Fixed Income

What the experts think

CAMRADATA
A With Intelligence Company

CAMRADATA Award Winners 2023

Emerging Markets Debt - Blend
(USD)

Winner: PGIM Fixed Income
Vehicle: PGIM Fixed Income Emerging Markets Debt Total Return Composite

Accepted by: Cathy Hepworth

Emerging Markets Debt - Corporates
(USD)

Winner: Franklin Templeton Investments
Vehicle: Franklin Emerging Markets Corporate Debt Composite

Accepted by: Adam Rimmer

Emerging Markets Debt - Hard Currency
(USD)

Winner: Stone Harbor Investment Partners
Vehicle: Stone Harbor Emerging Markets Corporate Debt Fund (UCITS) - M Share USD

Accepted by: Richard Lange

Emerging Markets Debt - Local Currency
(USD)

Winner: Vontobel Asset Management
Vehicle: Vontobel Fund - Sustainable Emerging Markets Local Currency Bond

Accepted by: Thierry Larose and Carl Vermassen

European Broad Bond
(EUR)

Winner: J.P. Morgan Asset Management
Vehicle: JPM Euro Aggregate Bond Fund

Accepted by: The Consultant Sales Team

European Corporate Debt
(EUR)

Winner: Legal & General Investment Management
Vehicle: Euro Corporate Fixed Income Composite (Active) (GIPS composite)

Accepted by: Team L&G

CAMRADATA Award Winners 2023

European High Yield

(EUR)

Winner: Wellington Management Company LLP
Vehicle: Wellington Euro High Yield Bond Fund

Accepted by: Konstantin Leidman, CFA

Global Broad Bond – Absolute Return

(STG)

Winner: T. Rowe Price Group, Inc.
Vehicle: Dynamic Global Bond Composite (GBP Hedged)

Accepted by: Quentin Fitzsimmons and Nicola Fox

Global Broad Bond – Absolute Return

(USD)

Winner: T. Rowe Price Group, Inc.
Vehicle: Dynamic Global Bond Composite (USD Hedged)

Accepted by: Quentin Fitzsimmons and Nicola Fox

Global Corporate Debt

(EUR)

Winner: Candriam Investors Group
Vehicle: Global Bonds Credit Opportunities Composite

Accepted by: Fawzy Salarbux

Global Corporate Debt

(STG)

Winner: Insight Investment
Vehicle: Global Credit (C0822)

Accepted by: Adam Whiteley

Global Corporate Debt

(USD)

Winner: Legal & General Investment Management
Vehicle: Absolute Return Bond Plus Fund

Accepted by: Team L&G

CAMRADATA Awards Winners 2023

Global Government Debt
(USD)

Winner: Colchester Global Investors Limited
Vehicle: The Colchester Global Bond Fund: USD Hedged Accumulation Class I

Accepted by: Vi-Minh Tran

Global High Yield
(EUR)

Winner: Candriam Investors Group
Vehicle: Candriam Bonds Global High Yield

Accepted by: Fawzy Salarbux

Global High Yield
(USD)

Winner: Aegon Asset Management
Vehicle: Aegon High Yield Global Bond

Accepted by: Thomas Hanson, CFA

MSFI - Absolute Return
(GBP)

Winner: T. Rowe Price Group, Inc.
Vehicle: Dynamic Global Bond Composite (GBP Hedged)

Accepted by: Quentin Fitzsimmons and Nicola Fox

UK Corporate Debt
(GBP)

Winner: Insight Investment
Vehicle: Insight UK Corporate All Maturities Bond Fund (C0621)

Accepted by: Damien Hill

US Bank Loans
(USD)

Winner: Invesco Ltd.
Vehicle: US Bank Loans - Unconstrained Composite

Accepted by: Ashar Muhammad FIA

CAMRADATA Award Winners 2023

US Broad Bond

(USD)

Winner: Federated Hermes, Inc.
Vehicle: Federated Hermes Core Aggregate Composite

Accepted by: Douglas Anderson

US Corporate Debt

(USD)

Winner: Loomis Sayles
Vehicle: Loomis Sayles Corporate Disciplined Alpha Composite

US High Yield

(USD)

Winner: Payden & Rygel
Vehicle: Payden High Yield Bond Composite

Accepted by: Nicholas Burns III, CFA, Mark Stanley and Jordan Lopez

Colchester Global Investors
Global Government Debt (USD)

Winner
Colchester Global Investors

Vehicle
The Colchester Global Bond Fund: USD Hedged Accumulation Class I

Key Facts

Asset Class: Global Local Currency Government Fixed Income
Benchmark Duration: >7 Years
Benchmark: Manager Supplied Benchmark
Fund Size: $ 1,441.91m
Inception Date: Nov 30, 2012
Currency: USD
Min Investment: $3M
Management Approach: Active
Address: Heathcoat House, 20 Savile Row, London, UK, W1S 3PR
Website: www.colchesterglobal.com

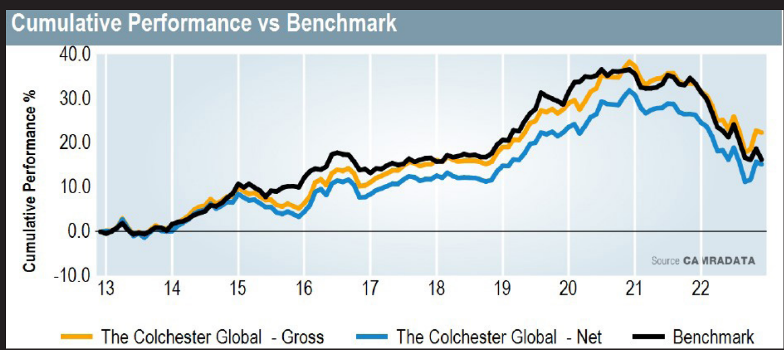
Statistics (3 years)

Annualised Mean: -0.23 | Net: -0.83
Annualised Std Deviation: 5.96 | Net 5.95
Relative Geometric Mean: 2.91 | Net 2.35
Tracking Error: 2.59 | Net 2.59
Information Ratio: 1.12 | Net 0.91
Annual 12 Month Worst: -11.86% | Net -12.39%
Annual 12 Month Best: 4.41% | Net 3.79%

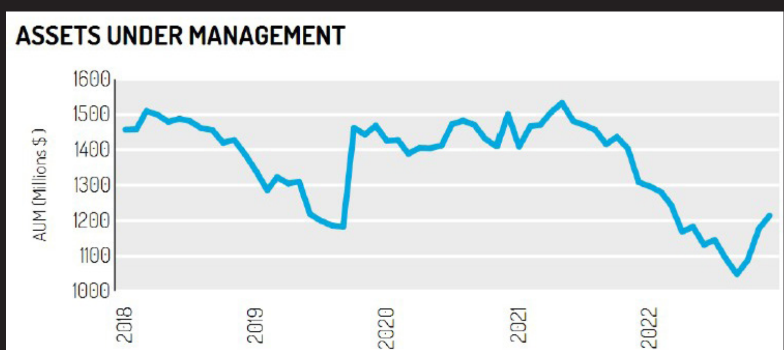
Firm details

Year Founded: 1999
Firm AUM: $ 31,222.30m
UNPRI: Yes

Cumulative performance vs benchmark



Assets under management



Returns

Returns (Dec 2022)

	3m	6m	1yr*	3yr*	5yr*	10yr*
Absolute (Gross)	3.70%	-0.61%	-8.23%	-1.39%	1.20%	2.04%
Absolute (Net)	3.54%	-0.91%	-8.77%	-1.98%	0.60%	1.43%
Benchmark	-0.34%	-4.16%	-12.86%	-3.33%	-0.06%	1.52%

** Annualised*

Finding Real Value in Global Markets

COLCHESTER GLOBAL INVESTORS LIMITED is an independent investment management firm focused solely on sovereign bond and currency management. Colchester started 23 years ago and has four core strategies: global sovereign bonds, global inflation-linked bonds, local currency emerging market debt and an alpha program. The firm manages US$30bn in assets for global institutions, intermediaries and individuals. We are delighted to receive the CAMRADATA award for the Global Government Debt (USD) category.

INVESTMENT PHILOSOPHY

Colchester is a value-oriented manager. At the heart of Colchester's philosophy is the belief that investments should be valued in terms of the income they will generate in real terms. Our investment approach is therefore based on valuing bond markets in terms of their prospective real yield, i.e. the nominal yield adjusted for our forecast of future inflation. We separately value currencies using the real exchange rate and its deviation from fair value level. This is based on the theory of relative purchasing power parity, which posits that real exchange rates mean-revert over time. Our valuation metrics for both bonds and currencies are adjusted for an assessment of the country's balance sheet strength and financial stability. This assessment incorporates a wide-ranging analysis of fiscal and external accounts as well as economic stability, institutional strength and Environmental, Social and Governance factors. Both our bond and currency valuations can be thought of as indicators of long-term value. Hence, at Colchester, we do not attempt to forecast short-term movements in either bond yields or exchange rates. In fact, we only forecast one thing and that is inflation.

> ***We do not attempt to forecast short-term movements in either bond yields or exchange rates. In fact, we only forecast one thing and that is inflation."***

WHERE DO YOU FIND VALUE CURRENTLY?

Despite recent financial market volatility, the repricing of global fixed income from last year offers investors more attractive valuations compared to the last decade. As global monetary aggregates have normalised, commodity prices have stabilised and supply chains pressures have eased, this would suggest that inflation is close to or beyond its peak and is therefore a conducive environment for fixed income assets. In addition, we expect the decline of inflation to vary across regions which present opportunities for active management and for our value-oriented approach. At this time, we favour attractive real yields in bond markets such as Singapore, Mexico, South Korea and Indonesia relative to those in Japan or that of core markets in the Eurozone. Although the US dollar has weakened, based on our real exchange rate valuation, it remains significantly overvalued against a broad basket of currencies, including the Yen, Norwegian krone and Swedish krona.

Colchester® GLOBAL INVESTORS

WHEN IT COMES TO HIGH YIELD SPEAK TO THE EXPERTS

Camradata acknowledged our strength in US High Yield; our clients benefit from our independence and expertise across the fixed income asset class.

» US & GLOBAL HIGH YIELD

» GLOBAL FIXED INCOME

» EMERGING MARKET DEBT

» ABSOLUTE RETURN BOND

» LOW DURATION CREDIT

PARTNERING WITH INSTITUTIONAL CLIENTS SINCE 1983

Payden&Rygel

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Payden & Rygel Global Limited is authorised and regulated by the Financial Conduct Authority

Payden & Rygel
US High Yield (USD)

Payden&Rygel
LOS ANGELES | BOSTON | LONDON | MILAN

Winner
Payden & Rygel

Vehicle
Payden High Yield Bond Composite

Key Facts

Asset Class: US High Yield (USD)
Style: High Yield
Benchmark Duration: 3 to 5 years
Strategy Size: $ 4,526.00m
Inception Date: Jan 01, 1998
Currency: USD
Min Investment: $ 50m
Management Approach: Active
Address: 1 Bartholomew Lane, London, United Kingdom, EC2N 2AX
Website: www.payden.com

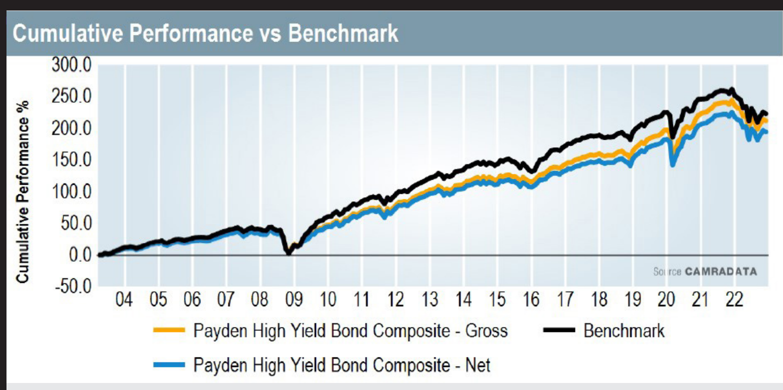
Statistics (3 years)

Annualised Mean: 8.45 | Net: 8.15
Annualised Std Deviation: 9.03 | Net: 9.03
Relative Geometric Mean: 3.34 | Net: 2.98
Tracking Error: 1.32 | Net: 1.32
Information Ratio: 2.53 | Net: 2.26
Annual 12 Month Worst: -12.43% | Net: -12.69%
Annual 12 Month Best: 28.01% | Net: 27.63%

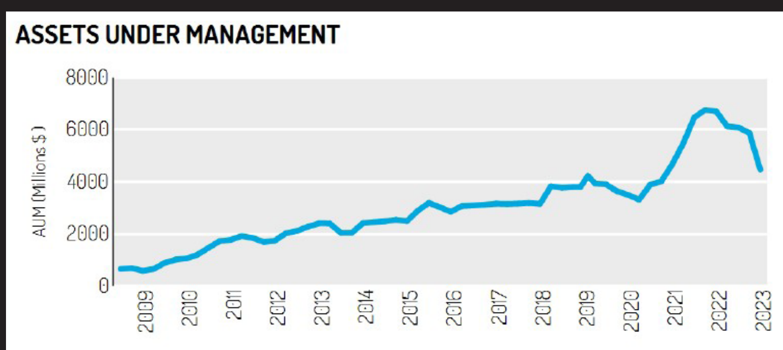
Firm details

Year Founded: 1983
Firm AUM: $ 133,000m (as of **31/12/2022)**
UNPRI: Yes

Cumulative performance vs benchmark



Assets under management



Returns

Returns (Dec 2022)

	3m	6m	1yr*	3yr*	5yr*	10yr*
Absolute (Gross)	4.66%	4.40%	-9.19%	1.71%	3.86%	4.51%
Absolute (Net)	4.58%	4.24%	-9.47%	1.41%	3.55%	4.20%
Benchmark	4.32%	3.54%	-10.59%	-0.20%	2.31%	3.93%

** Annualised*

High Yield: Navigating Risk in Uncertain Markets

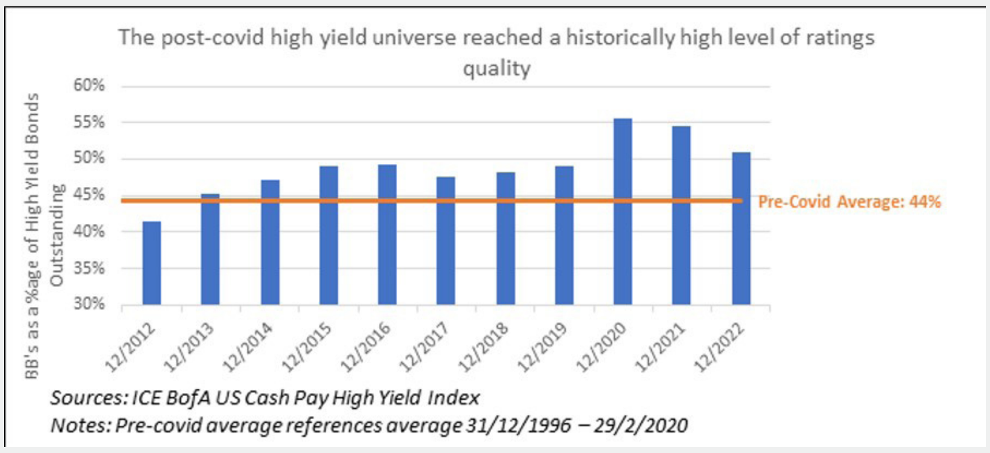
As inflation remains elevated and interest rate volatility reaches almost unprecedented levels, investors have struggled to identify which segments of the market offer attractive relative value. One area that deserves more attention is high yield. While high yield is often associated with so-called "risk-on" asset classes like equities, the asset class has evolved in recent years and represents a historically high-quality universe of issuers while still offering an attractive yield advantage versus more traditional fixed income asset classes like Treasurys and investment grade corporates.

Before the covid pandemic the average weight of BB-rated bonds in the high yield universe historically was 44%. That figure stands at over 50% today, higher than almost any period before covid. Following the initial shock of the pandemic, downgrades of investment-grade-rated companies resulted in fallen angels making up a larger share of the universe, while management teams of existing high yield companies took advantage of the low interest rate environment to improve balance sheets and extend maturity walls, resulting in ratings upgrades for many issuers.

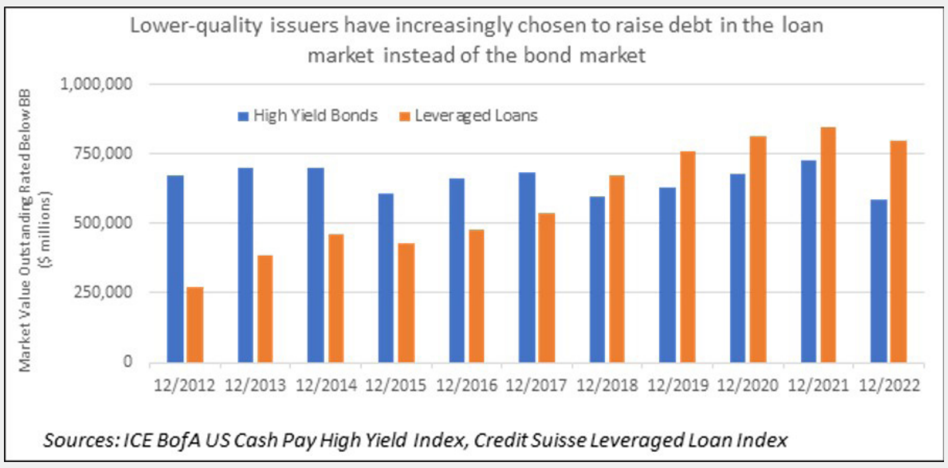
This commitment to financial resilience has manifested itself in historically low default rates. Even as the market faces the prospects of slower economic growth, default expectations remain just above historical averages, with no single sector demonstrating significantly elevated default risk, in sharp contrast to 2015 and 2016 when the energy sector saw significant distress or in 2002 when the media and telecoms sectors saw a wave of defaults.

Instead of issuing in the high yield bond market, riskier issuers have elected to access debt financing on the leveraged loan or private credit markets, where the increase in low quality issuance has been substantial. This is particularly true in the loan market, where a surge in CLO creation created an insatiable appetite for loans, and more speculative borrowers were able to issue under very favorable terms. This led to more leverage and looser covenants, which in turn led to a deterioration in the overall credit quality of the loan market, reaching an all-time low in 2022.

In contrast to the asset-class-level risks in loans, the key risk factor today in high yield bonds is idiosyncratic, issuer-level credit risk. While the overall quality of the universe is near historical highs, portfolio managers must nonetheless sift through the spectrum of businesses within sectors to identify pockets of relative value. This approach should add value across market environments, but it's particularly important in the current environment. It is not sufficient to simply "overweight" and "underweight" certain sectors – market participants must take factors like management quality, cyclicality, and expected free cash flow into account.



> *"It is not sufficient to simply "overweight" and "underweight" certain sectors – market participants must take factors like management quality, cyclicality, and expected free cash flow into account."*



The Payden US High Yield Strategy is among the top performing for high yield managers thanks to a steady commitment to this investment philosophy. The strategy overall generated +125 basis points of annualized alpha, net of fees, over the five years ending 31 December 2022, by focusing on security selection, instead of betting on short-term market direction or sector allocation. The fund generated positive relative performance in each of the past four calendar years, which have each been very different market environments, all while maintaining a best-in-class information ratio, ranked 1st percentile of the eVestment US High Yield Fixed Income Universe - Net of Fees over the trailing five years.[1]

2023 has presented investors with no more certainty than any other market in recent years, but for the patient investor, we believe an allocation to the Payden High Yield Strategy offers the opportunity to partner with a manager committed to a bottom-up, value-oriented investment philosophy that has generated attractive total and risk-adjusted returns across market environments.

Authors:

Jordan H. Lopez, CFA

Director

Nicholas K. Burns, III, CFA

Senior Vice President

Payden&Rygel
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T. Rowe Price

Global Broad Bond – Absolute Return (STG)

Winner

T. Rowe Price

Vehicle

Dynamic Global Bond Composite (GBP Hedged)

Key Facts

Asset Class: Global Mix Broad Bond
Style: Absolute Return
Benchmark Duration: Cash/Money Market
Fund Size: £ 797.99m
Inception Date: Jan 31, 2015
Currency: GBP
Min Investment: £ 2.50m
Management Approach: Active
Address: 60 Queen Victoria Street
London United Kingdom EC4N 4TZ
Website: http://www.troweprice.com

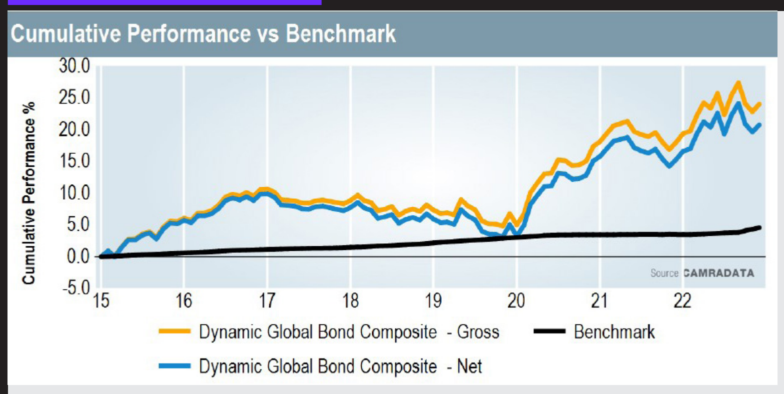
Statistics (3 years)

Annualised Mean: 4.08 | Net: 3.74
Annualised Std Deviation: 4.5 | Net: 4.5
Relative Geometric Mean: 3.36 | Net: 3
Tracking Error: 4.59 | Net: 4.59
Information Ratio: 0.73 | Net: 0.65
Annual 12 Month Worst: 0.28% | Net: -0.07%
Annual 12 Month Best: 9.54% | Net: 9.17%

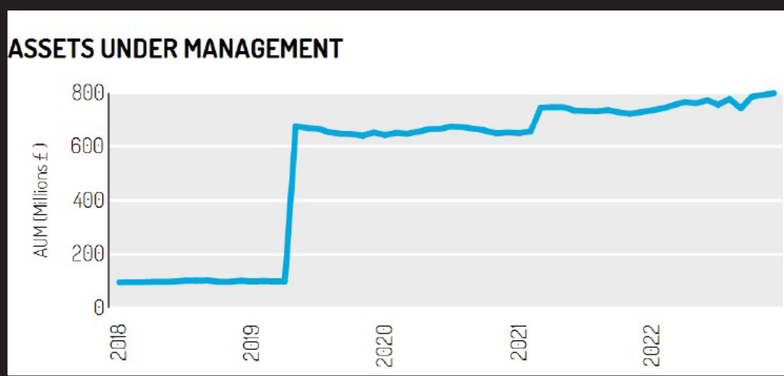
Firm details

Year Founded: 1937
Firm AUM: $ 1,226,600m (as of **31/12/2022)**
UNPRI: Yes

Cumulative performance vs benchmark



Assets under management



Returns

Returns (Dec 2022)

	3m	6m	1yr*	3yr*	5yr*	10yr*
Absolute (Gross)	-2.65%	-1.33%	5.10%	5.12%	2.74%	N/A
Absolute (Net)	-2.74%	-1.51%	4.74%	4.76%	2.40%	N/A
Benchmark	0.73%	0.88%	1.05%	0.52%	0.61%	0.56%

** Annualised*

Perspectives on the LDI fallout

The crisis in longer-dated UK government debt in the autumn of 2022 exposed shortcomings in the resilience of liability-driven investment (LDI) and the operational processes of the pension schemes using this approach.

The inability of some schemes to meet margin calls in a timely manner raised serious questions about the effectiveness of their interest rate and inflation hedges. The crisis is likely to have a long run impact on the way defined benefit (DB) pension funds manage the liquidity of their assets.

As a result of their forced gilt sales, some pension schemes involved in LDI will have ended up closing their hedges at disadvantageous rates, leaving them underfunded and requiring extra funds from parent company sponsors.
Overall, however, the impact of the 2022 bond bear market was positive for UK DB pension schemes, whose solvency improved. Although pension schemes' fixed income assets have fallen in value, their future pension liabilities (which are discounted by long-dated bond yields) will have fallen even faster.
The vast majority of DB schemes will therefore have moved closer to their ultimate goal of buy-out, risk transfer or self-sufficiency.

Managing the waterfall

For DB fund sponsors, a clear takeaway from the 2022 gilt crisis is to look carefully at the liquidity of their asset holdings and, where appropriate, to make changes.

Many of those DB pension schemes will have ended the year with an asset portfolio consisting of the remaining LDI assets, cash and investments in less liquid private markets.

Some are likely to now be looking to rebuild allocations, but by taking a more cautious approach to managing the overall portfolio liquidity "waterfall" (the order of sale of assets in any future call for collateral).

A large proportion of illiquid assets can limit a pension scheme's room for manoeuvre if such assets are not acceptable to an insurer and they cannot be easily disposed of via a secondary market.

Improved DB scheme funding positions also reduce the pressure on trustees to seek assets that can outperform gilts, if the promised extra returns come at the expense of illiquidity—as may be the case with private assets.

Prioritise liquidity

2022 has illustrated how collateral crises can happen when both equity and fixed income assets fall in value at the same time.

A highly liquid fund, aiming to achieve consistent returns above cash and offering diversification in turbulent markets, can form part of the typical pension scheme's defensive portfolio.

The T. Rowe Price Funds SICAV - Dynamic Global Bond Fund offers daily liquidity and enjoys the flexibility to go long or short across countries, currencies and sectors. The fund aims to generate income while offering some protection against rising interest rates and a low correlation with equity markets

> *"2022 has illustrated how collateral crises can happen when both equity and fixed income assets fall in value at the same time"*

We estimate that around 60% of the portfolio's value added will come from the active management of country and duration positions, with a permissible duration range of -1 to +6 years.

Around 20% of the portfolio's value added is expected to come from active currency management. And the remaining 20% of performance is likely to derive from credit exposures, including investment grade, high-yield, emerging market and asset-backed exposures (with a 30% overall limit on investments in non-investment grade fixed income.

The portfolio has been stress-tested in the past. In March 2020, despite market panic surrounding the outbreak of coronavirus, the fund's portfolio managers were able to return over $1bn in cash within a week to a client looking to change asset allocation.

And in line with regulatory requirements, the SICAV version of the Dynamic Global Bond Fund has undergone a test showing that, in normal market conditions, it can return more than three-quarters of fund assets to investors in cash in under five days.

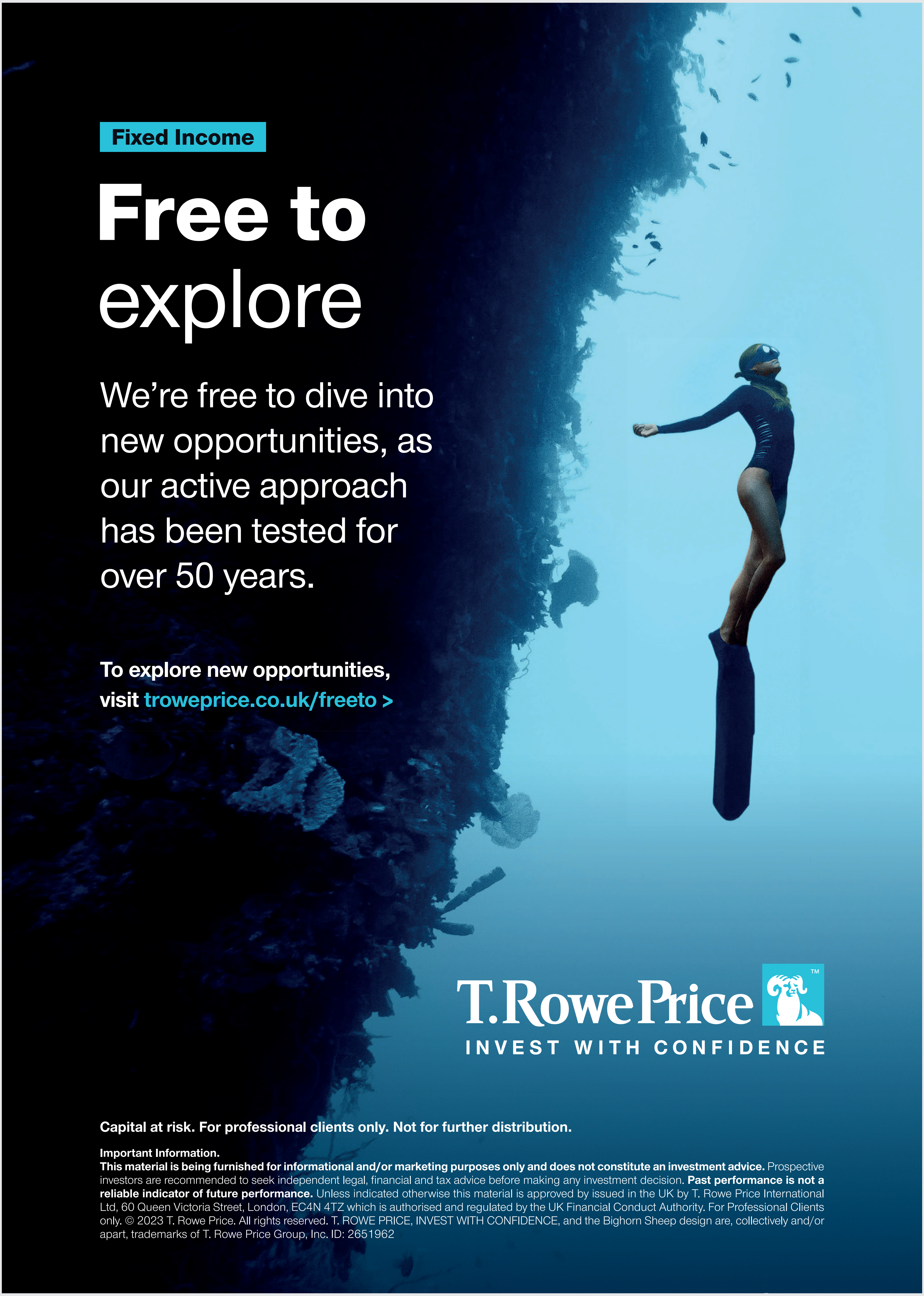
Some of the fallout from the LDI crisis has been relatively unconstructive. Under parliamentary scrutiny and forced to account for themselves on the record, certain pension funds and pension consultants have been pointing the finger at each other, aiming to apportion blame for September's dramatic market events.

But savvier investors will be drawing a wider, strategic lesson from the crisis: an active asset manager, skilled in navigating changing market conditions, can help clients meet their two-fold objective of generating returns and managing liquidity risk.

When investing in funds, certain risks apply, which include those specific to credit, derivatives, emerging markets and issuer concentration.

The fund can also be affected by changes in interest and currency exchange rates. For a full list of risks applicable to this fund, please refer to the prospectus.

T.RowePrice


Fixed Income
Free to explore
We're free to dive into new opportunities, as our active approach has been tested for over 50 years.
To explore new opportunities, visit troweprice.co.uk/freeto >
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