

Mirabaud - Global High Yield Bonds

Performance Update

Mirabaud - Global High Yield Bonds (I cap. USD) returned 0.25% in October, while the benchmark, ICE BAML Global High Yield USD Hedged, returned 0.42%. Sector performances showed mixed results. Areas such as Basic Industries, Automotive and Financial Services added to returns, driven by credits such as Iamgold, Cleveland-Cliffs, Ford Motor Company and Fiat Chrysler. Media and Energy detracted from performance, especially in credits such as Diamond Sports Group and NGL Energy Partners.

Portfolio Activity

There was little Fund activity during the month under review. We continue to keep a watchful eye on any new issues and our focus remains on selecting credits that have the resiliency and liquidity to manage the economic challenges. The Fund participated in the Cheplapharm new issue and the Getlink Green Bond (raising finance for the Group's ElecLink project and other green assets).

Market Review & Outlook

It was distinctly a game of two halves during the month. In early October, fixed income markets were downplaying the risk of a large second wave took a more positive view. Against this backdrop, we saw flows into High Yield following a long period of outflows. All eyes in the market were also directed towards US for a potential fiscal package, which did not materialise.

Later in the month, increased restrictions in Europe as a result of the pandemic have tested the lows in European Government Bond yields. Members of the European Central Bank also highlighted that they would support further stimulus. However, this backdrop is challenging credit spreads as worries about further deterioration gathers pace with weaker macro data, increased unemployment and lack of a stimulus package in the US.

As we approached the end of October, spreads on indices and cash bonds were wider as risk sentiment soured because new lockdown measures were announced throughout Europe. European government bonds were the outperformers as yields plummeted even more into negative territory. Furthermore, the US was gearing up for the US Presidential Election - at the time of writing, Biden was announced President-Elect. Our central thesis of 2021 being a year of economic improvement and normalisation, with credit performing over duration, still remains intact for now. We would anticipate some further attractive investment opportunities presenting themselves post-election, once we know what the final outcome of the Senate will be.

Annual Performance (%)	2016	2017	2018	2019	YTD 2020
Mirabaud - Global High Yield Bonds I cap. USD	9.51	7.27	-4.04	10.72	0.00
ICE BAML Global HY Index USD Hedged	16.22	7.99	-1.89	14.54	0.43

Share class inception date: 10/04/2013. All data sourced from Mirabaud Asset Management.

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