

MEET THE MANAGER



Brendan Murphy, CFA

Brendan Murphy is Head of Fixed Income, North America at Insight Investment. He manages the BNY Mellon Core Plus, BNY Mellon Global Fixed Income and BNY Mellon International Bond strategies. He joined Mellon Investments Corporation, which is now part of Insight, in 2005 and has 28 years experience in capital markets.

Insight Investment Head of Fixed Income, North America, Brendan Murphy gives an insight into a typical day on the fixed income desk where he applies the mantra: *Whatever you do, aim to be the best at it.*

How did you end up pursuing investing as a career?

I was an economics major in college and I always had a personal interest in investing. However, it wasn't something I went into saying, "I want to be a portfolio manager one day and I'm going to manage a bond fund." Many pieces fell into place in a certain way that led me to this. I started my career in a fund accounting role at a prior firm. Afterwards, a series of promotions led me to gradually gain more responsibility regarding hands-on investing.

What do you like about working in asset management?

I enjoy how every day is different with a fresh set of challenges. Almost every headline story can affect the portfolio in some way. It's exciting to work every day and not know what the market will do, prompting us to decide how to navigate that environment. Sometimes that decision is to take no action — but a lot of times it's not. I find that compelling.

Describe a typical day on the fixed income desk.

I tend to be at my desk by about 5:30am because I'm investing primarily in global markets. Starting at this time allows me to think things through, review performance, look at the attribution drivers and check positioning. US data typically comes out around 8:30am so I'll spend some time on that. Between 9am and 12pm is the key overlap between the US and London, so that tends to be when I have internal investment meetings with sector specialists, touching everything from foreign exchange (FX) to global rates and credit to emerging market debt (EMD). As I'm US-based, the trading day is typically done by midday. Afternoons tend to be when I schedule prospect or client meetings and catch up with the team and with administrative tasks. Of course, at any given time, there could be news events that may require adjusting on the fly.

What was your first foray into fixed income?

After the fund accounting role, I eventually moved onto a trading desk and started trading a variety of different fixed income sectors. I joined Mellon Investments Corporation (which transitioned its active fixed income capabilities to Insight on 9/1/21) about 19 years ago, to trade non-US rates and non-US credit, which was different for me because I'd always traded US fixed income. Honestly, I thought I'd be trading for a long time, but I was fortunate to have an opportunity to move into a fixed income portfolio management role.

What was a defining moment in your career?

David Leduc, who was leading the global fixed income team at the time, did a good job of navigating the global financial crisis. It was a differentiator for us. It meant that demand for the product picked up and we were able to add people to the team. That was a key moment in history, where things lined up and, fortunately, David had confidence in me to help him to navigate that period, which ultimately afforded me the opportunity to move from trading into portfolio management. This also allowed me to gain more leadership responsibility.

Describe your investment style.

I view fixed income as an asymmetric asset class. Understanding that it's asymmetric prompts me to be cognizant of mitigating downside risk. From a style standpoint, we tend to do

well when we have big dislocations in the market and we try not to take on a huge amount of risk when volatility is low. We place confidence on our ability to take advantage when those dislocations occur. When that happens, we try to go in aggressively on sectors with the most dislocation. It's about having the discipline to be relatively conservative when the market isn't affording you tremendous opportunities — but then when it does present opportunities, to be aggressive.

How do you come up with ideas for the portfolio?

A lot is driven by the analysts from across FX, rates, credit, corporate credit, EMD, securitization and mortgages. These views are communicated through chats, emails and meetings, and I will evaluate whether they are appropriate for the portfolio. Ideas also come from appraising the existing portfolio and determining whether risk factors need adjusting. Changing portfolio dynamics such as tracking error, volatility contributions and correlations can mean tweaking is necessary.

What would set off warning bells when looking at a new investment?

When I listen to analysts and I feel the tone changes, becoming slightly negative. I believe it can signal there's a shift in dynamics for what's going on — whether it's a country, company or bond. I'd rather be quicker to get out when that narrative shifts, than hold through and possibly become a forced seller at much lower levels. When you

sense that shift, it can potentially be beneficial to cut exposure relatively quickly.

What experience outside of portfolio management do you bring to your process?

Throughout college, I worked at UPS where I was loading trucks at night during the week. It was physically demanding and took up what should've been my prime time to do homework. It was a big challenge to organize my time, but it really taught me the importance of work ethic and how to prioritize. That period of three or four years revealed a lot about time management and the importance of loyalty to an employer.

What issue should most concern investors now?

Inflation. Almost everything happening in the market is ancillary to inflation. Monetary policy is focused on trying to temper higher prices so central banks have raised rates aggressively and we are seeing the repercussions. Macro fundamentals and markets react to higher rates, as we saw with the banking crisis, for example. At the end of the day, whether we are talking about interest rates, credit spreads, mortgage spreads or currencies, it all comes back to the inflation outlook.

What is it that attracts you to global fixed income investing?

I get excited about the breadth and depth of the universe. There's a variety of macro decisions that need to be made. There's also a variety of different

instruments you can use to express that decision. Some bonds may be denominated in euros, some in dollars — some are senior bonds and some may be subordinated. Once you make that decision, there are micro decisions to be made about more nuanced ways to express that. A variety of decisions exist, and if you multiply that with an infinite number of issuers in the global marketplace, it creates an exciting asset

class. It's like playing 3D chess. There are so many different dimensions to global fixed income.

What's the best piece of advice you've ever been given?

When I was younger thinking about what to do with my life, my father always told me: "I don't mind what you do but whatever it is, try to be the best at it." So,

for example, during my time working at UPS, I knew I wasn't going to do that for the rest of my life, but I tried my hardest to be the best package truck loader there. So, whether loading trucks or cutting glass, which is something else I did at another time in my life, or being a portfolio analyst, look at what it is people are doing that works, learn from that and improve on it — and be the best at what you do.

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