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ANALYSIS

# Little-known Swiss bond manager leads unconstrained sector

Legg Mason, Aegon AM and Jupiter among chasing pack, as \$373m global flexible strategy posts strongest three-year numbers.



by **CHRIS SOLEY**

Posted 19 AUGUST,  
2021



The world of unconstrained bonds has come into keen focus over the past 18 months, as yield hungry investors seek to push the boundaries of their fixed income allocations to find sources of income.

While the leading names on a three-year, total return basis are largely drawn from familiar fund houses, sitting at the head of the pack is Aquila Asset Management, a Zurich-based boutique which boasts two core funds.

The [AAM Short Term Bond](#) fund sits within the US dollar short-term bond fund, while the leading light in the Bonds – Global Flexible sector is the [Solitaire Global Bond](#) fund, overseen by Citywire A-rated [Patrik Kauffman](#).

Kauffmann has steered the \$373m, Liechtenstein-domiciled fund to top-spot having returned 35.6% in US dollar terms over the three years to the end of July 2021. His nearest competitors, the Aegon AM duo of [Alex Pelteshki](#) and [Colin Finlayson](#), delivered a 33.8% over the same period on the Aegon Strategic Global Bond fund.

For context, the sector average return was 13.2% over the same three-year analysis period, more than 20 percentage points below Kauffmann's performance. So, how has he done it?

His July market note indicates allocations to high yield debt proved lucrative, adding 0.015% to returns for the month, while investment grade debt exposure also supported his upswing. Meanwhile, sovereign debt bets and investments in Mexico, Turkey and China were also singled out as positive drivers.

While the fund may not be a household

name across Europe, there has been a steady pick-up in investor interest as a result of Kauffmann's returns. The fund sat at \$359m in June and rose to \$373m in assets under management one month later.

Looking ahead, Kauffmann is positioned for more positive returns, as he believes the economic recovery has shown considerable resilience. He has made minor tweaks to the fund having he entered into new issuance from PET manufacturer San Miguel Corp, while also adding to his Italian bets over the past month.

The latest fund factsheet, which shows allocations to the 31 July 2021, had BB-rated debt as his greatest investment, accounting for 40.4% of debt at a credit level. This is while BBB and B-rated bonds accounted for 17% of current exposure each.

Kauffmann has shown a penchant for financial bonds, albeit at a lower level than during the summer of 2020. He currently has 22.7% of the fund invested here, compared with 26.0% one year ago. Areas that have seen increased allocations over the past year include government debt and basic materials, while he has added to South & Central America holdings as well.

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## Patrik Kauffmann

Average Total Return:

**35.56%**

1/188 in  
Bonds - Global Flexible  
(Performance over 3 years)



## Colin Finlayson

Average Total Return:

**20.94%**

2/71 in  
Bonds - Sterling Strategic Bond  
(Performance over 24 months)



## Alex Pelteshki

Average Total Return:

**28.26%**

2/62 in  
Bonds - Sterling Strategic Bond  
(Performance over 3 years)

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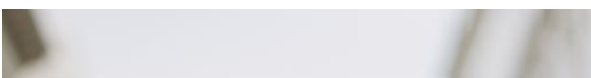
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