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# WILL ACTIVE ALWAYS WIN IN FIXED INCOME?

Jeremy Schwartz – Global Chief Investment Officer  
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Our podcast last week featured an interesting discussion with Andrew Baron, CIO of Butterfield Asset Management, and Jon Heckscher, Senior Vice President and Director of Fixed Income and Investment Strategy at Pennsylvania Trust.

Baron and Heckscher are long-time friends and former colleagues, as Heckscher recruited Baron to work for him in Bermuda years ago and Baron still resides and works in Bermuda.

We discussed global portfolio strategies, the fixed income markets and much more in this podcast. Some of the additional topics we covered:

- A high-level view of equity markets being attractive or, at minimum, neutral, with longer-[duration](#) assets being less attractive to Baron and his substituting more alternative, lower-[volatility alternatives](#) instead.
- A discussion on [active](#) vs. [passive](#) in the fixed income market and what factors one might focus on to add value in the fixed income market.
- How [investment-grade](#) fixed income indexes have been changing and quality has been deteriorating with the rise of lower-quality bond issuance.
- How equity factors can be used to look at investment-grade space, as well as a debate about which market is a leading indicator—the equity market or the fixed income market.
- How much of portfolio allocations should be in alternative volatility-reducing investments and how much in gold.

Listen to the full conversation below.

For standardized performance and the most recent month-end performance click [here](#) NOTE, this material is intended for electronic use only. Individuals who intend to print and

physically deliver to an investor must print the monthly performance report to accompany this blog.

For more investing insights, check out our [Economic & Market outlook](#)

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## DEFINITIONS

**Duration**: A measure of a bond's sensitivity to changes in interest rates. The weighted average accounts for the various durations of the bonds purchased as well as the proportion of the total government bond portfolio that they make up.

**volatility**: A measure of the dispersion of actual returns around a particular average level.

**Alternative Investment**: An investment that is not one of the three traditional asset types (stocks, bonds and cash). Alternative investments typically include hedge funds, managed futures, real estate, commodities and derivatives contracts.

**Active**: Funds that attempt to outperform the market by selecting securities a portfolio manager believe to be the best.

**Passive**: Indexes that take a rules-based approach with regular rebalancing schedules that are not changed due to market conditions.

**Investment grade**: An investment grade is a rating that signifies a municipal or corporate bond presents a relatively low risk of default.