

High Yield Credit: Focus on Alpha.

June 2024



Agenda

1

New paradigm.

2

Favour a global approach: Global High Yield strategy.

Conclusion

4

Appendix





1 New paradigm.



The new paradigm.

Higher inflation, lower growth & increased volatility



- › Rise of Populism, democratic decline
- › Increased conflicts (Russia in Ukraine, Taiwan, Middle East etc.)



- › War in Ukraine
- › Volatile commodity markets
- › Food and water scarcity



- › Trade wars/higher tariffs
- › Local and inward focus (IRA, Made in China etc)



- › Climate change challenge
- › Re-regulation of key sectors (autos)

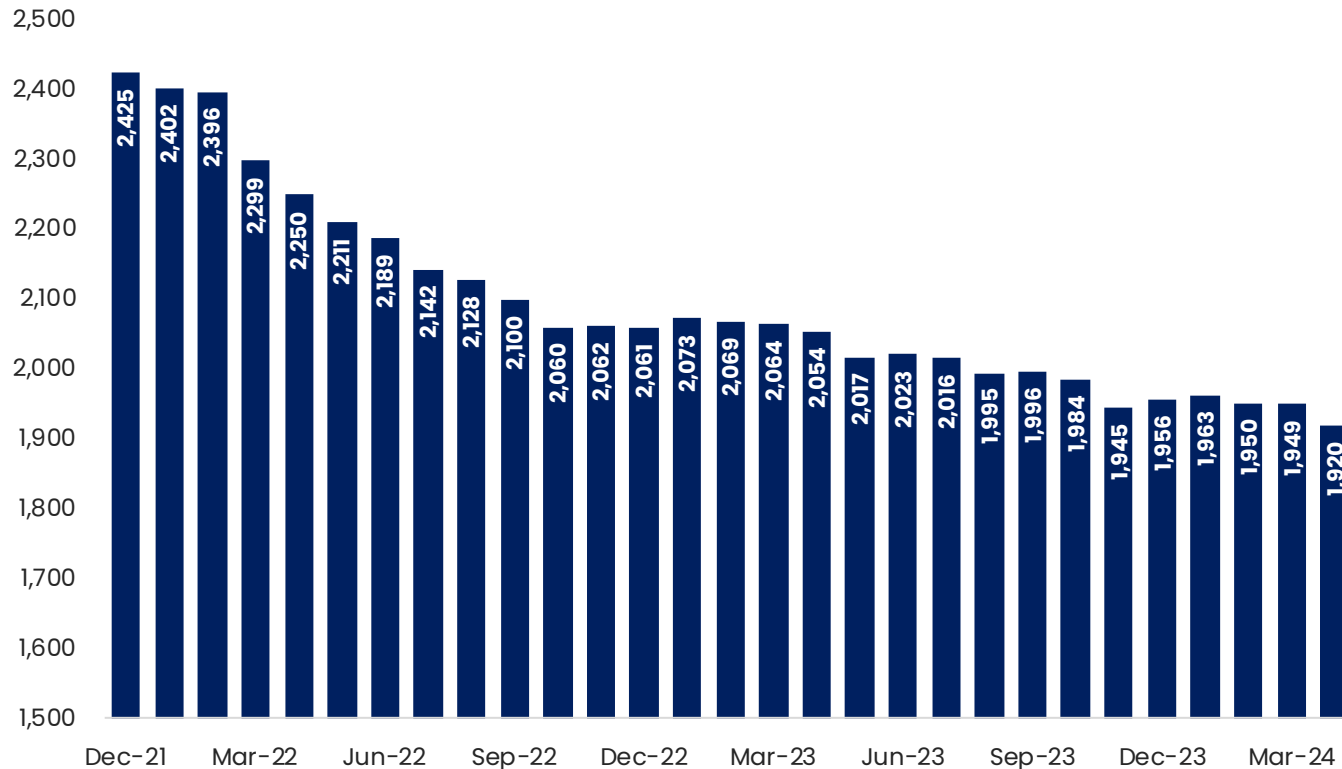
Source: Candriam – Indicative data may change over time.



Unprecedented contraction.

High Yield Market shrank by a quarter of its size over the past 24 months

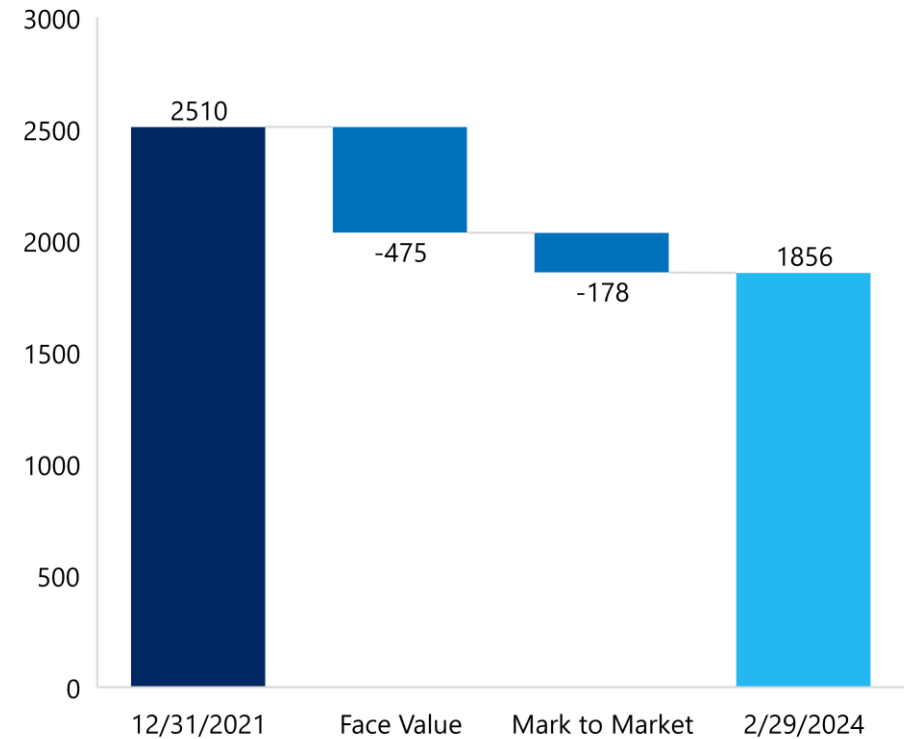
Market size (nominal value)



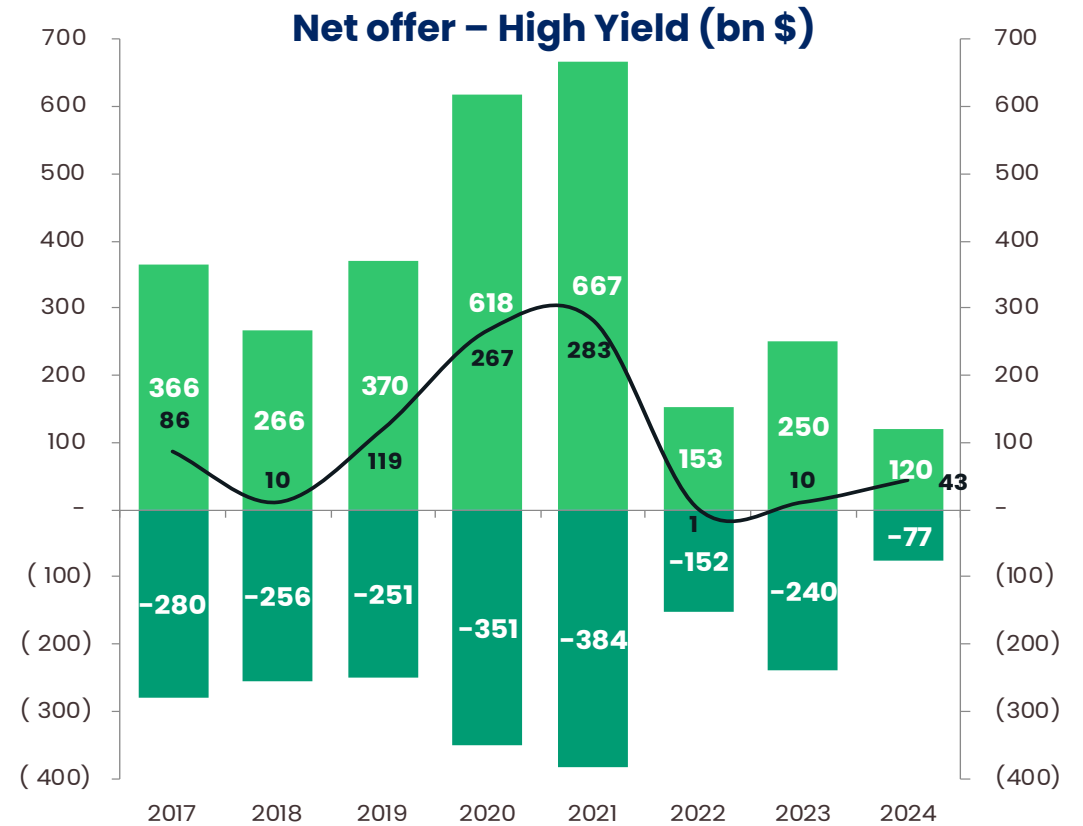
Sources: Candriam, Bloomberg as of 29/03/2024.

*ICE BofA BB-B Global High Yield

Market size



Companies favour debt reduction.



■ € Gross Supply
 ■ € Redemptions
 — € Net supply

■ \$ Gross Supply
 ■ \$ Redemptions
 — \$ Net Supply

Sources: Candriam, JP Morgan© as of 30/04/2024.

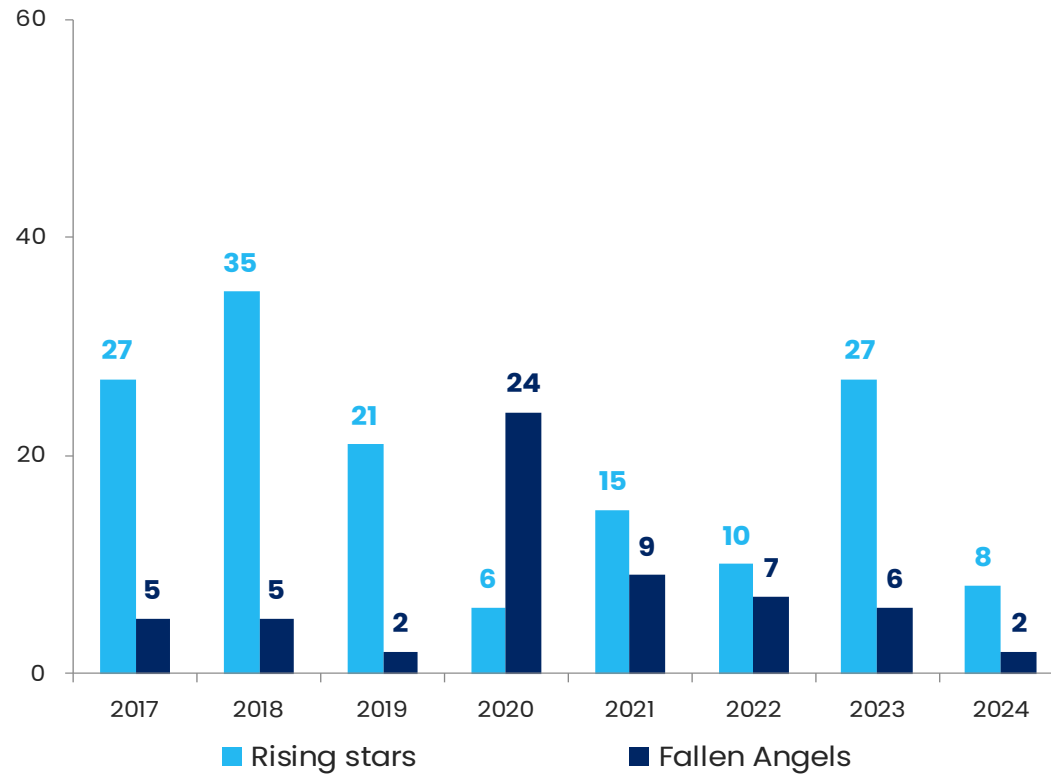
* Number of issuers



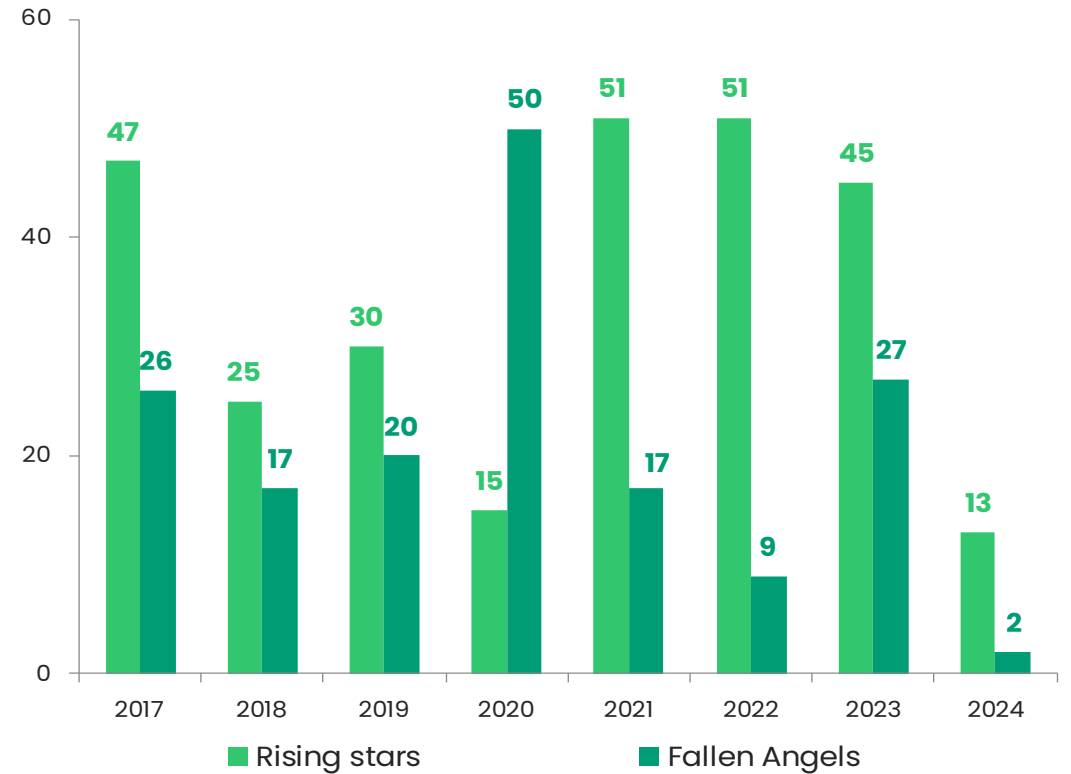
Rising stars outpace fallen angels.

... and improved ratings

Rising stars / Fallen angels €*



Rising starts / fallen angels \$*



Sources: Candriam, JP Morgan as of 30/04/2024.

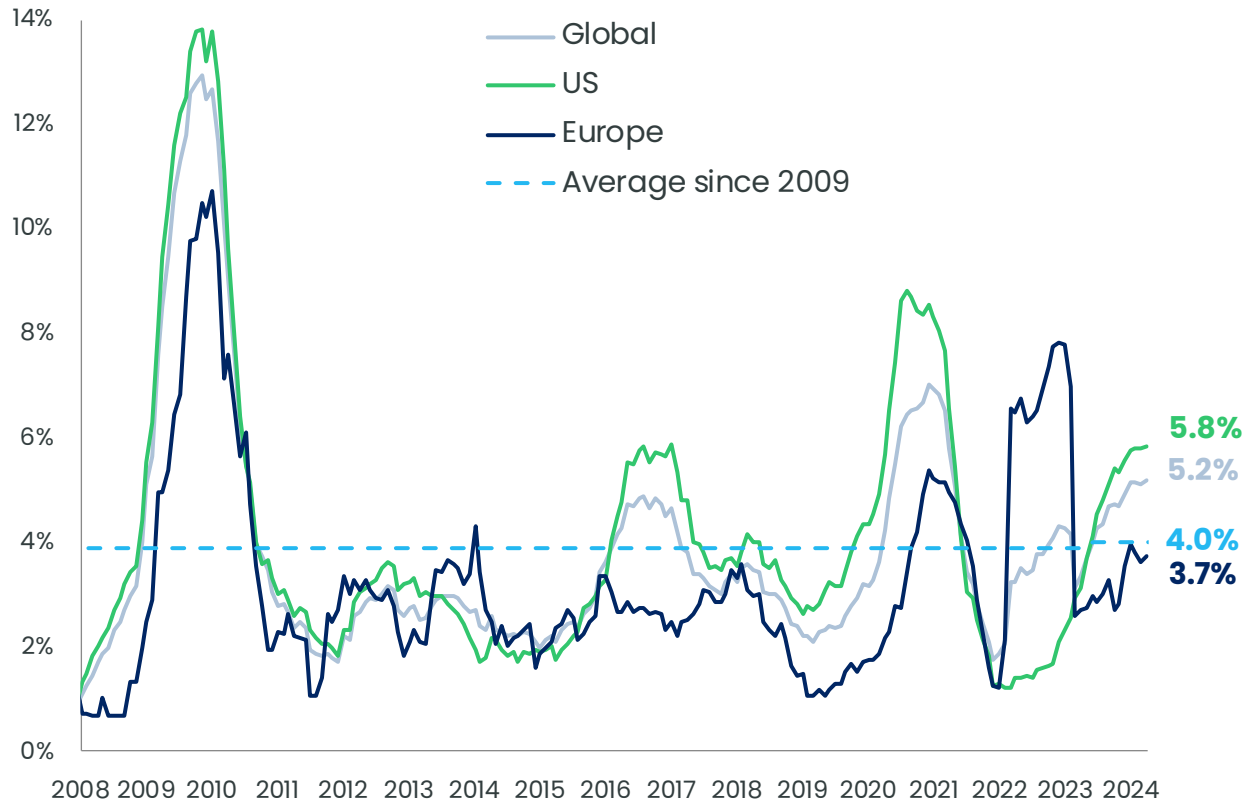
* Number of issuers



Rising default rates.

Some capital structures are not relevant to the current rates environment

Default rates (12-months rolling)



Sources: Candriam, Moody's Forecast, Bloomberg® as of 30/04/2024

Defaults et distressed situations



LUMEN

Atos

GRIFOLS



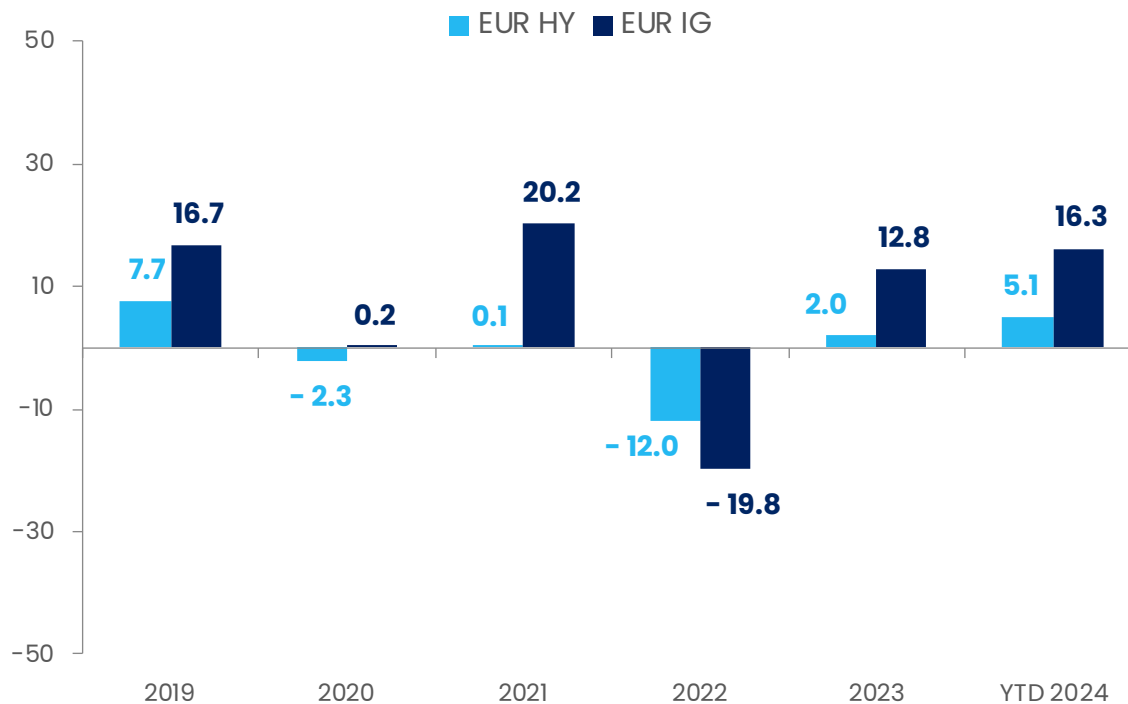
Hertz



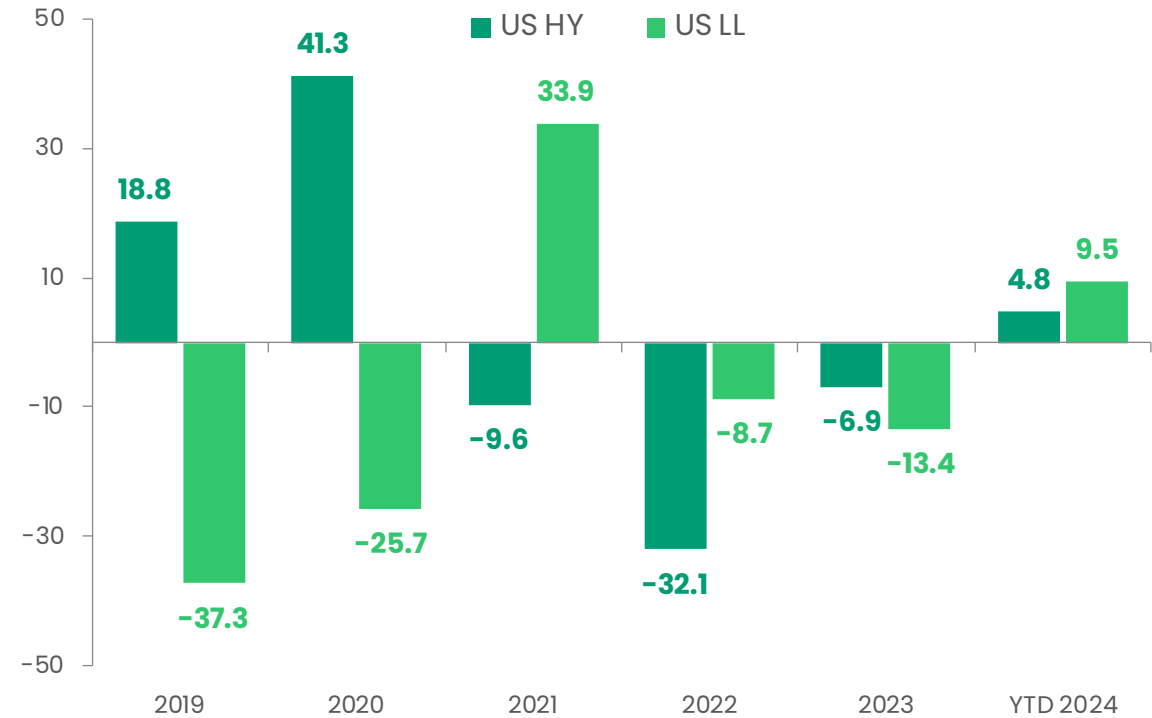
Supported by higher demand in High Yield.

A positive demand in the US and a remaining strong one in Europe

Annual flows (in € bn)



Annual flows (in \$ Bn)

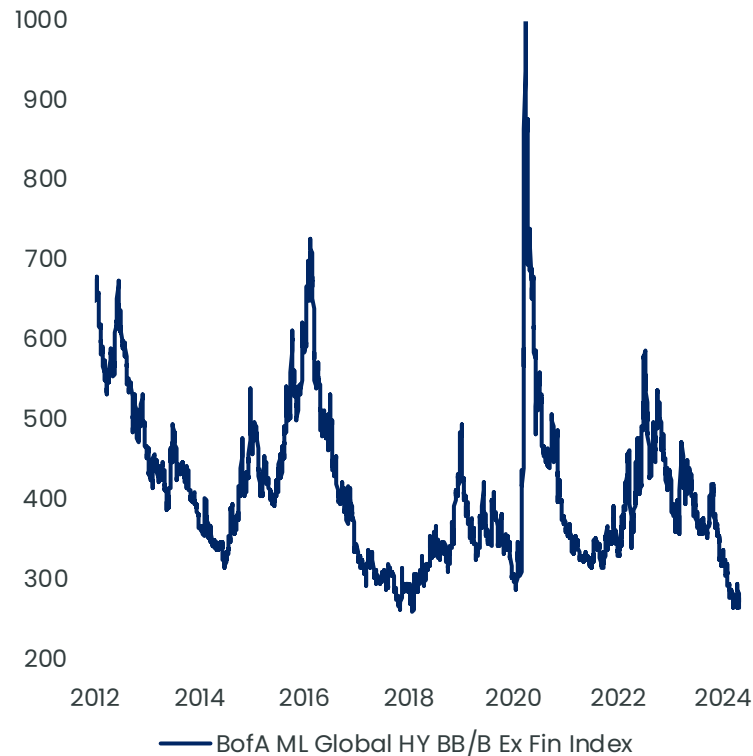


Sources: Candriam, JP Morgan© as of 22/05/2024

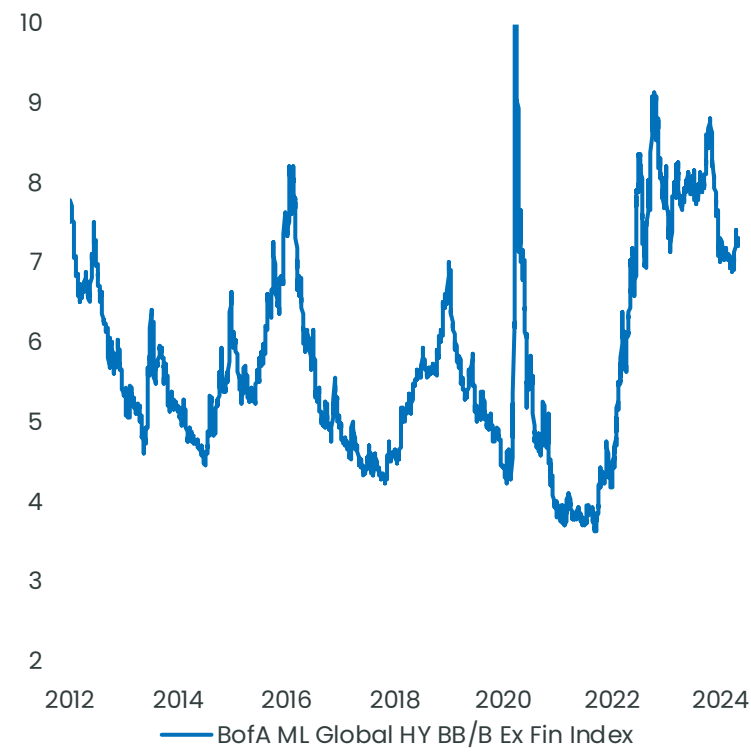


Attractive yields but spreads remain tight.

**Credit spreads are historically low
(265 bps)**



**Returns remain attractive
(7.3%)**



**Average price still below par
(93)**

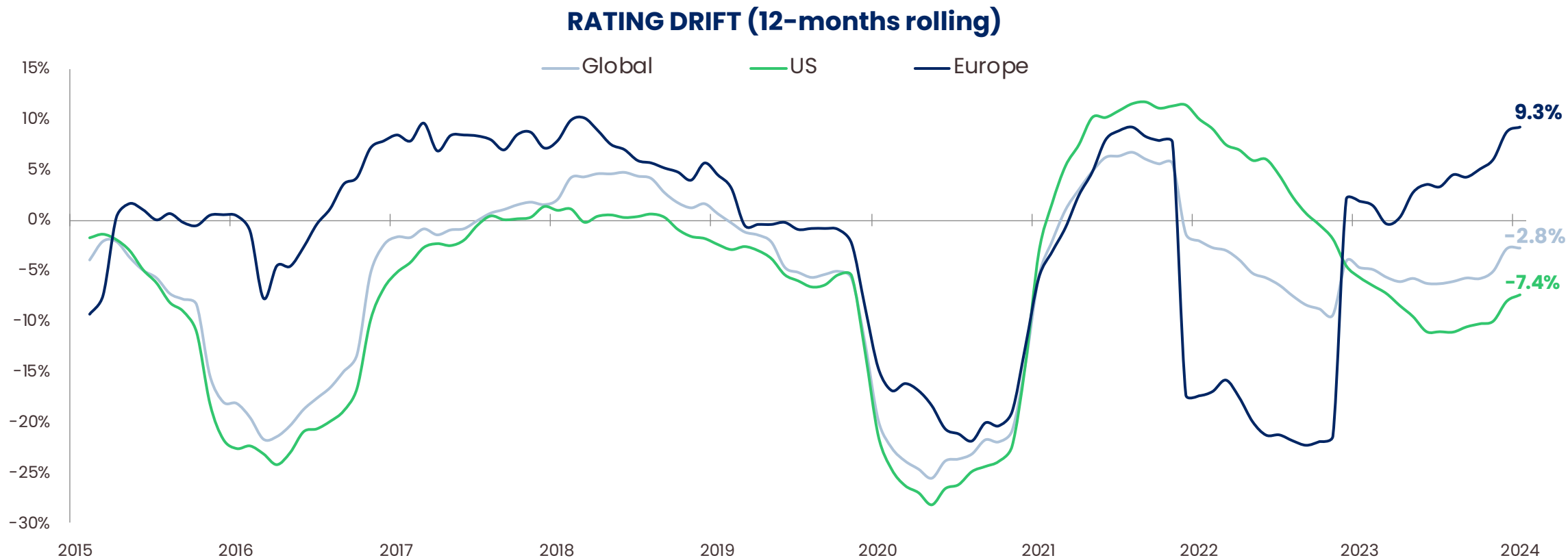


Sources: Candriam, JP Morgan as of 30/04/2024.

Past performance is no guarantee of future results and is not constant over time.



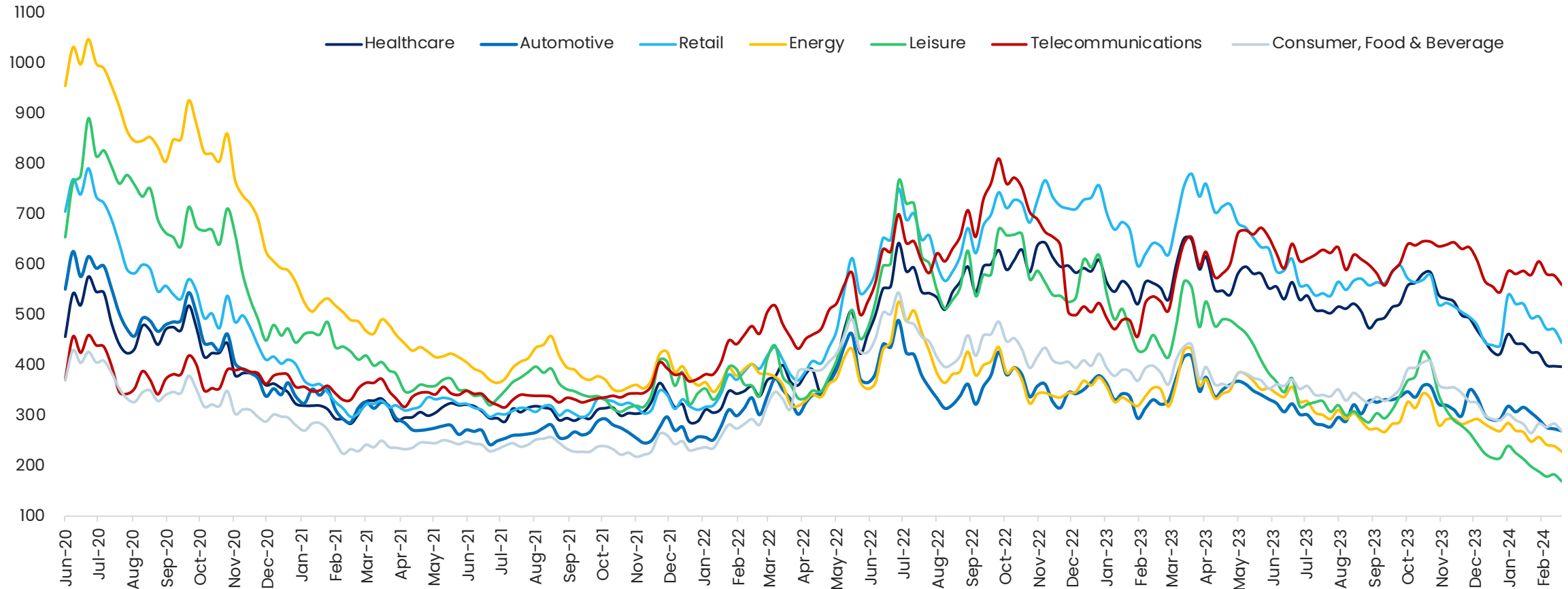
Fundamentals deteriorating in the US but getting stronger in Europe.



Sources : Candriam, Moodys Forecast, Bloomberg®, as of 30/04/2024.



High dispersion between cyclical and defensive sectors.



Sources : Candriam, Bloomberg© as of 29/02/2024.

Past performance is no guarantee of future results and is not constant over time.



Our Solution for High Yield markets.

Innovating and iterating to adapt to the shifting landscape

Be Selective

Go Global

Focus on Alpha

Candriam Bonds Global High Yield

Long Only Solution  

- › Highly **active benchmarked strategy**
- › Rigorous **bottom-up selection**: no defaults since inception
- › Strong performance vs. Benchmark and peers

Sources: Morningstar®, Candriam, as at 30/04/2024 for I-Cap share class. Morningstar Rating Overall. (1) © 2024 Morningstar, Inc. all rights reserved. Some of the information contained herein is proprietary to Morningstar and/or its information providers. They are provided without any guarantee as to their accuracy, completeness or timeliness. Any reproduction or redistribution of this content is strictly prohibited. The quality of the rating obtained by the UCI or the management company depends on the quality of the issuing institution, and this rating does not guarantee the future results of the UCI or the management company





2 Favour a global approach: Global High Yield strategy.



Global High Yield.

Improved diversification & quality

GHY Index*	2012	2024	Change
Debt Capitalisation	1 252 bn	1 856 bn	+50%
Yield to worst	6.1%	7.6%	+150 Bps
Duration	4	3.2	-0.8

Global High Yield Index: Rating distribution



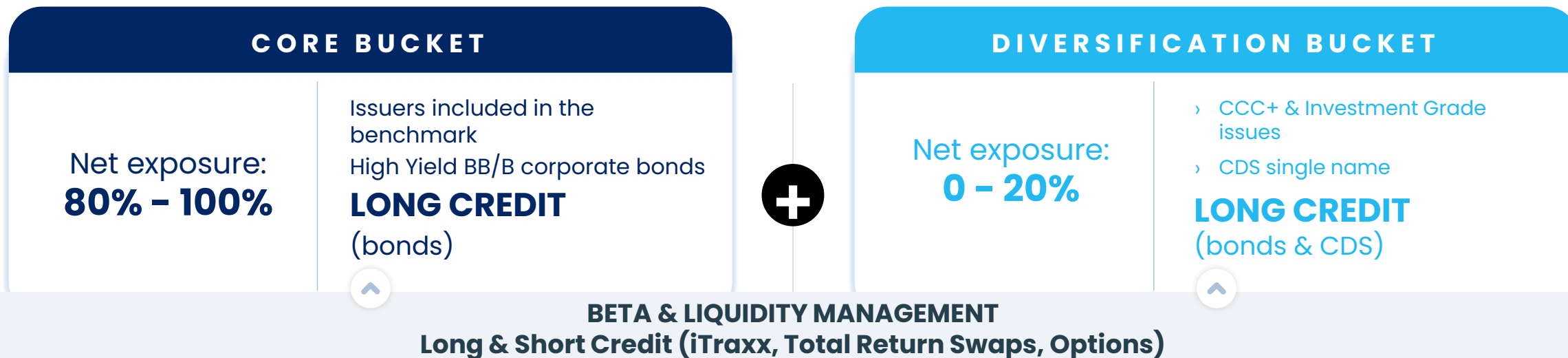
Source: Bloomberg Candriam, 30/04/2024, * ICE Global High Yield Index



Candriam Bonds Global High Yield.

A Long Only Benchmarked approach on the Global High Yield market

- › Benchmark: **ICE BofA BB-B Global High Yield Non-Financial 2% Constrained Index Hedged EUR (Total Return)**®
- › Within a maximum ex-ante tracking error of 5% and **excluding financials**



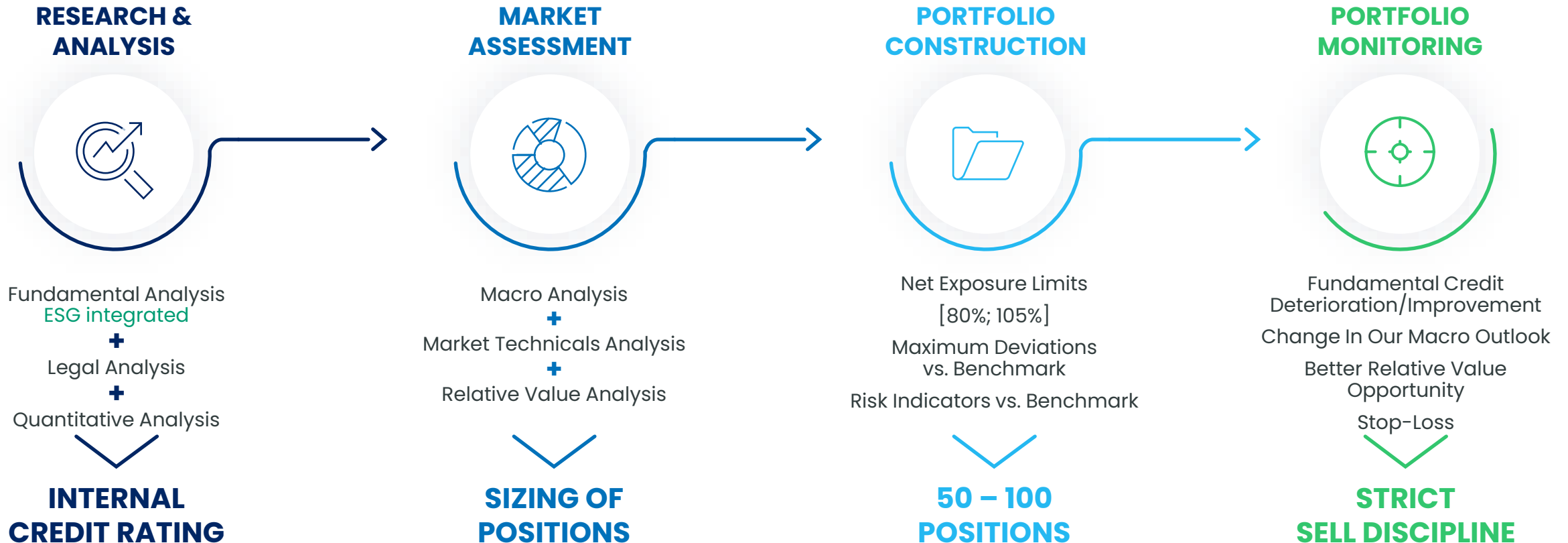
To fully understand the fund's risk profile, we advise investors to carefully review the official prospectus and the description of the underlying risks: Risk of capital loss, Interest rate risk, Credit risk, Counterparty risk, Sustainability risk, ESG investment risk, Liquidity risk, Risk associated with derivative financial instruments, Equity risk, Foreign exchange risk, Volatility risk, Emerging countries risk, Risk of changes to the benchmark index by the index provider, Risk related to external factors, Hedging risk of the share class.

Source: Candriam – Indicative data may change over time.



Investment process.

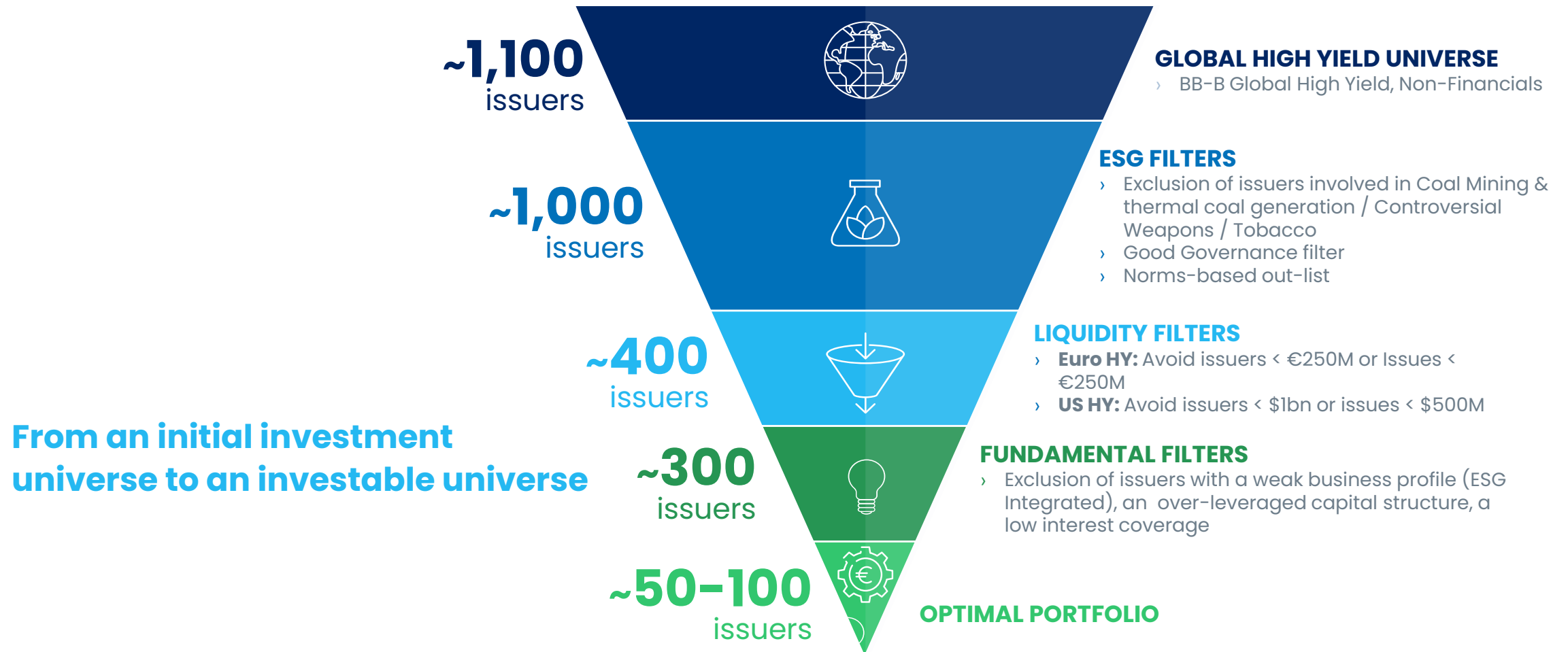
A bottom-up approach refined with a macro filter



Source: Candriam – Indicative data may change over time.



Selectivity: Screening the universe.



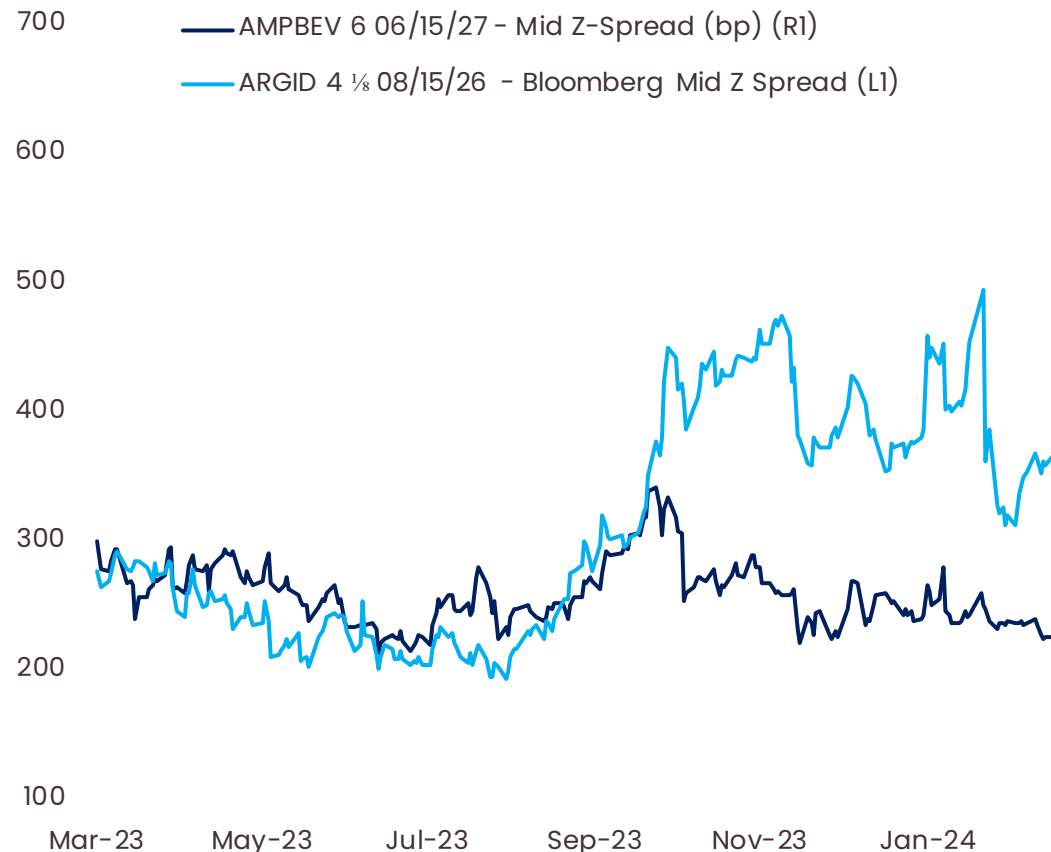
Source: Candriam – Indicative data may change over time.



Selectivity: A source of alpha.

Dispersion by issuers

Ardagh metal vs. Ardagh glass



ArdaghGroup

- › Glass industry in structural decline
- › Very aggressive financial profile
- › Net Secured Leverage 3.8x
- › LTV secured 84
- › Wall of maturity in 2025/2026 (€3.2bn of debt to be refinanced)
- › Capital structure at risk

ArdaghMetalPackaging

- › Spin-off in 2021
- › Aluminum as a substitute for glass
- › Leader in a consolidated and growing market
- › Net Secured Leverage 2.8x
- › LTV Secured 26% as of FY23

Sources : Candriam, Bloomberg®, as of 27/11/2023.

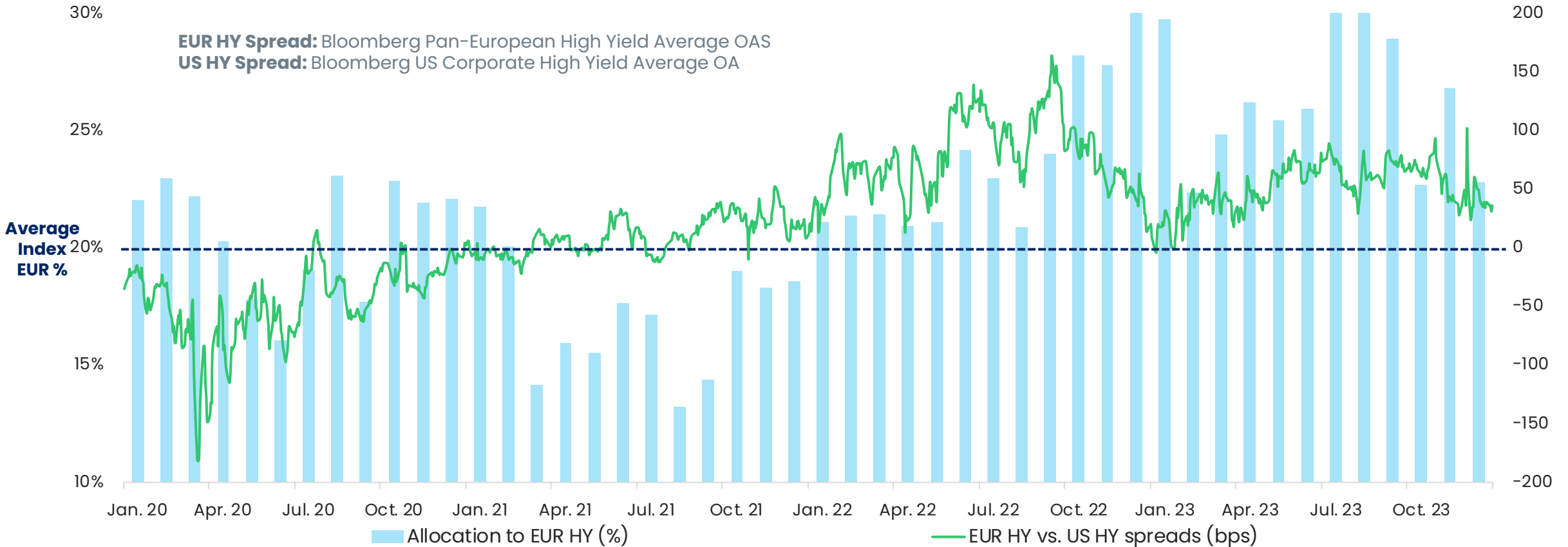
Past performance is no guarantee of future results and is not constant over time.

Example of a portfolio security



Global Approach: EUR vs. USD Allocation.

Actively managing exposure between EUR HY and USD HY

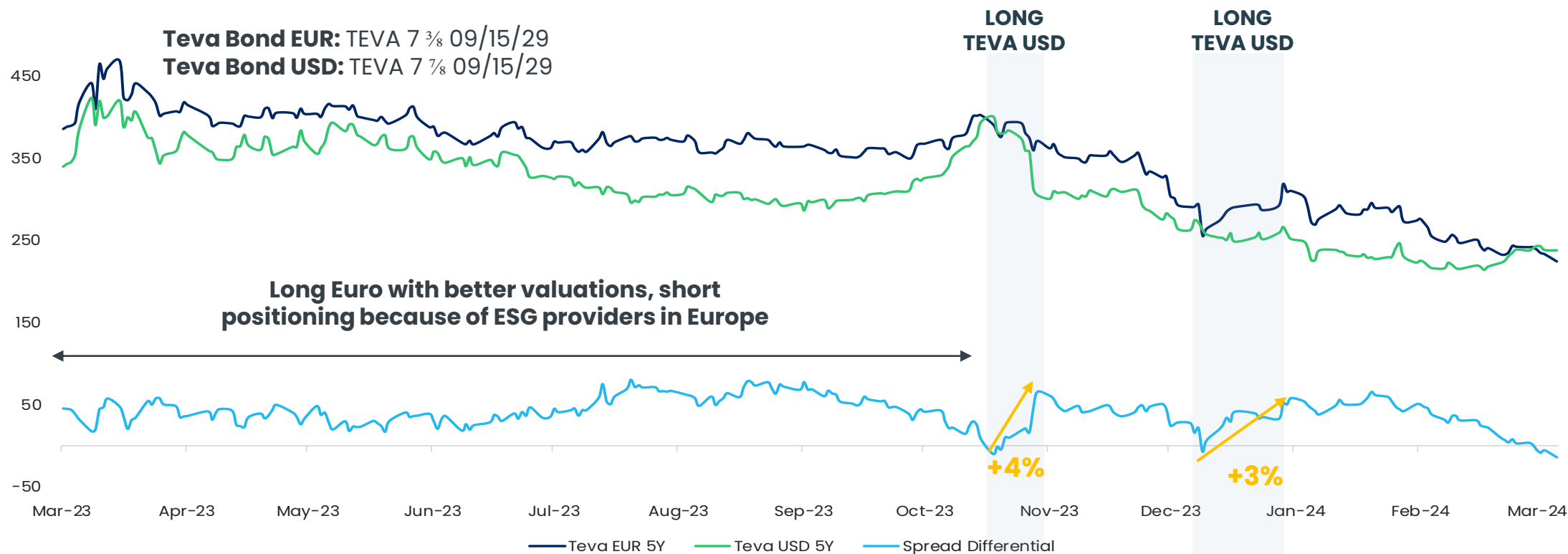


Sources : Candriam, Bloomberg®, as of 29/02/2023



Active Management: Cross currency trade.

Tactically allocating between Euro & USD bonds



Past performance is no guarantee of future results and is not constant over time.

Source: Candriam, Bloomberg® as of 11/03/2024

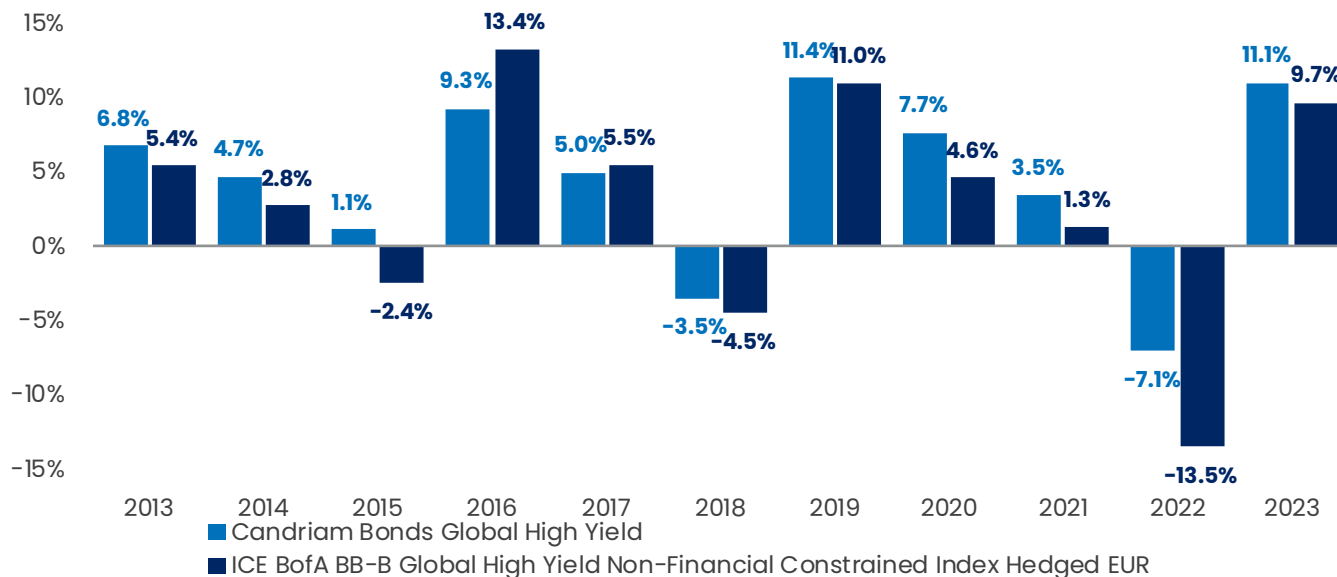
Example of a portfolio security



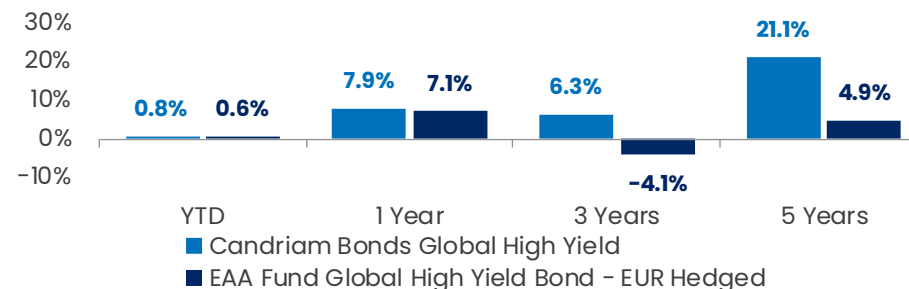
Performance review: Candriam Bonds Global High Yield.

Net of Fees I Share – EUR

Historical performance



Total returns



Risks ratios

	1 Year	3 Years	5 Years
Fund Volatility	3.7%	7.3%	7.2%
Benchmark Volatility	4.2%	8.2%	9.3%
Tracking Error	0.9%	1.7%	3.0%
Sharpe Ratio	1.14	0.09	0.45

Past performance is no guarantee of future results and is not constant over time.

Source: Candriam – Monthly data to 30/04/2024. Share class I USD, net of fees. The fund is actively managed and the investment process involves reference to a benchmark index: ICE BofA BB-B Global High Yield Non-Financial Constrained Index Hedged USD®. Past performance is no guarantee of future results and is not constant over time. Performance expressed in a currency other than that of the investor's country of residence is subject to exchange rate fluctuations, with a negative or positive impact on gains. Where this document refers to specific tax treatment, this information depends on the individual situation of each investor and may change.

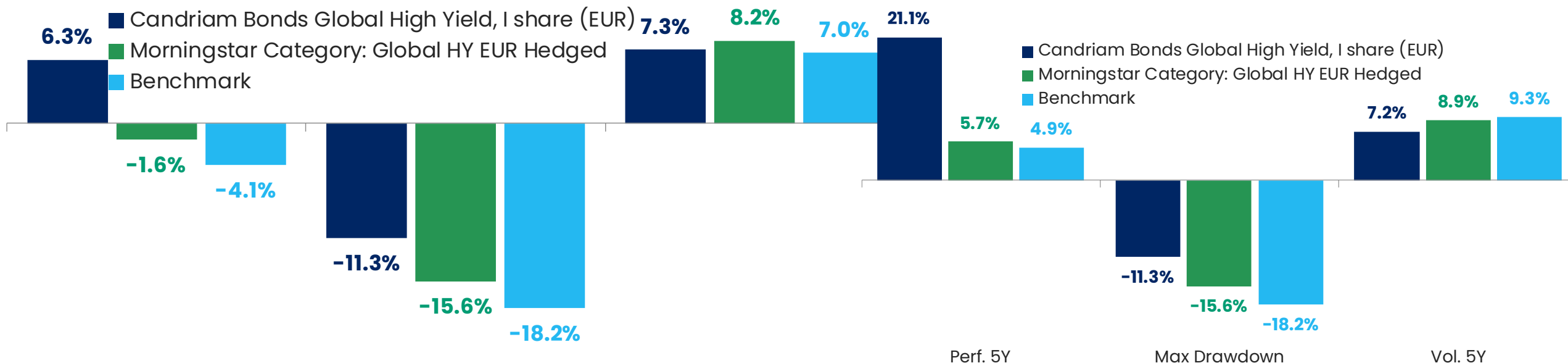


Global High Yield: Strong track record.

Net of Fees I Share - EUR

3-Year Performance

5-Year Performance



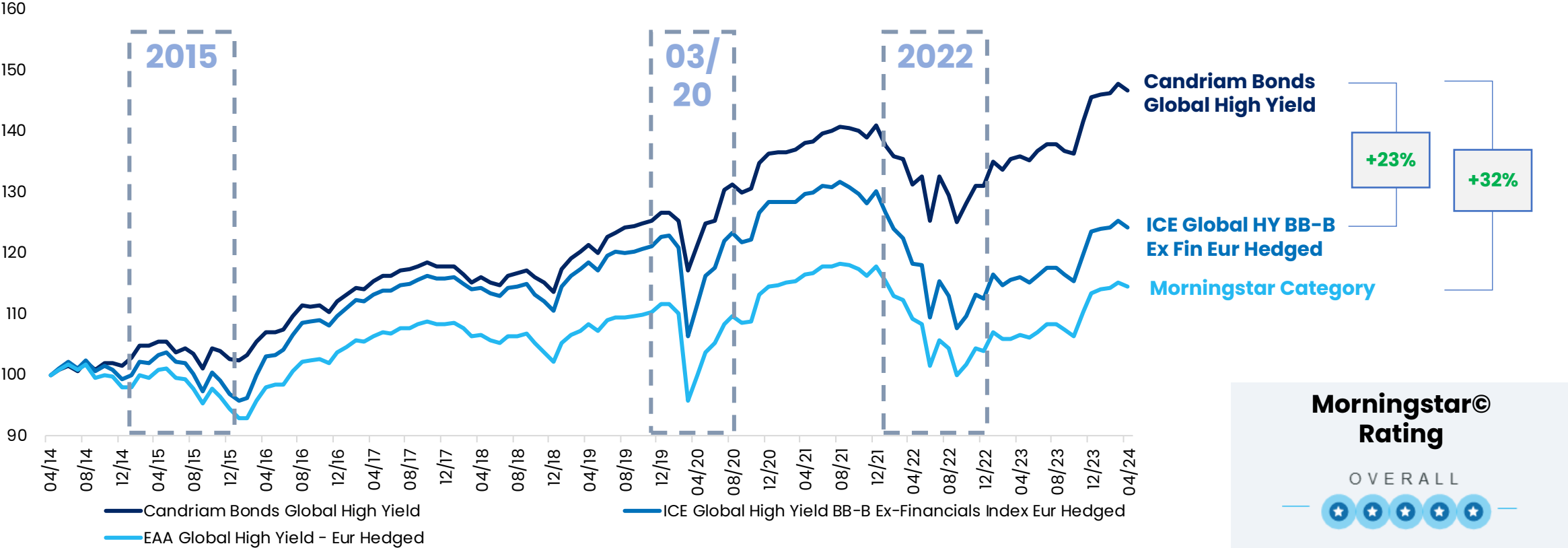
Past performance is no guarantee of future results and is not constant over time.

To fully understand the fund's risk profile, we advise investors to carefully review the official prospectus and the description of the underlying risks: Risk of capital loss, Interest rate risk, Credit risk, Counterparty risk, Sustainability risk, ESG investment risk, Liquidity risk, Risk associated with derivative financial instruments, Equity risk, Foreign exchange risk, Volatility risk, Emerging countries risk, Risk of changes to the benchmark index by the index provider, Risk related to external factors, Hedging risk of the share class.

Monthly Data as of 30/04/2024. I Share Class EUR, net of fees. The fund is actively managed, and the investment process implies referring to a benchmark index: the ICE BofA BB-B Global High Yield Non-Financial Constrained Index Hedged EUR. Past performance is no guarantee of future results and is not constant over time. Performances expressed in a currency other than that of the investor's country of residence are subject to exchange rate fluctuations, with a negative or positive impact on gains. If the present document refers to a specific tax treatment, such information depends on the individual situation of each investor and may change. fees Morningstar Category: EAA OE Global High Yield Bond ©2024 Morningstar, Inc. All rights reserved. Some of the information contained in this document is the property of Morningstar and/or its information providers. It is given without any guarantee as to its accuracy, exhaustiveness or topicality. Its reproduction or redistribution is strictly forbidden. The quality of the award won by the UCI or the management company depends on the quality of the issuing institution and that the award does not guarantee the future results of the UCI or management company.



Global High Yield: Strong track record.



Past performance is no guarantee of future results and is not constant over time.

Source: Candriam as of 30/04/2024

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3 Conclusion.



Why consider these solutions?



01

Be Selective: identifying default is paramount

02

Go Global: broaden your investment universe

03

Focus on Alpha: spread tightening is behind us

04

Be Active: focus on best identified opportunities

05

Reduce risk: increase diversification in your portfolios





4 Appendix.



Candriam Bonds Global High Yield.

Legal Form	UCITS - SICAV	ISIN Code	I - Cap LU0170293806																	
Domicile	Luxembourg	Frequency of valuation	Daily																	
Launch date	January 9, 2003	Fund currency	EUR																	
Management Company	CANDRIAM	Management fees (max.)¹	0.60%																	
Depository bank	CACEIS Bank, Luxembourg Branch	Subscription fees (max.)¹	N/A																	
Supervision authority	CSSF (Commission de Surveillance du Secteur Financier)	Redemption fees (max.)¹	N/A																	
SFDR classification	Article 8	Performance fees (max.)¹	20.00%																	
Benchmark	ICE BofA BB-B Global High Yield Non-Financial Constrained Index Hedged EUR (Total Return) [©]	Fund AUM	874 million																	
		Recommended investment horizon	3 years																	
Registered for sale in	All or some of the fund share classes are authorized in the following countries (orange coloured points)																			
	AT	BE	CH	CL	DE	DK	ES	FI	FR	GB	IE	IT	LU	NL	NO	PT	SE	SK	SG	KR
	●		●	●	●	●	●	●	●	●	●	●	●	●		●	●		●	
<p>The fund is actively managed, and the investment process implies referring to a benchmark index, the ICE BofA BB-B Global High Yield Non-Financial Constrained Index Hedged EUR (Total Return)[©]</p>																				

¹This list is not exhaustive, the sub-fund incurs other costs further information on fees and charges is available in the KID/Prospectus to allow investors to understand the overall impact of costs on the amount of their investment and on the expected returns. The prospectus is available on Candriam.com: Fund Detail. Management and performance fees are calculated annually. The fees are expressed as an annual percentage of the average net asset value of the Share Class and are payable at the end of each month.

Source: Candriam – April 2024



Risk Profile - Candriam Bonds Global High Yield.



The fund presents a risk of capital loss,

the net asset value of the fund may decrease in particular because of its exposure to the risk associated with the use of derivatives instruments

- › The summary risk indicator ("SRI") is an indicator with a rating ranging from 1 to 7 and corresponds to increasing levels of risk and return. The methodology for calculating this regulatory indicator is available in the KID.
- › **The summary risk indicator ("SRI") is a guide to the level of risk of this product compared to other products.**
- › It shows how likely it is that the product will lose money because of movements in the markets or because we are not able to pay you

Source: Candriam

Risk Level date of calculation: March 2024

For further details on risks associated with investing in this fund, a general description and explanation of the various risk factors is available in the section Risk Factors of the Prospectus. The prospectus and KID are available on Candriam.com: Fund Detail.



Risk Profile – Candriam Bonds Global High Yield.

Investors should be aware of the significant risk below, which may not necessarily be adequately taken into account by the indicator:

- › **Credit risk:** the fund is exposed to the risk of default of an issuer in terms of honouring the payment of coupons and/or the repayment of the amount borrowed. This risk is higher as the fund may invest in high-yield debt issues whose issuers are considered risky.
- › **Counterparty risk:** The fund may use OTC derivative products, and these may represent a counterparty risk, i.e., the inability of the counterparty to honour its commitments to the fund. This counterparty risk could be fully or partially hedged by the receipt of guarantees.
- › **Risk related to financial derivative instruments:** their use implies risk associated with the underlying assets and can accentuate downward movements via the resulting leverage effect. Hedging strategies using derivatives may not be perfect. Some derivatives may be difficult to value under exceptional market circumstances.
- › **Liquidity risk:** the fund may invest in securities and/or market segments which may prove to be less liquid, particularly under certain market conditions, and it may therefore be the case that the securities cannot be sold quickly and at reasonable prices.
- › **Sustainability risk:** refers to any event or situation in the environmental, social or governance domain that could affect the performance and/or the reputation of the issuers in the portfolio. The sustainability risk may be specific to the issuer, depending on its activities and practices, but it may also be due to external factors.

Risk factors specific to the sub-fund

- › Risk of capital loss
- › Interest rate risk
- › Credit risk
- › Counterparty risk
- › Sustainability risk
- › ESG investment risk
- › Liquidity risk
- › Risk associated with derivative financial instruments
- › Equity risk
- › Foreign exchange risk
- › Volatility risk
- › Emerging countries risk
- › Risk of changes to the benchmark index by the index provider
- › Risk related to external factors
- › Hedging risk of the share classes

Source: Candriam – Risk Level date of calculation: March 2024 – For further details on risks associated with investing in this fund, a general description and explanation of the various risk factors is available in the section Risk Factors of the Prospectus. The prospectus and KID are available on [Candriam.com: Fund Detail](https://www.candriam.com).





Thank you for your attention.

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Place of performance: Route de Signy 35, CH-1260 Nyon.

Place of jurisdiction: Route de Signy 35, CH-1260 Nyon.

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