

Investor profile: Dr. Holger Bachmann

Going freestyle

One of the driving factors within Bachmann's fixed income asset allocation is to have a flexible and unconstrained approach to the bond market.

He has been steering clear of eurozone government bonds ever since the financial crisis. While he readily admits this may have cost him some performance he believes the negative effect outweighs any potential upside.

'We don't believe in benchmark replication, technical systems, or any quantitative models'

Instead he is always on the lookout for what he calls freestyle bond investors, managers that run unconstrained strategies that can use any opportunity in the market to generate returns, and has been increasing his exposure to them over the last year.

'First, you have to find someone who can implement a really unconstrained bond fund and I don't believe that any of the big houses allow that.'

'Then you have to identify a manager who does this successfully and we have two or three in our portfolios that over the last few years have consistently returned attractive yields by investing in special situations and high yield bonds, for example.'

One of the freestyle bond managers he holds is **Martin Wilhem** who runs the **Acatic IFK Value Bond fund**.

'This guy is brilliant, we've had him for a couple of years now but you need to speak to him and understand his approach. He has been a bond trader for Deutsche Bank and he knows all the bond market traps.'

Freedom to manoeuvre is key and once again the importance of the manager's style and independence remain paramount for Bachmann who gives any quant-focused investments a wide berth.

'It's a people business. Look at the very successful investors like Warren Buffett, they don't use a technical approach.'

'In my view a quant approach is just a security, it won't help you to generate an above average performance. It will maybe help you to avoid extreme disappointment but in the long run it won't be successful for the private investor.'

Allocation stalemate

Over the last six months Bachmann says he has barely touched his asset allocation as opportunities to generate good returns are pretty scarce.

'We don't see any major undervaluations at the moment. You have this big bubble in euro government bonds and high yield and corporates that have had a very good run.'

'There's also been a massive downturn in emerging market corporates and we are cautious about that.'

While he does have a tendency to favour German boutique names, when it comes to his emerging market exposure Bachmann has looked to some of the industry's best known managers.

He holds funds from **Franklin Templeton's Mark Mobius** and also uses **Michael Hasenstab's** global bond fund in his emerging allocation.

Asia and emerging market specialist **First State** also features in his portfolio as he invests in both the **First State Asia Pacific Sustainable** and **First State Global EM Sustainable**, both of which are managed by Citywire AA-rated **David Gait**.

Renowned French investor **Vincent Strauss** of **Comgest** is also part of his EM allocation through his **Magellan** fund.

Turning to the broader investor market, Bachmann is scathing in his criticism of investors who have yet to understand the true value of active managers and avoiding marketing ploys.

'There is still the tendency to follow fashions and

trends and to try to market stories.

Sometimes I really wonder how it is that the same stories are told over and over again.



BMW's head of banking Holger Bachmann may work for a company that's famous for iconic cars but it's people power that really interests him. He tells Atholl Simpson why quant models are pointless and how studying cultural history can make you a better investor

