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## **Why Credit Matters: Fixed Income Investing in a Changed Landscape**

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The recent dislocation in the fixed income market is likely to transform how investors and asset managers approach fixed income investing for years to come. Aggressive government intervention has essentially resulted in the collapsing of the four basic fixed income sectors into two: government and corporate credit.

Janus' July 2009 Investment Insights brief, ***Why Credit Matters***, argues that corporate credit may now be the single most important factor in generating risk-adjusted performance in fixed income.

Many fixed income managers have used sector allocation, adding value by over- or underweighting exposure among the different spread products -- government agencies, agency mortgages and other securitized sectors, and corporate credit. Before the recent turmoil in the financial markets, most managers focused on agency mortgages, which make up the largest part of the securitized sector.

However, the agency mortgage space may no longer offer the same viable strategy for generating risk-adjusted outperformance given the recent structural changes in the fixed income market. While no one knows the long-term fate of the agency mortgage market, it seems clear that these changes will have a long-lasting impact on the fixed income landscape. As a result, many asset managers will likely have to change their approach to fixed income investing.

We believe a focus on corporate credit analysis will provide the most compelling opportunities for fixed income managers to generate alpha. In our opinion, this new paradigm favors those willing to pursue a fundamentally-driven credit-oriented investment process with deep research capabilities and an intensive risk management process.

Read the full brief from Janus, "[Why Credit Matters: Fixed Income Investing in a Changed Landscape](#)." For more information about Janus' thought papers and market perspectives, visit [janus.com](http://janus.com) [Research & White Papers](#).



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