

MEET THE MANAGER



James DiChiaro

James DiChiaro is a Senior Portfolio Manager at Insight Investment. He joined Insight in 1999 (via predecessor company, Cutwater Asset Management) and has worked in the financial services industry since 1998.

James DiChiaro is a Senior Portfolio Manager on the BNY Mellon Core Plus strategy at Insight Investment. Here he discusses Insight's research and analysis process, the emerging trends for today's investors and the strategies he believes are critical for navigating volatile markets.

What was your journey into investment management?

I was a finance major in college and was really drawn to mathematics, particularly as it related to various investment strategies, so that led to my first job in a trade support role at Merrill Lynch. Shortly after that position, I made the transition to the investment side, working in money markets for a few years before I moved on to become a municipal bond portfolio manager at Cutwater Asset Management (acquired by Insight in 2015), managing money market and tax-exempt municipal bond portfolios simultaneously. Eventually I had the opportunity to work on corporate credit mandates, starting with one-to-five-year credit and later moving over to Core Plus. I've been here nearly 25 years and continue to be intrigued by managing money – I believe there's always something new to learn.

Describe a typical day on the fixed income desk.

My day typically begins early, hours before the markets open, I review the markets, looking at everything from equities and fixed income to emerging markets. I prioritize any market moving economic or company specific data that is scheduled for release over the coming days and note the emergence of any technical market trends that have developed.

During the early morning hours, we have a series of internal meetings designed for various sector teams to share their thoughts and investment ideas with the broader groups. Our economists will typically provide their analysis of the last 24 hours of pertinent data followed by a series of sector specialists who comment and debate the latest markets and trends within their areas of

expertise, something that is highly relevant when constructing a multi-sector portfolio. At Insight I believe our success is largely attributed to a culture of challenging each other's ideas. We formally meet with our credit analysts on a daily basis to discuss any primary market issuance and issuer news. Our meetings are designed to be structured brainstorming sessions where ideas are presented, analyst's fundamental views are reviewed and the portfolio managers' investment recommendations are challenged.

As an investment professional I strive to bring something new and original to our internal meetings daily. Ideally, it is a work-related idea that is a bit outside of the box or a topic that I feel should be debated by the team that perhaps the markets have not latched on to yet. The financial markets bring with them an aspect of awe in that the investment options are essentially limitless but it is up to us to identify and study that opportunity set which has the potential to generate the most alpha given our carefully crafted set of assumptions. Our meeting infrastructure helps us create investment portfolios that refine this opportunity set into longer-term alpha generating ideas.

What differentiates Insight's research and analysis process from others in the space?

Our research and analysis capabilities are essentially derived from two main areas. The first thing

that comes to mind is our bottom-up company analysis conducted by our credit research team, who may release several detailed credit reports on any given day. We are not taking a cursory look at data, the output from our analysts is designed to be quickly consumed and comprehended with clear recommendations.

The second area that I believe helps distinguish Insight from others in the fixed income space is our global macroeconomic analysis. Our firm benefits from its deep global presence in Europe and the US which helps us to identify misaligned opportunities across a global opportunity set.

It is one thing to produce and interpret data but at Insight we are students of the markets and thought leaders. We encourage each other to think outside of the box, since what is already known, in all likelihood, has already been priced-in by markets.

What are some of the trends you're seeing in the markets today?

Investors now have access to information faster than at any other time in history and humans can be quick to react and may have a tendency to jump to conclusions. In an industry where some can be handsomely rewarded for acting early it is no wonder why. However, it seems that more people also consider themselves financial experts, yet they consume the same

financial data and react in similar ways creating a "herd mentality." This leaves markets exposed to constant overreactions and whipsaws, which as fundamental investors, we can potentially capitalize on.

Financial products have also been evolving toward passive structures such as index ETFs. Some investors may be aware of the potential challenges to deliver alpha through security selection. By focusing on more passive strategies, such as in the fixed income sector, investors are perhaps avoiding some of the headaches that come with sector exposure. I believe the increasing role of index symmetry can effectively lead to market inefficiencies. An issuer that has a large amount of absolute debt outstanding does not necessarily warrant an overweight allocation within portfolios. Investments are being bought regardless of fundamental value, now more than ever, because they are part of an index. Active managers may find themselves in a unique position where we can happily oppose the less rational trends paved by passive investors by pairing current valuations with a long-term credit opinion.

What strategies do you believe are important for fixed income investing during periods of market volatility?

We live in a world of uncertainty and I cannot emphasize enough the importance of diversifying your

investments (there is such a thing as too much diversity in a portfolio). That entails having exposure to multiple markets, sectors, issuers, etc.

Fixed income securities are generally designed with the potential to perform well during volatile markets. To that end, they can typically serve two main purposes: providing portfolio diversity and ballast. If a fixed income strategy is structured

with multiple drivers in place, one incorrect trade should not lead to poor performance. And if volatility increases, the level of duration offered in a strategy is intended to mitigate some of the negative movement in risk assets.

What is the highlight of your day?

My favorite part of the day is interacting with our team. We work

well together, we respect each other's opinions, we are not offended when challenged by each other and we are an all-around competitive group that wants to succeed for our investors. We each have different backgrounds – we each bring something of substance to the table and we take pride in what we believe are exciting products that we have created together.

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