeks to take advantage of both positive and negative market trends, delivering attractive returns (cash +7%, and a volatility of around 10%) with low correlation to equities and bonds over the long term.

Q Describe your investment philosophy

We believe that asset classes move in trends which differ in direction, strength and length, and that these market inefficiencies can be exploited systematically to provide superior and consistent investment results for the benefit of our clients. This is the core of our disciplined approach to asset allocation.

Q What makes this strategy different to other trend followers?

Our unique approach to delivering enhanced diversification can be summarised by three key differentiators. First, we aim to ensure that all four asset classes contribute similarly to the overall portfolio's risk and return over time – an efficient risk-balanced approach. Then, we look at medium-term trend signals, which results in far less noise than using short-term signals. It also leads to lower turnover and reduced transaction costs. Finally, both high-yield and emerging-market bonds are part of our investment universe, a natural extension of our experience with multi-asset mandates.

Q How can investors fit this strategy into their portfolio?

The strategy has a number of applications which could benefit our clients. As it is designed to have low correlation to traditional asset classes, clients may benefit from additional diversification and achieve a better risk/return profile by replacing a portion of their strategic equity and/or fixed income allocation with this strategy. The strategy also has the potential to produce positive returns during periods of sustained market stress, an attribute popularised as



James Pearson
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“crisis alpha”. This feature makes the strategy a good candidate to provide risk mitigation within traditional portfolios.

How did the team come up with the idea?

Trend-following is not a new concept, and indeed managed futures are well established in the industry. We had continuously managed the strategy within large institutional client portfolios since 2005, before we launched it on a standalone basis in December 2015. This gives more clients the opportunity to benefit from our asset allocation and trend following experience.

How is the team qualified to run this strategy?

The Multi Asset team at Allianz Global Investors has been managing dynamic asset allocation strategies for many years and is one of the largest and most experienced in the industry. We have 95 investment professionals averaging over 17 years of investment experience, 23 of whom have PhDs. The team is responsible for managing over EUR 149 billion for our clients, showing that we are a trusted provider in the space.

What are the most exciting opportunities you are seeing now?

Our goal is to generate stable risk-adjusted returns by following trends over a market cycle. While the strategy has a fundamental component, we don't try to predict future market conditions. Our aim is to take advantage of market inefficiencies caused by investor behaviour such as herding and conservation bias, which generate momentum, and by overconfidence causing momentum to become excessive.

How has the strategy performed since launch?

Well! The strategy was launched on a standalone basis in December 2015, and in November 2016 we launched the UCITs vehicle. We have been relatively pleased with the performance on both an absolute and a risk-adjusted basis. Managed futures have been shown to perform during periods of market stress, or strongly trending markets, and hence the last few years have been challenging. However, we have managed to significantly outperform the peer group since launch, which is testament to the team's experience running trend-following strategies and our unique risk-balanced approach.

Find out more at allianzgi.com

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¹ The peer group is the SG Trend Index which is designed to track the 10 largest (by AUM) trend following CTAs and be representative of the trend followers in the managed futures space. The index is equal weighted and calculates the daily rate of return for a pool of CTAs selected from the larger managers that are open to new investment. Source: Allianz Global Investors, IDS, 31/7/2018.

As at July 2018.

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