Meet the Manager

Gautam Khanna CFA, CPA

Senior Portfolio Manager, BNY Mellon Insight Core Plus Fund

25 years' experience

Joined Insight Investment (part of BNY Mellon) in 2003

> **"A personal philosophy of mine is to respond instead of react."**

What do you like about working in asset management?

Asset management is one of those fields where your job is to think about what is happening in the world and the implications of that on people and their actions. This in turn informs my views on likely fundamental performance of various segments of the economy — those that are likely to be winners versus those that are not. It is an intellectual pursuit that I enjoy.

There are not many professions where in the same day you attempt to put yourself in the shoes of so many people. From a CEO/CFO to gauge how a particular decision is being debated in a boardroom, to a policy-making economist, like the chairman of the Federal Reserve, to the mindset of the consumer in order to try and gauge wider reaction to market events. I find that variety stimulating.

How did you end up pursuing investing as a career?

After college, I spent my first five years in the professional world working, first at Deloitte and Touche and then at Xerox[1]. Both of those companies had an impact on how I view the world and approach investing. The experience from Deloitte of reviewing financial statements and drafting footnote disclosures helps me very quickly understand the financials of a prospective corporate bond investment and helps identify where some of the skeletons may be buried.

I started out in the audit function where I saw the full gamut — businesses that were well managed and therefore successful and also a fair amount of poorly managed, just-getting-by businesses. Xerox also taught a great lesson that a once-great business can easily have its fortunes change.

After looking at many companies and businesses, patterns start to emerge in differentiating the potential winners from the losers. That is experience I get to use constantly as a lead fund manager when making investment decisions.

What was your first foray into fixed income?

I started out in the high yield market in 1999 at TimesSquare Capital, formerly Cigna Investments. During my tenure there, the economy and the market lived through the telecom and Internet bust, which left a lasting impression about market cycles and investor psychology of both fear and greed. Investing in the high yield market, which sits on the crosshairs of equity and fixed income investing, helped me learn the skill of looking at investments from multiple angles, which I continue to utilize to this day.

What do you think makes you different as a portfolio manager?

I believe people are mainly the sum of their experiences, which in turn affects their decision-making. Having grown up in New Delhi, India, an emerging market, I think I put the relative risk of U.S. fixed income markets in a broader perspective. I think successful investing demands distilling the non-stop barrage of information and determining what is truly impactful on a given investment thesis, versus what is sensationalism. Perhaps that is one element of what makes my style a little different.

More broadly, Insight Investment's investment philosophy is a key differentiator. As a business, we are focused on investing for desired outcomes for our clients, first and foremost, and aim to achieve those within tightly managed

[1] References to specific securities are for illustrative purposes only, and are not intended as recommendations to purchase or sell securities.

risk parameters. Starting with the client outcome and then working backwards to figure out how to achieve that is not an approach you see everywhere.

What are your guiding principles as a portfolio manager?

A personal philosophy of mine has been to "respond instead of react." I'd like to think I have lived up to that adage. A knee-jerk reaction in the heat of the moment in fast-moving markets can often lead to the wrong course of action and can be costly. A careful and thoughtful response to market conditions almost always results in a better decision.

Psychology is a big part of investing — both understanding your own and the market's.

You don't want to let emotions drive investment decisions. Instead, you must be confident you have done your analysis, have arrived at a thesis, and understand how your investments will behave in different market conditions. That way, when those conditions arise you do not panic. Part of that is also not being binary. We live in a world of uncertainty— the reality is that most things are not as simple as black and white, and neither are investment choices, or predictions about interest rates, direction of spreads, etc.

Can you share an example?

In 2015, many market participants suggested that every high yield energy company was going to default and every investment grade energy company would be downgraded to junk. Clearly, the reality was more nuanced than that. At that point it is was important to pause, take a step back and not panic or be bullied by consensus. It is different if you make a decision to take off all your exposure to a sector or asset class based on your own analysis, but you should be doing it because it is pertinent, rather than because others are dictating a blanket choice.

How do you stick to your convictions?

If you have done the hard work and thought through the various permutations you will be able to adhere to your discipline when market volatility strikes. Those who have not done the hard work will be exposed as with each bit of volatility or sensationalist headline they are going to want to react.

I believe it is vital to separate yourself from the urge to act based on emotions. Then, conversely, be very decisive when your investment opinion or view is truly challenged. I am not suggesting investors should be "buy and hold" forever; everything I run is actively managed. You have to figure out what is noise and what is real, what truly matters and what does not. Trust the work you've done, which only you can do.

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