



DMS

Discretionary Management Services, LLC

Insight: Subadvisor Showcase – BlackRock Strategic Income Opportunity

By Tom Woolwine, President, November 2015

Our strategic outlook for fixed income suggests that a trend toward higher interest rates is expected as the Fed has removed monetary stimulus. Alternative sectors to treasuries, such as high yield and emerging markets debt, are viewed favorably as they provide diversification and yield potential.

The DMS Portfolio Management Team has tactically implemented part of their fixed income allocation using the BlackRock Strategic Income Opportunity (SIO) product. The following is a brief summary of this subadvisor's team and investment process.

BlackRock's investment team includes two portfolio managers, Rick Rieder and Bob Miller, supported by the Fundamental Fixed Income Platform comprised of eight sector teams (over 140 specialists). The product seeks to outperform 90 day T-bills by 4-6% with a standard deviation of 2-4%.

Broadly speaking, SIO seeks to express its market views and access alpha opportunities wherever they reside in the global fixed income market. The team develops their macroeconomic market perspective through weekly meetings where the firm identifies global themes. Once a theme is identified, a risk budget is allocated to each sector by the PMs. The sector specialists research and find the specific issues with the best risk/reward profile.

The portfolio is constructed with 1,200 – 1,500 securities. There is no maximum constraint on U.S. treasuries, agencies, credits, MBS, ABS, high yield, EMD, or non-U.S. dollar denominated issues. The team will use derivatives, leverage, and shorting to control risk and enhance returns. Duration is flexible and is typically between one and four years. Currency exposure is managed actively to add value. Country allocations are unconstrained and are driven by the firm's macro views.

If you would like to know more about either our Investment Outsourcing or GTAA Services, please contact Tom Woolwine, President, at (913) 981-1345 or email twoolwine@dms-demarche.com.

Disclaimer: The asset class and/or investment strategies described here may not be suitable for certain investors. We encourage you to work with your investment counsel to understand the risk characteristics and potential fit with your investment program.

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