PENSIONS AND LIFETIME SAVINGS ASSOCIATION

March 2016

MULTI-ASSET CREDIT

MADE SIMPLE GUIDE

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1 INTRODUCTION

WHAT IS MULTI-ASSET CREDIT?

MULTI-ASSET CREDIT (MAC) STRATEGIES ARE BECOMING INCREASINGLY POPULAR BECAUSE OF THEIR FLEXIBLE, DIVERSIFIED APPROACH THAT INVESTS DYNAMICALLY ACROSS A RANGE OF CREDIT ASSET CLASSES.

This approach can help pension fund investors address many of the current concerns that they have around accessing global credit markets.

While pension schemes' traditional fixed income allocations have focused on government bonds and investment grade corporate bonds (i.e. those with higher credit ratings), MAC strategies can also access other credit opportunities in search of higher returns and diversification. These alternative assets include high yield bonds, bank loans, asset- and mortgage-backed securities, emerging market debt and more illiquid opportunities in real estate and infrastructure debt. (See Chapter 3 for a full explanation of the various credit classes available.)

There is a variety of MAC strategies available to meet the differing needs of investors and they can offer many advantages, including:

- Diversification across a wide range of credit strategies, thus reducing the risks of single asset class approaches;
- Access to a variety of risk/return/liquidity profiles that allow a credit allocation to be customised to a scheme's specific needs;
- Potential to add value through specialist active management and tactical asset allocation; and
- A reduced governance burden on trustees.

A TYPICAL MAC PORTFOLIO

A typical MAC structure might have a core allocation to below investment grade credit, with additional active allocations to some of the other credit asset classes outlined above; as well as the ability to move into investment-grade credit, sovereign debt or cash to limit drawdown in certain circumstances.

MAC strategies are characterised by:

- An active and tactical approach to rotating between sub-asset classes to maximise returns and protect against drawdown;
- Allocations to instruments that have a lower interest rate sensitivity – also known as lower duration – such as asset-backed securities, loans and other floating rate instruments;
- An allocation to more esoteric and/or illiquid forms of credit driven by market opportunities, the competencies of the MAC manager, and the needs of investors;
- The flexibility to allocate to investment grade and government securities and potentially cash.

Return targets for a MAC strategy are typically between 5% and 8%, with volatility of 6% to 10% over a full market cycle.

WHY IS MAC BECOMING INCREASINGLY POPULAR?

The increasing popularity of MAC strategies has been driven by the needs of pension schemes for assets that can help to close the funding gap and an increased governance burden on trustees, as well as by macro factors such as uncertainty over the future path of interest rates and low bond yields.

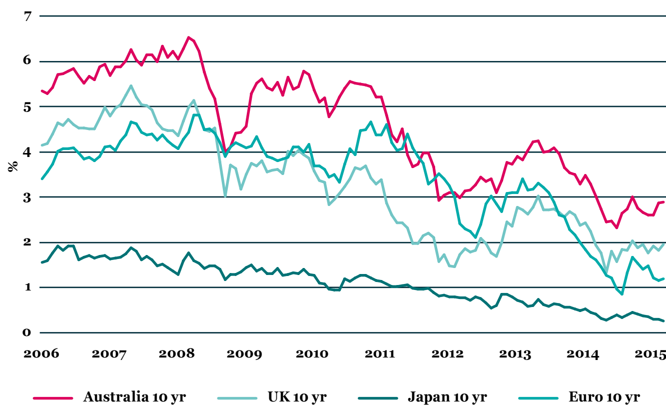
In recent years, the closure by many UK companies of all or part of their direct benefit (DB) schemes has led to a maturity of liabilities and an increased need for investments to match these liabilities more closely. Demand for assets that can do this has increased, and the proportion of fixed income instruments that schemes hold relative to equities has therefore grown.

However, the low interest rate policies implemented by central banks in the wake of the global financial crisis have created a dilemma. While pension liabilities have increased, the returns available from fixed income assets to help fund them have touched historic lows, as long-term government bond yields in the UK, Australia, Japan and the Eurozone have fallen dramatically. Meanwhile there is also a desire to protect

against interest rate rises, which would push the capital values of bond portfolios down.

Within defined contribution (DC) schemes, MAC strategies may perform a similar function as a 'building block' in the default fund, and more sophisticated scheme members may wish to access credit opportunities as an investment choice.

GOVERNMENT BOND YIELDS HAVE FALLEN STEADILY SINCE THE GLOBAL FINANCIAL CRISIS



Source: Bloomberg

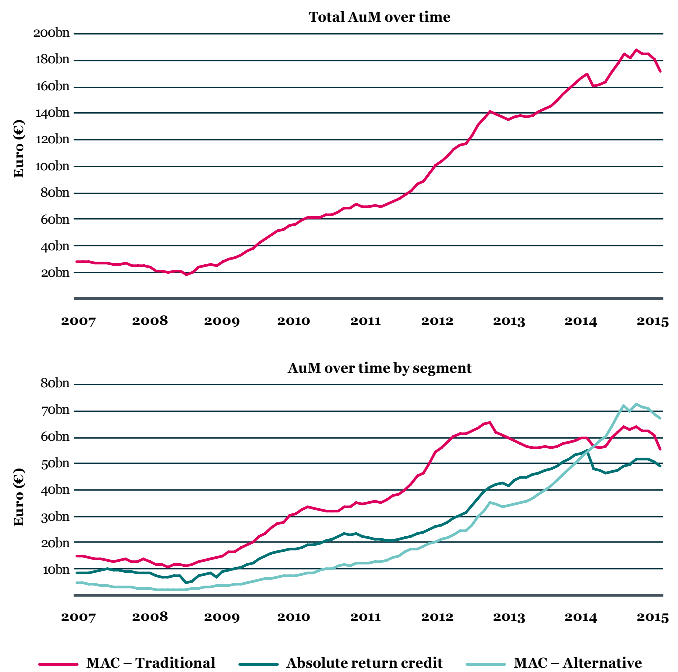
GOVERNANCE BURDEN

Dramatic changes in the nature of lending since the global financial crisis have resulted in many new and attractive opportunities in credit markets. However, limits on trustee governance budgets – whether from regulation or the increasing importance of DC arrangements – have hampered many schemes' ability to take advantage of them. Pension schemes and their advisors have therefore looked to managers of MAC strategies, who can provide them with the expertise and flexibility that they need.

MAC managers address the issue with an active approach that aims to increase diversification and yield while seeking to reduce risks, such as those associated with default and interest rates, and to reduce drawdowns. Risk-adjusted returns can be further improved by providing the manager with enough discretion to chose their entry point into these markets, and to de-risk by moving into cash or higher-rated instruments.

Choosing the right MAC strategy requires a great deal of care, as a successful manager requires expertise across a range of underlying credit asset classes and at the asset allocation level. This guide aims to explain all of these themes in detail.

GROWTH IN MAC ASSETS SEPTEMBER 2007-SEPTEMBER 2015



Source: Spence Johnson and Morningstar

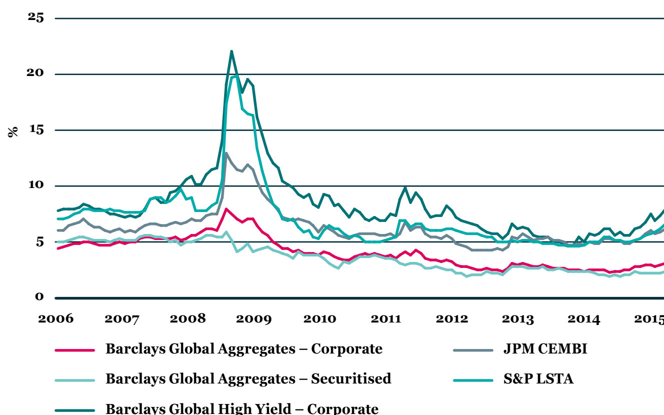
2 THE BENEFITS AND RISKS OF MULTI-ASSET CREDIT

THE OPPORTUNITIES FOR MAC TO GENERATE ALPHA, DIVERSIFY ASSETS AND TO MITIGATE RISKS ARE MANY AND VARIED.

A typical MAC strategy aims to fit with a pension scheme's needs by combining at the core two sectors that are less-than-perfectly correlated, but not so divergent that the mix challenges board-mandated strategic asset allocation. High-yield bonds and bank loans are two of the highest-yielding global fixed income sectors, yielding around 8.7% and 6.6% respectively as of December 2015. They also both have low sensitivity to changes in interest rates, but increased sensitivity to credit risk.

Combining the two sectors on a 50/50 basis would give investors exposure to the extra returns offered by high yield, plus the enhanced security represented by loans, which typically sit above high yield in the capital structure. Active management, security selection and tactical allocation can add to this further.

YIELDS OF CREDIT ASSET CLASSES VS. GOVERNMENT BONDS



Source: Bank of America Merrill Lynch, Credut Suisse, iBoxx

THE OPPORTUNITIES FOR TRUSTEES

Economic events have uncovered a number of opportunities in credit markets that pension scheme trustees could exploit. The financial crisis led to a shrinking of the banking sector and to the amount that banks lend to companies. Some of the more complicated non-bank structures are also winding down, in part due to regulation, leading to further reductions in lending capacity. This fall in credit supply, while demand remains strong, has led to an opportunity for pension funds to step in to meet the need for liquidity.

This, together with a combination of concerns about traditional credit allocations, is leading trustees to look beyond their traditional investment grade focus and consider a broader credit universe including sub-investment grade and illiquid debt. MAC strategies present a clear opportunity to expand the fixed income opportunity set beyond their current allocations to a level of risk/return that is in line with scheme's expectations.

SOLVING GOVERNANCE ISSUES

The 2008 financial crisis highlighted a need for a more flexible approach to credit investing. Following the crisis, dislocation in credit markets in 2009 and 2010 created significant opportunities through distressed pricing.

However, many pension schemes lacked the governance structure to take advantage of the buying opportunities and to know when to switch between or sell out of them. For example, they had insufficient time on trustee meeting agendas, and not enough investment expertise, decision-making processes or resources to manage and monitor multiple managers.

MAC strategies emerged to help address such issues by having a single manager to appoint and monitor.

The last few years have been a good example of the potential for credit managers to add value through tactical allocation. In the wake of the 2008 financial crisis, yields in credit and government sectors were pushed down in the global 'search for yield' or for macroeconomic and geopolitical

THIS FALL IN CREDIT SUPPLY HAS LED TO AN OPPORTUNITY FOR PENSION FUNDS

concerns. Many managers sought to protect investors from such overpriced sectors. More recently, however, economic concerns have sparked a sell-off in credit sectors – the kind of volatility that has produced attractive pricing for MAC managers and the potential for enhanced returns.

MITIGATING RISKS

Credit managers will often invest in debt ranked highly in a company's capital structure, such as bank loans, senior bonds, asset backed securities and mortgage backed securities, which means they are secured against their assets to a higher degree. In the event of a default, this provides a higher expected recovery rate.

In addition, many MAC instruments either have a short duration – that is, a low sensitivity to changes in interest rates – or are linked to floating interest rates. They are therefore insulated to an extent against rising rates, or they may even find ways to benefit from rising rates.

RISKS TO BE CONSIDERED

We have already looked at why MAC looks beyond traditional credit, towards the sub-investment grade space – including high yield bonds, bank loans and other instruments such as ABS – but trustees need to be aware of the main risk areas in this approach:

1. *Increased default risk of the issuer.* In this case, debts that are higher in the capital structure of the company – such as secured loans – are beneficial as they take precedence over those lower down the structure.
2. *Liquidity risk.* This is linked to how easily you can sell a security without incurring high transaction costs or a price below its true value. Investors encounter liquidity risk when they are forced to sell a security before maturity. However, individual holdings have different liquidity profiles and some may prove relatively easy to liquidate if they are of sufficient quality compared to the rest of the market.
3. D*uration risk.* This is a measure of an asset's sensitivity to changes in interest rates, which can be reduced by investment in certain sub-investment grade investments.
4. *The strategy may not deliver the returns that were envisaged.* If the strategies are focused on sub investment grade, they will be more exposed in a risk-off environment and may not have the same levels of protection as a government/investment grade strategy when there is a sell-off in credit markets. However, the extra flexibility should enable a MAC manager to protect the portfolio better than they could with a single credit strategy – such as a dedicated high-yield bond strategy – and they would also be well placed to take advantage of the price dislocations that may arise from such a general sell-off.
5. *Alpha risk.* Every active manager aims to add alpha through their process and decisions. An incorrect call from the manager could negatively impact the portfolio's performance.

Despite these risks, global credit markets have matured significantly since the global financial crisis, and continue to evolve and provide new opportunities. There has been significant growth and increasing diversification on both a sector and issue basis, and demand for the asset class is higher than ever. Investors are viewing sub-investment grade credit differently; it is no longer seen as a tactical asset class that only merits periodic allocations, it's now viewed as a core strategic allocation for any diversified portfolio, and is especially key for income generation.

Given the binary nature of credit assets, successful management is as much about avoiding the wrong calls – or 'losers' – as it is about picking the potential winners. It is possible to generate attractive risk-adjusted returns within credit but it needs a professional approach with skilled managers, strong fundamental research and dedicated teams to actively manage credit allocations, investing where risk is best rewarded.

3
CREDIT SUB ASSET CLASSES AND DIVERSIFICATION BENEFITS

BY INVESTING ACROSS THE WIDE AND MULTI-FACETED UNIVERSE OF CREDIT CLASSES, MAC CAN DIVERSIFY RISK AND SOURCES OF RETURN SIGNIFICANTLY

POTENTIAL UNIVERSE OF CREDIT ASSET CLASSES, IN ORDER OF DECREASING LIQUIDITY

There is a wide array of assets available to the MAC investor, each with hugely varying characteristics in terms of:

1. Yield – the annual income return on an investment
2. Default risk – the risk that the issuing entity will default, therefore resulting in loss of capital
3. Liquidity – how easy they are to convert to cash
4. Duration – sensitivity to interest rates
5. Seniority – in the case of corporate securities, where they sit in the capital structure and whether they are secured against assets. This dictates the recovery value in the event of default.

CHARACTERISTICS OF VARIOUS CREDIT ASSET CLASSES

	DURATION	MARKET VALUE ($ TRILLION)	(£ TRILLION)
Investment Grade Corporates (1)	6.28	7.7	5.2
High Yield (2)	4.15	1.7	1.2
Securitised (3)	4.52	6.7	4.6
Emerging Markets (4)	4.7	0.4	0.3
Bank Loans (5)	0.13	0.8	0.5

Source: Barclays, Bloomberg

There are also different correlations between each asset within each of these factors. All of these characteristics affect their risk and return outcomes over time. By investing dynamically across this universe, a skilled credit manager can increase diversification and take advantage of the many return opportunities available in different economic cycles.

CORRELATION OF VARIOUS CREDIT ASSET CLASSES

JANUARY 2007 – DECEMBER 2015

	1	2	3	4	5
Investment Grade Corporates (1)	1.00				
High Yield (2)	0.75	1.00			
Securitised (3)	0.84	0.49	1.00		
Emerging Markets (4)	0.81	0.81	0.63	1.00	
Bank Loans (5)	0.45	0.85	0.13	0.65	1.00

Source: Barclays, Zephyr

The following is a brief description of each of the main credit asset classes.

INVESTMENT GRADE CORPORATE BONDS

A corporate bond is investment grade if it has a relatively low risk of default. If a rating company rates the entity AAA and AA (high credit quality), or A and BBB (medium credit quality), this is investment grade. BB ratings and below are lower credit quality and are classified as 'sub investment grade' (as per S&P – see glossary for more details).

HIGH YIELD BONDS

High yield bonds are debt obligations from entities with lower credit ratings (anything below BBB-) but which offer higher annual yields to compensate for their higher default risk. These bonds are typically issued by companies and are tradeable, but can be less liquid than investment grade bonds – and may also offer an illiquidity premium, ie an extra return in exchange for this extra risk.

BANK LOANS

Bank loans are debt obligations that are typically ranked above high yield bonds in the capital structure, frequently called leveraged loans. Bank loans are typically secured by specific corporate assets, and have floating rates. For this reason, loans have near-zero duration, meaning they are not sensitive to changes in interest rates.

EMERGING MARKETS DEBT

Emerging markets debt (EMD) includes corporate or government credit from emerging market countries. It usually offers higher returns in exchange for the added political, credit and currency risk.

CONVERTIBLE BONDS

These are bonds that the holder can convert into a predetermined amount of the company's equity at certain times during its life. They tend to offer a lower coupon in exchange for the value of that option.

STRUCTURED AND SECURITISED CREDIT – INCLUDING ASSET-BACKED SECURITIES (ABS), MORTGAGE-BACKED SECURITIES (MBS), COLLATERALISED LOAN OBLIGATIONS (CLO) AND COLLATERALISED DEBT OBLIGATIONS (CDO)

Securitised credit involves pooling assets such as mortgages, and then issuing new debt based on their cash flow. The new debt is typically issued in several 'tranches' to meet the different return and risk profiles of different types of investors. For example, the most speculative tranche would carry a higher yield, but bear the risk of the first defaults of the underlying mortgages, and thus protect the cash flow of the other tranches. In this fashion, structured instruments can be tailored to meet return, risk and liquidity needs of a variety of investors.

DIRECT LENDING – INCLUDING REAL ESTATE AND INFRASTRUCTURE LOANS

These are loans issued by entities that are not banks and include loans to private companies, privately placed debt of public companies, or loans backed solely by the cashflows generated by real assets including real estate and infrastructure.

RISK/RETURN CHARACTERISTICS OF VARIOUS CREDIT ASSET CLASSES

JANUARY 2007 – DECEMBER 2015			
	RETURN	RISK (STANDARD DEVIATION)	RETURN / RISK
Investment Grade Corporates (1)	4.01	7.31	0.55
High Yield (2)	6.35	12.16	0.52
Securitised (3)	4.17	3.72	1.12
Emerging Markets (4)	5.78	8.96	0.65
Bank Loans (5)	4.04	8.56	0.47

Source: Barclays, Zephyr, in US Dollars

4 CHOOSING THE RIGHT MAC STRATEGY AND MANAGER

MULTI-ASSET CREDIT IS A CHALLENGING DOMAIN IN WHICH TO OPERATE. TRUSTEES NEED TO CARRY OUT SELECTION CAREFULLY AS IT IS DIFFICULT TO FIND MANAGERS WITH THE APPROPRIATE COMBINATION OF INDIVIDUAL ASSET CLASS EXPERTISE, TACTICAL ASSET ALLOCATION EXPERIENCE, AND THE ABILITY TO WORK WITH SCHEMES TO CREATE BESPOKE SOLUTIONS FOR THEIR NEEDS.

TYPES OF MAC STRATEGY

There is a wide range of different MAC strategies available. Which to choose depends on the needs of the individual scheme and the trustees' approach and philosophy. For example, some managers might have significant allocations to investment-grade debt with lower exposure to riskier credit markets. These would expect lower drawdowns in an adverse environment but also lower returns. Others will seek higher returns through exposure to riskier or more illiquid sectors. Furthermore, some MAC strategies have a long-only bias and others have the ability to use short selling techniques, which means that they can potentially benefit from down markets, but may also be exposed to additional risks.

BREADTH OF CAPABILITIES

The selection of sub-investment-grade classes by MAC managers should be driven by their expertise in given credit asset classes; asset classes where they have demonstrable credentials. There may be a temptation, given the increasing popularity of MAC strategies, for managers to design products that are driven by what they think the market wants or for the sake of diversification rather than on the basis of their core competencies. For example, core allocations in a MAC strategy would be expected to include high yield and bank loans. However, it does not necessarily follow that all high yield managers have expertise in bank loans or that the corporate credit team and structured credit team interact and share information. It is essential to have expertise and a track record across all of the constituent fixed income asset classes.

THE IMPORTANCE OF ACTIVE MANAGEMENT AND TACTICAL ASSET ALLOCATION

Because the asset classes used in a MAC strategy can be less efficient, less liquid and more complex than in other classes, active managers have greater opportunities to add value.

A skilled manager has the potential to enhance returns significantly without increasing risk by using long and short investments, security selection and tactical asset allocation.

Tactical allocation provides the opportunity to rotate allocations within and across the credit spectrum to take advantage of the dispersion of returns between different segments of the credit universe.

Active tactical allocation within the credit markets is essential. Skilled active management can analyse both top-down and bottom-up credit factors over the course of business and credit cycles to seek opportunities and avoid overpriced issues.

A SKILLED MANAGER HAS THE POTENTIAL TO ENHANCE RETURNS SIGNIFICANTLY

ANNUAL RETURNS OF A VARIETY OF CREDIT ASSET CLASSES

2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
High Yield[2] 13.60	Securitised[3] 8.23	Securitised[3] 4.12	High Yield[2] 63.94	High Yield[2] 13.84	Securitised[3] 5.06	High Yield[2] 18.91	High Yield[2] 8.44	Emerging Markets[4] 4.96	Emerging Markets[4] 1.30
Investment Grade Corporates[1] 7.23	Investment Grade Corporates[1] 6.73	Investment Grade Corporates[1] -8.65	Bank Loans[5] 51.62	Emerging Markets[4] 13.08	Investment Grade Corporates[1] 4.32	Emerging Markets[4] 15.02	Bank Loans[5] 5.29	Securitised[3] 3.29	Securitised[3] -0.51
Securitised[3] 7.00	Emerging Markets[4] 3.91	Emerging Markets[4] -15.86	Emerging Markets[4] 34.88	Bank Loans[5] 10.13	High Yield[2] 2.56	Investment Grade Corporates[1] 11.21	Securitised[3] 0.36	Investment Grade Corporates[1] 3.15	Bank Loans[5] -0.70
Bank Loans[5] 6.77	High Yield[2] 2.63	High Yield[2] -27.86	Investment Grade Corporates[1] 19.18	Investment Grade Corporates[1] 5.83	Emerging Markets[4] 2.31	Bank Loans[5] 9.66	Investment Grade Corporates[1] 0.35	Bank Loans[5] 1.60	Investment Grade Corporates[1] -3.56
Emerging Markets[4] N/A	Bank Loans[5] 2.00	Bank Loans[5] -29.10	Securitised[3] 7.97	Securitised[3] 4.20	Bank Loans[5] 1.52	Securitised[3] 5.11	Emerging Markets[4] -0.60	High Yield[2] 0.20	High Yield[2] -4.94

Source: Barclays, Zephyr, in US Dollars

THE USE OF A MULTI-MANAGER APPROACH

A variation on MAC is the multi-manager approach, where the manager chooses third party managers for the individual sub-asset classes. Multi-managers have the advantage of being able to choose specialist managers in each field and potentially add alpha through selection and moving between managers. However, there is significant potential for an overlap in the securities held in the various accounts and this approach can also lead to an additional layer of charges, which can eat into returns. A successful single multi-asset manager could achieve the same result more cost-effectively and without the overlap in securities.

BENCHMARKING AND HOW TO CHOOSE A MANAGER

Another important factor to look at when choosing a manager is benchmarking, as there is a wide variety of approaches reflecting the diversity of MAC strategies and the investment outcomes that they are intended to achieve. Potential approaches might be:

- An absolute return, i.e. LIBOR + benchmark
- A total return benchmark, eg 6% per annum over perhaps a 5-year cycle
- A composite benchmark, based on the ‘neutral’ asset allocation of the strategy – eg 50% high yield, 50% bank loans
- Peer group measures
- For customised strategies, some link to a funding objective of the scheme

Where no single measure of performance is suitable then it may be appropriate to adopt a ‘balanced scorecard’ approach and use a blend of the above measures.

5 SUMMARY AND NEXT STEPS

MAC IS INCREASING IN POPULARITY BECAUSE IT AIMS TO SOLVE A NUMBER OF ISSUES WITH TRADITIONAL CREDIT ALLOCATIONS. HOWEVER, IMPLEMENTATION NEEDS CAREFUL CONSIDERATION.

Given the many changes in the credit market, trustees are carefully re-examining their approach to managing credit risk, to ensure it still meets their needs not just for the present, but – importantly – for the future as well. Concerns about traditional credit markets such as interest rate uncertainty and an increased governance burden, combined with new opportunities in 'alternative' credit asset classes, are leading many to try to improve on their existing approach.

If you are considering taking a different approach to how you allocate to credit, you must first define your goals. Think about the respective roles of liability matching and return generation that credit plays within your portfolio. Does your current approach still meet these two objectives?

If you are open to taking a more flexible approach to credit, you may be able to create a more effective portfolio by giving a credit manager the freedom to invest tactically across various credit classes.

Your risk-adjusted return requirements and any constraints over short-term performance will lead your decision on which parts of the market to invest in. Some important questions that should be considered:

- What mix of investment-grade and sub-investment-grade credit do you need?
- What are your views on the various sectors of the credit market?
- What is your tolerance for short-term losses?
- What is your appetite for illiquid investments?
- Do you want long-only investments or will you allow some shorting?
- What are your beliefs about manager style – for example, degree of specialisation, active versus passive, and benchmarking?

Once you have answered these questions and considered all of the elements outlined in this paper, you are in a strong position to select a MAC manager with the right skills and strategy to fit with the needs of your scheme.

6 GLOSSARY OF TERMS

Asset-backed securities (ABS)

Debt instruments secured against a pool of assets such as mortgages, loans, receivables or bonds.

Asset class

A group of securities that exhibit similar characteristics, behave similarly in the marketplace, and are subject to the same laws and regulations.

Bank loan

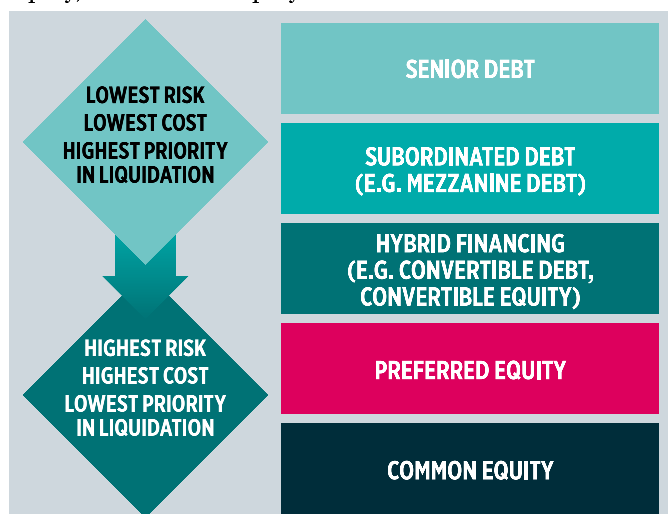
A debt-financing obligation issued by a bank or similar financial institution to a company.

Bond

A tradeable debt instrument through which an entity borrows money for a fixed period and pays the lender interest at regular intervals. The entire sum is usually repaid at the end of the contract (maturity).

Capital structure

By design, the capital structure reflects all of the firm's equity and debt obligations. It shows each type of obligation as a slice of the stack. This stack is ranked by increasing risk, increasing cost, and decreasing priority in a liquidation event (e.g. bankruptcy). For large corporations, it typically consists of senior debt, subordinated debt, hybrid securities, preferred equity, and common equity.



Collateralised debt obligation (CDO)

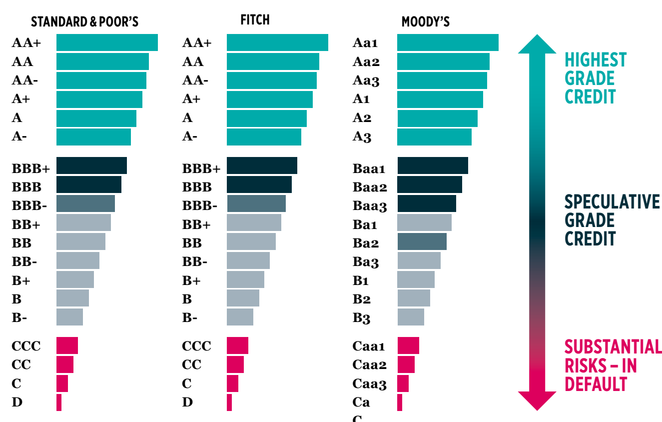
A complex type of ABS that can be based on non-mortgage assets, mortgage assets or both together.

Collateralised loan obligation (CLO)

A security backed by a pool of debt, often low-rated corporate loans.

Credit rating

A system that assesses and categorises the credit risk of a company or debt instrument. The rating ranks the entity from most creditworthy (AAA) to least (D, signifying default).There are several recognised credit rating agencies including S&P, Moody's and Fitch (see diagram below).



Direct lending

Bank-like loans extended directly to companies by non-bank investors. Each loan is bespoke but typically has a 5- to 10-year term with floating rate interest payments.

Distressed debt

A financial instrument in a company that is near or going through bankruptcy. As these companies usually cannot meet their financial obligations, their debt is restructured resulting in a substantial reduction in value. Distressed securities can include common and preferred shares, bank debt, trade claims (goods owed) and corporate bonds.

continued...

Drawdown

The peak-to-trough decline during a specific record period of an investment, fund or commodity. A drawdown is usually quoted as the percentage between the peak and the trough.

Duration

A measure of the sensitivity of the price, or value, of a fixed-income investment to a change in interest rates, expressed as a number of years. Rising interest rates result in falling bond prices, and vice versa.

Fixed rate

A coupon or interest rate on a debt instrument that is a fixed percentage of the principal amount.

Floating rate

Interest structured as a margin over a floating base rate, usually Libor for sterling- or US dollar-denominated debt and Euribor for euro instruments. The margin is typically a flat percentage of the principal.

Libor

London inter-bank offer rate – the short-term floating rate at which large banks lend to each other.

Liquidity

Ability to convert assets into cash immediately or in a short time. A market is liquid if there are many buyers and sellers able to facilitate a trade quickly.

Mortgage backed securities (MBS)

Debt instruments secured against a pool of mortgages.

Non-bank lending

All private debt financing not provided by banks; can include direct lending, private placements and leveraged loans.

Sharpe ratio

A measure of risk-adjusted return.

Short selling (shorting)

The sale of a security that is not owned by the seller, or that the seller has borrowed in the belief that a security's price will decline. This enables it to be bought back at a lower price to make a profit or to hedge the downside risk of a long position.

Spread

Difference between the yield of two bonds, typically a riskier security and a 'risk-free' government bond.

DATA IS PROVIDED FOR INFORMATIONAL USE ONLY. PAST PERFORMANCE IS NOT A GUARANTEE OF FUTURE RESULTS.

(1) Investment Grade Corporates represented by Barclays Global Aggregate - Corporates Index.

(2) High Yield represented by Barclays Global High Yield Corporate Index.

(3) Securitised represented by Barclays Global Aggregate Securitised Index.

(4) Emerging Markets represented by JPM CEMBI Broad Diversified Index.

(5) Bank Loans represented by S&P/LSTA Leveraged Loan Index.

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