CT High Yield Bond Fund

At a glance

An actively managed bond fund that focuses on issuer and security selection to exploit worldwide opportunities in the high yield market.

Key reasons to invest

1 **High-quality research:** Our independent, bottom-up credit research results in a deeper understanding of issuer and industry dynamics. Intensive analysis enables us to identify attractive investment opportunities and, most importantly, avoid those that present the risk of permanent capital loss.

2 **Trusted investment team:** Our highly-experienced, high-yield portfolio management team has worked together for over 10 years and draws on the ideas and insights of the global fixed-income team and wider investment platform. This generates a richer perspective on global, regional and local investment landscapes as they impact on the UK and European high yield market.

3 **Consistent risk-adjusted returns:** The fund aims to deliver consistent risk-adjusted returns across a range of market conditions, delivering positive excess returns with lower volatility than the overall UK and European high yield market.

Key facts

Fund inception date:
4 October 1999

Fund objective:
Please refer to the Fund KIID for the objective and policy of this fund

Fund size:
£345 million (as at 31.12.2024)

Roman Gaiser
Co-portfolio Manager
(since December 2019)

David Backhouse
Co-portfolio Manager
(since April 2012)

"Even as risk-free yields have fallen sharply, in some cases to negative levels, high yield corporate credit still offers reasonable credit spreads which are not overly compressed. The credit spread compensates for the risk of default, and considering our relatively benign default outlook and the continuing backdrop of low government bond yields, we still see opportunity in this asset class." **– Roman Gaiser/David Backhouse**

Investment approach

Our investment approach is influenced by the risk of permanent capital loss and the asymmetry of potential returns inherent in corporate credit investing. We see the largest source of performance over the long-term as issuer and security selection and avoiding material capital loss, which is why our investment process is built upon a strong analyst-led, fundamental credit research process.

Fundamental credit research

The investment research process focuses on the bottom-up, fundamentally led research of individual issuers and securities. This is led by the analyst team, with each analyst responsible for primary coverage of a group of issuers within one or more industry sectors. Our research process focuses on the micro level, company specific factors which significantly drive credit quality, while additionally factoring in macro factors and top down themes that can be important drivers of potential return. The end result of the research process is an agreed 'investment rating,' which helps determines the eventual sizing of the position in the portfolios.

Portfolio construction & risk management

The portfolio construction process runs in parallel to the credit research process and aims to ensure that our emphasis on issuer assessment and selection leads to a desired amount (and type) of portfolio level risk. While we expect issuer selection to account for 60-80% of alpha over the course of a credit cycle, we believe that at certain other times we can add value through top-down considerations related to credit beta, sector allocation, and credit quality allocation; in general we do not consider interest rate duration or currency management as a source of additional returns. The portfolio construction process is led by the fund management team, and combines daily discussions on the desk with a formal meeting every month. Risk management follows credit research and portfolio construction as the third (but equally important) element to our investment approach and is embedded in our investment process where we employ both quantitative and qualitative techniques to measure and manage risk in the portfolio.

Key risks

Past performance is not a guide to future returns and the fund may not achieve its investment objective. Your capital is at risk. The value of investments can fall as well as rise and investors might not get back the sum originally invested. Where investments are in assets that are denominated in multiple currencies, or currencies other than your own, changes in exchange rates may affect the value of the investments. Changes in interest rates are likely to affect the fund's value. In general, as interest rates rise, the price of a fixed rate bond will fall, and vice versa. The investment policy of the fund allows it to invest in derivatives for the purposes of reducing risk or minimising the cost of transactions. The fund may exhibit significant price volatility. The fund holds assets which could prove difficult to sell. The fund may have to lower the selling price, sell other investments or forego more appealing investment opportunities. Most bond and cash funds offer limited capital growth potential and an income that is not linked to inflation. Inflation is likely to affect the value of capital and income over time. The fund's assets may sometimes be difficult to value objectively and the actual value may not be recognised until assets are sold. The fund invests in securities whose value would be significantly affected if the issuer either refused to pay or was unable to pay or perceived to be unable to pay. All the risks currently identified as being applicable to the Fund are set out in the "Risk Factors" section of the Prospectus. Please read the Key Investor Information Document and the Fund Prospectus if considering investing.

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