SHINING A LIGHT ON THE……
Nomura Global High Yield Bond Fund

AT A GLANCE

Investment Objective
To achieve current yield and capital gains, through investment in a diversified portfolio of primarily high yielding globally issued Debt and Debt-Related Securities.

Inception Date	14th April 2014
Fund Factsheet Link	https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F00000T763

Management	
Manager Name	**Start Date**
David Crall	14th April 2014

FUND PERFORMANCE

Performance from 1st January 2016 to 30th September 2020:

	2016	**2017**	**2018**	**2019**	**2020**
Nomura Fds Global High Yield Bond Fund	39.28%	0.41%	1.58%	7.51%	5.69%
Vanguard Global Bond Index	3.51%	2.00%	-0.11%	6.63%	4.67%

Performance over 12 months, 3 years, 5 years and since launch:

	1 year	**3 years**	**5 years**	**Since launch**
Nomura Fds Global High Yield Bond Fund	1.65%	15.55%	62.35%	66.01%
Vanguard Global Bond Index	3.66%	12.04%	17.77%	25.29%

You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation, but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.

Tracking Error	**Upside Capture Ratio**	**Downside Capture Ratio**	**Batting Average**	**Beta**	**Alpha**	**Credit Quality**
2.02	104.54	106.45	47.22	1.10	-0.43%	Medium/Low

Volatility Measurements	
3-Yr Std Dev (volatility)	10.44%
3-Yr Mean Return (average)	4.93%

Credit Quality	
AAA	0.00%
AA	0.00%
A	0.00%
BBB	2.66%
BB	41.98%
B	35.20%
Below B	18.87%
Not Rated	1.29%

Top 5 Holdings – 7 equity holdings, 280 bond holdings, 41 other holdings		
Sprint Capital Corporation 8.75%	-	1.71%
TransDigm, Inc. 5.5%	-	1.63%
CCO Holdings, LLC/ CCO Holdings ...	-	1.33%
Digicel Group 0.5 Limited 10%	-	1.33%
Barclays PLC 7.12%	-	1.19%

Fixed Income	
Effective Maturity	6.83%
Effective Duration	4.26%

UPDATE….

These updates have been written at the time of the Coronavirus Pandemic of 2020, which has impacted the global financial markets in a way that has never been seen before.

This was part of a Nomura investor day, with an introduction to a range of funds and strategies. With fixed income returns being squeezed for those investors seeking returns from fixed income they need to go up the risk scale. The challenge with High Yield is that it behaves like equities, and against the Vanguard Global Bond, over the last three years it has only marginally outperformed, but longer term the performance gap is wider.

If you consider the volatility, this is closer to global equities at 10.44% compared to 3.03% with the Vanguard Strategy for a marginally better return over three years. It is also worth looking at the downside capture which indicates the fund falls further than the market and captures slightly above the market. The batting average also appears poor at just below 50.

In terms of the strategy the managers explained that 70% of the returns come from macro views and during the corrective phase of the markets they moved towards BBB bonds. As the recovery took hold, they took profits from these and have moved from overweight in Europe to the US. They have shifted towards turnaround companies and lower quality to take advantage of the recovery.

In terms of defaults in the Global Financial Crisis, this rose to around 10%. This year defaults increased from 2% to 6.22% but they expect it to drop back to the 4% to 5% range.

Looking at Biden victory the areas to watch which could be impacted include oil majors, midstream pipelines, and some healthcare. However, they believe the strategy can deliver a total return from coupons and growth of around 8 to 10% per annum.

In summary, they believe the drivers of return are stability within the team and ability to know how to manage different challenges and cycles. Their ability to avoid problems but at the same time adopting a value investing approach also provides that higher performance. Clearly over a longer time span this fund has delivered strong returns. However for investors who are looking for higher returns they have to ask whether with this level of volatility they are better to take that risk within the equity market. Clearly it demonstrates that if investors want the returns, they have to take extra risk and that trade-off is difficult to judge.