MEET THE MANAGER

Scott Zaleski, CFA

Scott is Head of US Multi-Sector Fixed Income and Senior Portfolio Manager of the BNY Mellon Core Plus Strategy at Insight Investment. Scott joined Insight Investment in 2021 following the transition of Mellon Investments' fixed income strategies to Insight. Prior to joining Insight, he was part of the global multi-sector team at Standish Mellon Asset Management Company in 2014.

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What led you to asset management?

When I was a business finance major in college, they held an investment competition and I won for best short portfolio. I think that was the actual moment that sparked my interest in fixed income and the inspiration that led me to the investment business in general.

After graduation I worked for Fidelity in fund accounting and later moved into corporate finance. While attending graduate school, I met a portfolio manager who offered me a job in the fixed income group at Fidelity. From there I became a credit analyst covering multiple corporate sectors and structured finance. I enjoyed the cross-section of credit research and the dynamics of structure and collateral found in securitization. From there, I moved on to become a portfolio manager and head the structured finance team at Wellington. I later joined the former entity, Standish Mellon Asset Management Company in 2014, which became Insight three years ago.

What outside inspiration has resonated with you and helped shape your career?

When I was growing up, my dad would always ask the question, "Did you try your hardest?" And that really resonated with me. I continue to ask myself; did I do my best? There is always the opportunity to improve and if you are striving to succeed for clients and portfolios, doing your best is something that should be part of that equation. This is a competitive business and being a competitive person, that's the one question I ask myself every day.

Describe a typical day on the fixed income desk.

My typical day starts before 7am, I review what's happened overnight – checking any news stories that are

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impactful, or any activity from a flow standpoint. I look at the Asian or European markets and see whether they've been impacting our markets in any way. We then have our morning fixed income meetings to discuss the markets and the recently released economic data. After that point we meet as a team to review the portfolio risks, positioning and asset allocations to be sure they're all well aligned and reflect our view. We also discuss potential investment opportunities or any changes we need to consider. Then there's usually a weekly or monthly investment team or sector group meeting that crosses over with London as well. Most of our trades are done throughout the morning and much of the client interaction occurs in the afternoons.

What are some of the strengths that help differentiate Insight from other firms in the fixed income space?

First and foremost, it's the people. We have a highly educated intellectual group in our offices in the US and London. There's diversity in culture that I think is beneficial to the overall investment team, which makes Insight a bit different from other places. The depth of knowledge, having people who really understand their specialties is very important, I think that's really the differentiator. Insight is also very interactive. The portfolio managers work closely with analysts, it's a culture of including everyone in the process to drive the overall performance of the portfolios.

Our liability-driven background also allows us to focus more on the fixed income markets. We're not distracted by private debt or the equity markets, we're focused solely on fixed income.

What fixed income opportunities are you most excited about?

The arena has been somewhat limited with spreads being so tight, but some of the new non-agency mortgages that have started to come to the market look relatively attractive. Things like closed-end second lien mortgages and single-family rentals are also interesting, also non-qualified mortgages/non-agencies may still offer some value in a world of tight spreads, in my view. Agency mortgages are also an area where there are opportunities to get carry over treasuries, with potentially less volatility from spreads, so it may represent a hedge against any potential credit downside.

I believe the fixed income market is becoming a lot more liquid, so the ability to trade smaller lots it appears has really increased. As we look into the future, I think it's going to be a market where there's increased participation amongst smaller users. Whether it's individuals, advisors or individual retirement accounts, there may be a much more liquid market for smaller piece fixed income. I think that trend is going to continue, and it may be great for some retirees as they're going to be able to own individual bonds and give investment managers the opportunity to invest for those smaller investors.

Do you see any challenges for fixed income on the horizon?

I think a big challenge will be the US federal deficit, as the government will need to continue issuing debt in order to pay off, not just our fiscal expenses, but our interest expense as it continues to grow as a percentage of overall GDP. The more the US issues debt, the larger it can also grow as a percentage of the overall fixed income marketplace. At the same time, there is less foreign demand for US Treasuries, in my view. This could potentially cause yields to be higher for longer, slow growth potential, and increase default risks. It's something we'll keep watching, because if our debt balloons too large it's a potential headwind for fixed income.

How would you describe your investment style?

I would say my style is trust but verify – I like to dig in and understand all the complexities of what we're investing in before pulling the trigger. I'm a very inquisitive person and so I like to know exactly what we're investing in and the value behind it.

What do you find most exciting about your role?

When I come to work in the morning, I don't know for certain what the new economic data will show or new unforeseen impacts to the market and the subsequent reactions. Not knowing what the day is necessarily going to hold adds excitement as it's always going to be different.

The other thing I enjoy is that investing touches multiple arenas in our society – it encompasses political, economic, demographic, corporate, financial and legal aspects and I think that breadth in topics is really what makes my job interesting.

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