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Lawton Bond Model ™

The Lawton Bond Model ™ is a proprietary analysis and decision support tool invented by William Lawton, Chairman and Chief Investment officer of Seagate Global Advisors, LLC (www.seagateglobal.com). The Lawton Bond Model™:

- Has been used by some of the world's largest central banks and financial institutions as an input into their investment process
- Was a factor in The Business Mirror of Manila to call Lawton "One of the World's Smartest Investors" in an article on March 25, 2008
- Helped Seagate Global to win the GAIM of Switzerland prize for best performing fixed income manager in the world in 2004
- Assisted in Seagate Global Advisors to be listed by the Barclay Managed Fund Report as one of the top 10 performing EM managers over 3 year period
- Was instrumental for Lawton to warn of the financial collapse of 2008 as early as 2006 and thus helped Seagate's hedge fund to have strong positive returns in 2008

Model Background

The Model was designed over a ten year period by Lawton, and first applied by him when he was the Co-Chief Investment Officer of Nikko Capital Management (USA), Inc., in 1989, a company with US$16 billion in global assets at the time. It was then applied at Trust Company of the West from 1992-1995 where Lawton was Senior Vice President, Fixed Income.

Since 1996, the Lawton Bond Model has been a core tool used by Seagate Global Advisors for advising clients and managing investment portfolios. The Model has been used by a number of central banks, commercial banks, securities firms, and institutional investors over the years as an input to their investment process.

Thinking Behind the Model

Since purely quantitative models are driven by statistically fitted historical relationships, they tend to miss regime changes or at least lag in recognizing them. Conversely, qualitative forecasting processes lack the rigor, structure, and philosophical continuity of quantitative models. The Lawton Bond Model™ attempts to avoid both pitfalls by modeling the fixed income markets dynamically and combining qualitative and quantitative factors comprehensively into a composite forecast.

The Model can:

- Describe the internal dynamics of a country's bond market, identifying the major factors that impact bond prices and their dynamic interrelationships.

- Quantify and weigh the major factors that impact bond prices and synthesize these results into a composite score.
- Provide short-term forecasts for the direction of bond prices.
- Provide long-term forecasts for the direction of bond prices.
- Quantify the degree of confidence of each forecast, thus allowing trading bets to be proportional to the level of confidence.
- Offer a framework to review why a forecast was correct or incorrect.
- Provide a basis for allocating assets between bond markets by comparing different markets concurrently.

The Model does not:

- Analyze specific securities or yield curves, though the Model can target specific maturities on the curve.
- Determine the effects of currency movements on non-dollar fixed income portfolios.

There are two basic variations of the Model, one for developed countries and one for emerging markets. Within these two basic Model types, individual country Models are adjusted to account for country-specific factors and regional economic factors. Additionally, "macro factors" are incorporated. "Macro factors" are global factors and events that influence all bond markets. Examples include the Asian crisis and Brazilian currency devaluation. Increased correlation between markets has elevated the importance of "macro factors."

Lawton Investment Model™

The Lawton Bond Model over the years has evolved into a generalized investment methodology now known as the Lawton Investment Model™ use by Seagate Global Advisors which incorporates the thinking behind the original Lawton Bond Model™ to other markets such as the equity markets, currency markets and commodity markets.