Our Edge in Local Currency

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Emerging markets are complex and rapidly changing, and successfully navigating them requires the focus and skill of a dedicated investment team.

Watch the video or read the recap below.

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We have a global presence in both research and trading, giving us 24-hour access to markets. Our portfolio managers have dual functions, both evaluating and selecting securities and participating in trade execution. The team maintains constant contact with the market, responding quickly to new developments.

We believe diversification of alpha sources is the best way to meet our strategy objectives through market cycles and conditions. Our diversification discipline effectively means constructing portfolios by deploying a large number of small, active positions, which we believe leads to superior risk-adjusted returns over the medium term. Our research incorporates more than 80 emerging market countries.

Our investment process combines bottom-up analysis of sovereign and corporate issuers and currencies with top-down analysis of global and regional market conditions.

For both top-down and bottom-up, we use a risk scoring framework. Top-down scores are set monthly in a joint effort by the wide emerging markets debt team. Bottom-up scores are determined by the individual who manages that strategy. The resulting scores represent the sum total of our assessment of each asset class issuer or security. This translates directly into overweight or underweight exposures.

Our local currency strategy separates foreign exchange (FX) and rates decisions. This allows us to adopt a more tactical approach in FX, where periods of excess volatility and large drawdowns are more frequent.

This ultimately benefits the potential long-term risk and return characteristics of our investments.

Daniel Wood is a portfolio manager on William Blair’s Emerging Markets Debt Team.

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Investing involves risks, including the possible loss of principal. Equity securities may decline in value due to both real and perceived general market, economic, and industry conditions. The securities of smaller companies may be more volatile and less liquid than securities of larger companies. Investing in foreign denominated and/or domiciled securities may involve heightened risk due to currency fluctuations, and economic and political risks. These risks may be enhanced in emerging markets. Different investment styles may shift in and out of favor depending on market conditions. Individual securities may not perform as expected or a strategy used by the Adviser may fail to produce its intended result.

Investing in the bond market is subject to certain risks including market, interest rate, issuer, credit, and inflation risk. Rising interest rates generally cause bond prices to fall. High-yield, lower-rated, securities involve greater risk than higher-rated securities. Sovereign debt securities are subject to the risk that an entity may delay or refuse to pay interest or principal on its sovereign debt because of cash flow problems, insufficient foreign reserves, or political or other considerations. Derivatives may involve certain risks such as counterparty, liquidity, interest rate, market, credit, management, and the risk that a position could not be closed when most advantageous. Currency transactions are affected by fluctuations in exchange rates; currency exchange rates may fluctuate significantly over short periods of time. Diversification does not ensure against loss.

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