RBC Global Asset Management

Adventures in Multi-Asset Credit Opportunities in a Higher Interest Environment: A Deep Dive

June, 2023

Blair Reid, BlueBay Senior Portfolio Manager of Multi Asset and Income at RBC Global Asset Management, recently sat down with Institutional Investor to share his insights on best risk-adjusted opportunities, the use of hedging tools, and flexibility within MAC.

As financial landscapes continue to experience seismic shifts, investors are increasingly exploring the multifaceted and strong potential of Multi-Asset Credit (MAC). This adaptive financial strategy has gained particular prominence amidst an economic climate increasingly defined by higher interest rates. A recent webinar offered a deep exploration of this dynamic, with insights shared by industry expert Blair Reid, BlueBay Senior Portfolio Manager of Multi Asset and Income at RBC Global Asset Management.

“Multi-asset credit is an incredibly wide universe that goes from government bonds to high yield and everything in between,” Reid remarked, offering a glimpse into the multifarious nature of MAC. Traditional credit markets, once considered a safe and lucrative haven, are now navigating tumultuous waters with the advent of higher interest rates. MAC, known for its intrinsic adaptability and capacity to seize opportunities across the vast credit spectrum, emerges as a robust alternative.

In the recent webinar, part of a series produced by RBC, Reid shared his perspectives on the most favorable risk-adjusted opportunities currently available within the realm of MAC. Among the myriad financial strategies and tools discussed, convertible bonds stood out. Often underrepresented in standard investment portfolios, Reid highlighted their potential to weather the storm of market volatility. “A very interesting part of the market, convertible bonds are hybrids that can do well when the equity price is doing well. If the equity price doesn’t do well, you’ve still got a bond,” he elaborated, shedding light on their versatility and resilience.

In addition to examining the utility of specific asset classes, Reid went on to discuss the role of various hedging tools within the context of MAC. Such tools can serve as potent allies for investors steering their way through the higher interest rate environment. The specific mechanisms of these hedging tools and strategies were not detailed extensively in the conversation, but Reid’s overarching argument was compelling: MAC’s unique flexibility allows for strategic asset diversification and the potential for dynamically modifying exposures, thereby granting investors a level of resilience essential in times of market uncertainty.

The rising tide of interest rates, while adding a layer of complexity to the global investment milieu, has also cast a spotlight on a variety of overlooked and underleveraged opportunities. One such area of potential is the realm of emerging markets. Reid emphasized the appealing yield and credit ratings often offered by these markets, notwithstanding their inherent volatility. “Emerging markets, compared to others, can look very attractive. The yield is higher, the rating is higher,” he said, adding another dimension to the already intricate mosaic of MAC strategies.

It was impossible to ignore the inherent flexibility of MAC, one of its most valuable attributes. “The flexibility to adjust to those things is one of the absolute key things for multi-asset credit,” Reid noted, summarizing the key takeaways. As we continue to traverse the undulating terrain of a higher interest rate environment, MAC, with its inbuilt resilience and wide-ranging scope, is positioned to play a pivotal role in defining successful investment strategies, helping to navigate post-COVID recovery, defaults, unemployment fluctuations, and unpredictable inflation trends.

Thus, while the complexities and uncertainties of our current investment climate might seem daunting, the future of MAC appears promising. Its inherent flexibility and broad scope may just be the keys to unlocking potential in an era characterized by higher interest rates and unprecedented challenges.

.