Meet the Manager

Dan Rabasco
Head of municipal bonds
32 years’ experience
Joined Mellon in 1998

How did you end up pursuing investing as a career?
I had been working as a financial analyst at Liberty Mutual and my wife was involved in the investment business as an administrative assistant. I saw postings for a corporate analyst and a municipal bond analyst within the investment team and asked her what she thought about it. She told me, “go for it,” so I applied for both and was hired as a municipal bond analyst. That was about 32 years ago and I haven't looked back since.

What do you like about working in asset management?
I like providing solutions for clients because I feel a deep personal responsibility as an investment professional. I find it satisfying to aim to deliver on their objectives by making sure all the facets of our investment process (portfolio management, credit, trading) come together. We seek to mitigate risks for our clients, whether that’s market risk, portfolio risk, credit risk or trading risk—while taking all the information at our disposal to formulate a strategy and aim to deliver the results they are looking for. It’s the intellectual nature behind making this balance work that really revs me up.

What was your first foray into fixed income?
I sat in a corner in the investment department for three months quietly taking down pricings from broker-dealers on new issues. I would take scale sheets and put down all of the maturities, coupons and yields with a certain type of heading that was required from the prospectus—and I did this for about three months, gradually taking down secondary offerings and reading prospectuses. I found that broker-dealers were a valuable resource because they really helped train me in the beginning. It was 1987 so we didn't have Bloomberg at the time. Instead, we had two big Telerate machines where you could see what yields were doing. At the time, most communication with the dealer community was over the phone.

Describe your investment style.
Fundamental credit analysis and identifying relative value are the foundations of our investment style. However, we recognize liquidity can be the biggest challenge in our market depending on supply-and-demand trends. We tend to see a lot of investors reaching for yield when volatility comes down, rates drop and credit spreads tighten. During the financial crisis, we realized when the market backed up and there was a significant dislocation, the minor marginal yield that investors picked up totally dissipated from spreads widening. When volatility is low and spreads are tight, we're not pushing the credit envelope as we aren't typically compensated for that risk. But when volatility does pick up and spreads widen, we're generally well positioned to take advantage of opportunities where others who were reaching may have outflows and redemptions—leading them to potentially sell bonds at cheaper valuations. We focus on buying quality bonds and when the outflow cycle develops, we generally use higher grade bonds as a source of funds to buy yieldier advantages and build yield into the portfolio.

How did you come to work at Mellon?
I started at Standish Ayer & Wood in the summer of 1998. The street told me the head of muni bond trading was going to

Meet the Manager

What past experience outside of portfolio management do you bring to your process?

My parents were always there for my siblings and I, whether it was little league, cub scouts, or band. Even though my father worked full-time, he always made time for family. In contrast, I knew kids who didn’t have the same family time. I’ve brought this mindset with me to the office. When I was in charge of the desk and someone would say they had a family matter to attend to, I would respond, “family comes first.” I try to create a good quality of life in the office by helping to minimize insecurities that people may have surrounding the balance of home and work. I believe this can help them to be a better employee.

What would set off warning bells when looking at a new investment?

One that immediately comes to mind is informational disclosure. You need to have very good disclosure, especially for more marginal credits. You have to do your due diligence and if you feel they’re not disclosing information that’s critical to your investment decision, just walk away. The downside could be asymmetric. Additionally, you may have a good opinion about a credit but suddenly the market is reacting negatively. I immediately question why they’re doing that. Is it because of outflows or is it something they believe about the credit? That kind of development leads us to ramp up due diligence.

What is it that attracts you to municipal bond investing?

The inefficiency of the market. 54,000 issuers and 1 million issues—that’s the exciting part. From a sector and security selection standpoint, it’s taking advantage of those inefficiencies and constructing portfolios that aim to meet client objectives. Also, our market is retail driven which contributes to the inefficiency. By virtue of being institutional investors, possessing sophisticated credit capability and institutional trading capability we can seek to take advantage of the fragmentation and inefficiency of the market when constructing portfolios for clients. This is what draws me toward the municipal bond market.