

Alpha Generation Through Trading Expertise & Teamwork

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What makes the Loomis Sayles trading desk unique?

Our traders are investors. Their mandate goes beyond best execution—they are asked to make meaningful contributions to alpha generation across all portfolios.

As a result, Loomis Sayles traders are integrated within the investment process. We use the analogy of a three-legged stool where trading, portfolio management and research work together simultaneously to generate alpha.

Describe the team.

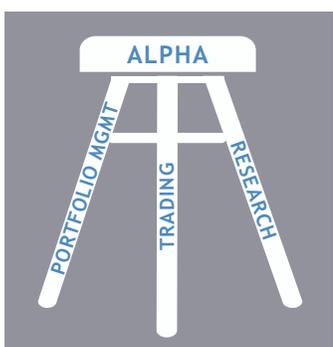
We're a team of 58 individuals, each with ownership of very specific areas of expertise and skills. We perform as one cohesive unit using a single trading platform. While this centralized structure allows for standardization, consistency of “inputs,” increased efficiencies and reduced errors, our role in the pursuit of alpha requires unique and “distinct outputs” customized to support a diversified product platform. This model ensures that best ideas are able to be implemented across portfolios.

What is your biggest challenge?

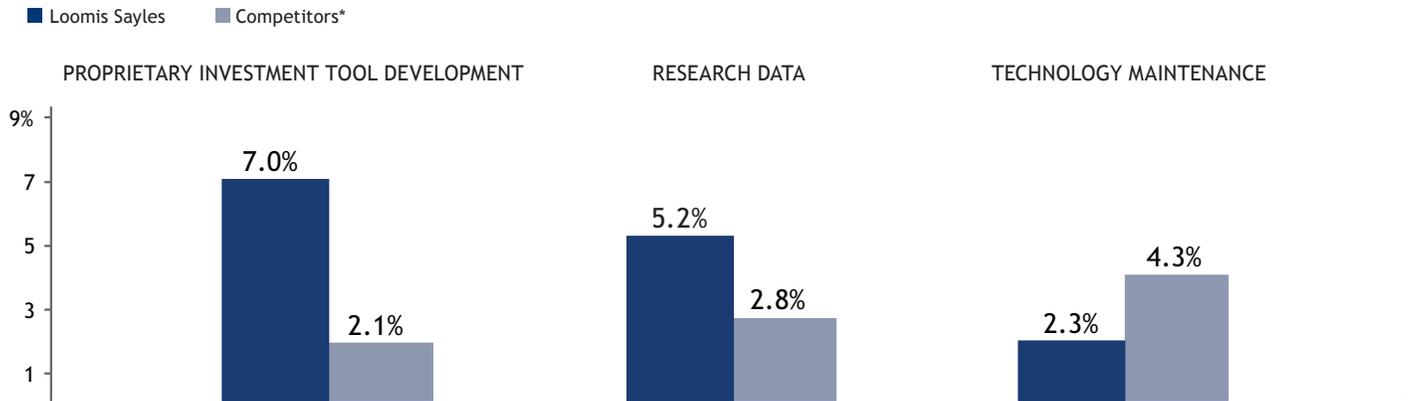
We are on a crusade against silo creation. In order to ensure these best ideas are incorporated into all our products, we are vigilant about finding innovative ways to get information and ideas to our portfolio managers in a quick and consumable fashion. It's front of mind every day because in our business there are powerful centrifugal forces pushing toward vertical silos.

The challenge is relaying what we see in the market and applying it to our diverse product set. Trading for a long-only account at one end of the spectrum to a levered long/short, cash/derivative security account at the other end requires broad-based skill. At the same time, traders can gain valuable insights in one product area that help them trade for other products (e.g., cash versus CDS, leverage versus cash buy-ins).

This requires a tremendous amount of data and communication, so we spend in two predominant areas. First, we are big buyers of data. We spend over \$40 million per year on research data. Second, we've made a significant investment in developing alpha generating proprietary tools used to customize and deliver information that's easily consumable. In the last three years we've devoted over 60% of our total technology budget to building these systems.



“Trading, portfolio management and research work together simultaneously to generate alpha.”

LOOMIS SAYLES SPENDING
 Percent of total net revenues in 2016


Data source: 2017 McKinsey performance lens Global Asset Management survey, as of 12/31/2016. This material is for informational purposes only and should not be construed as investment advice. Information obtained from outside sources is believed to be correct, but Loomis Sayles cannot guarantee its accuracy. This material cannot be copied, reproduced or redistributed without authorization.

**Firms with assets under management from \$150B-\$300B.*

How has the expansion of Loomis Sayles impacted your trading operation?

Our seasoned traders, with an average 16 years of experience, are dedicated to forming lasting partnerships with our global counterparties. Because of this, most of our counterparties view Loomis Sayles holistically—rather than by individual portfolio management teams or products. It has allowed us to gain access to more information and liquidity as well as competitive pricing. This serves us well as we continue to put boots on the ground in new markets. When we opened our doors in London and Singapore, we were able to get our trading desks up and running in a seamless fashion because our Boston-based traders had already established a global presence.

FACING CHALLENGES

“ We are on a crusade against silo creation... there are powerful centrifugal forces pushing toward vertical silos. ”

We also leverage our trading desk’s clout to gain access to global markets and local resources. Since trading began out of our London and Singapore offices, we’ve been able to:

1. **ADD LOCAL BROKERS, WHICH HAS RESULTED IN BETTER LIQUIDITY.**
2. **HOST LOCAL ROADSHOWS, STRENGTHENING OUR RELATIONSHIP WITH LOCAL COMPANIES.**
3. **ENRICH ANALYSIS AND INSIGHT ON NEW DEALS, LEADING TO MORE TIMELY DECISIONS.**
4. **GAIN BETTER INSIGHT INTO THE CHINESE MARKETS DUE TO PROXIMITY.**
5. **INCREASE LOCAL ASIAN TRADING: WE NOW EXECUTE 87% OF OUR FLOW LOCALLY.**

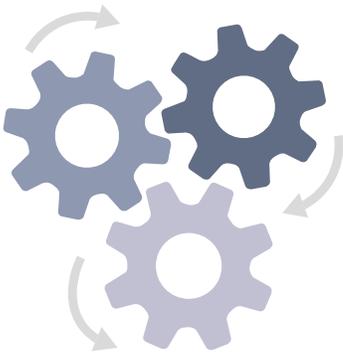
Our ability to source bonds for our portfolios is just as crucial as the ability to liquidate a position. Fixed income securities are now increasingly held in buy-and-hold type mandates and the sell side, in a post Dodd-Frank world, is less active. The ability to both identify bonds worth buying, and actually have the ability to locate them, is crucial. We pride ourselves on our ability to source liquidity agnostic to the direction of a trade. Working closely with our research teams, we work hard to position ourselves as a liquidity provider.

You mentioned working closely with the research teams. Can you talk a bit about connectivity and how you make it all happen?

We understand that all the data we have at our fingertips is meaningless without fluid communication and seamless delivery. Beyond our daily morning meeting, sector and product team meetings (which are in-person and include representatives from all teams), we have designed communication tools to streamline the flow of information between traders, portfolio managers and research analysts.

Above and beyond that, our traders embrace the fact that each investment team has its own heterogeneous style and needs. In order to add value, our traders customize and filter information through different lenses (relative return versus opportunistic, buy and hold versus tactical trading, domestic versus global) using proprietary systems. These tools allow us to translate data into the insight necessary to generate alpha across a diversified platform of investment strategies.

TRADERS' TOOL KIT



- | | |
|--------------------------------|-----------------------------|
| UNIFIED RELATIVE VALUE (URV) | TRADING RISK MANAGEMENT |
| CREDIT RELATIVE VALUE (CRV) | DASH CENTER |
| HEDGE ADJUSTMENT TOOL (HEAT) | PORTFOLIO LIQUIDITY PLUS |
| SUPER-DERIVATIVES (SUPER-D) | ACCOUNT VS. BENCHMARK |
| NEW ISSUE MONITOR | PAIRS |
| EXPOSURE BY MANAGER | DAILY RECON |
| INVENTORY OWNERSHIP BY PRODUCT | BANK LOAN CENTER |
| TRADE BOARD | MULTI-SLEEVE INFRASTRUCTURE |
| MOVERS | TRADING SUITE |
| CASH FLOW FORECAST TOOL | LOOK-THRU |

How do you handle and manage the vast number of different securities your desk handles in so many markets across the globe?

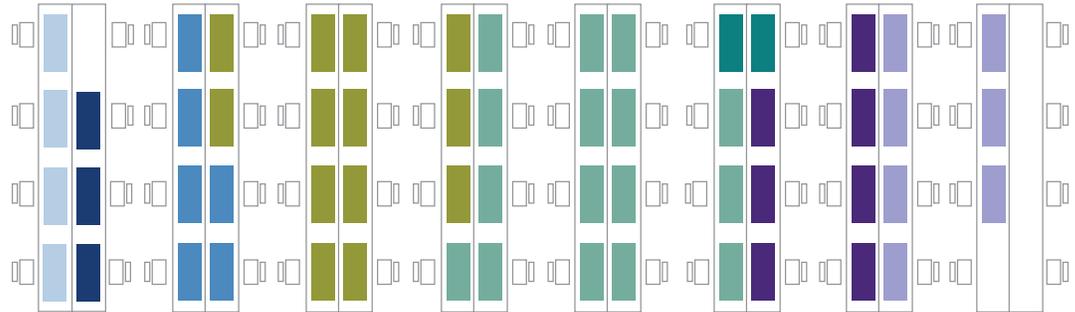
Our technology team has built a singular universal trading platform capable of handling major instrument types across all markets with straight-through processing and order handling. Our centralized trading desk and tools, which are applied universally, help mitigate the costs and complexities of managing multiple systems on multiple platforms. It also allows for quick adoption of cutting-edge technology enhancements as soon as they are introduced to market. This requires less maintenance since the platform is fully integrated, allowing us to free up dollars to invest in alpha creation.

How is the trading room organized to enhance this goal?

Our traders are fully integrated into the investment process, so teams are strategically located in the trading room and physically grouped with those who specialize in highly correlated markets and asset classes.

MAIN AREAS OF SPECIALIZATION

- Technical Support
- Equity Portfolio Specialists
- Equity Traders
- Credit, Bank Loans & Derivatives Traders
- Fixed Income Portfolio Specialists
- Trading Risk Management
- Global EM & FX Traders
- Securitized & Rates Traders



At the individual level, traders have specific responsibility for defined industry groups, asset structures, and/or regions around the globe. Additionally, 19 portfolio specialists sit on the desk—shoulder-to-shoulder with our traders. We’ve found that this arrangement increases efficiency between the trading desk and product teams because it facilitates face-to-face, real-time discussion directly with the investment decision-makers.

Disclosure

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