

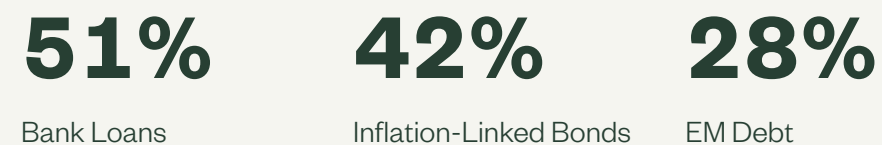
Fixed Income: New Sources, New Approaches

What Your Peers are Planning

They're Intensifying their Search for New Sources of Return

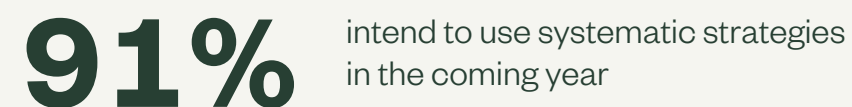
Faced with a challenging environment, investors told us they are intensifying consideration of alternative sources of return. This search changes how traditional sectors are viewed, adds liquidity risk into the equation, supports the rise of systematic strategies, and may even disrupt some longstanding preferences for active approaches.

Where are Investors Looking to Increase Allocations?



Clearly Ahead

On the near horizon, and perhaps ultimately threatening the traditional dominance of active, investors are showing substantial interest in new, data-driven approaches to fixed income via systematic strategies.



Systematic: A Game Changer?

A Transformed Market Sets the Scene

There's been a transformation in fixed income: the massive growth of electronic trading platforms and centralization of market participants on them, have led to remarkable gains in market efficiency and transparency, revolutionising the data that is available.

Highly Efficient Alpha

Systematic fixed income capitalizes on these improvements, using extensive research into market, economic and issuer data to reveal insights into the factors that drive market prices. Systematic fixed income uses these data insights to build portfolios in a disciplined investment process, helping provide excess returns (alpha) for investors in a highly efficient way.

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Data-Based Security Selection

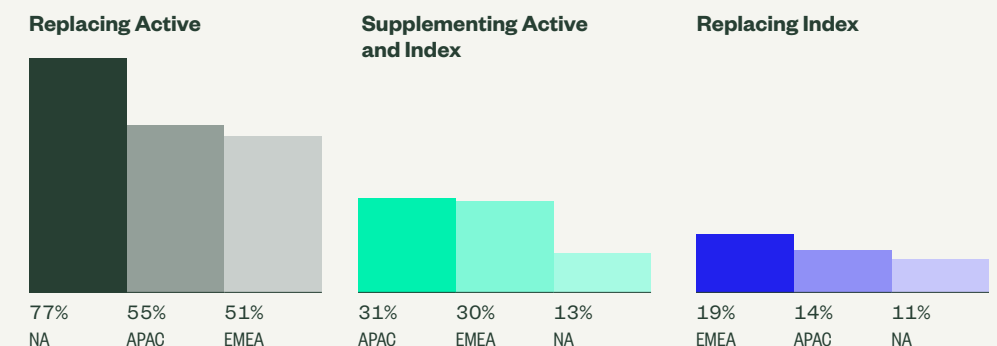
Value-, momentum-, and sentiment-driven factor exposure can introduce diversification relative to fundamentally driven strategies.
- ✓
Sampled Exposure

Disciplined process to replicate factor exposures while not replicating security exposure.

We surveyed 700 global investors to envision the Future State of Fixed Income. Here's one of our key findings, what it may mean for you, and how to play it.

How to Play It

Investors told us that they predominantly see systematic strategies as a replacement for active management.



Source: State Street Global Advisors. Percentage of respondents. Note: Respondents were allowed to select all that apply. n=700.

The larger and more sophisticated investors are driving demand for data-driven, systematic fixed income strategies that combine low-cost, broad asset class-pure exposure, with diversifying factor-based alpha drivers.

Investment-grade corporate credit (50%) and core fixed income (49%) were the sectors most keenly sought by larger investors.



Discover more on this **key survey finding.**

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Marketing communication

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State Street conducted a survey of 700 institutional investors in 2022. The global survey respondents came from pension funds, wealth managers, asset managers, endowments, foundations and sovereign wealth funds.

Full details including demographic breakdown.

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