

First Sentier Investors' High Yield Group recently passed the **3-year performance anniversary**. Our current High Yield Strategies are long-only corporate credit, with no leverage and no derivatives.

Portfolio Managers Comments

“We’re pleased with the performance of our High Yield Composites since inception. Most particularly because our primary focus has remained, as always, on the goal of capital preservation during downside market corrections. Our time-tested, investment process should lead to continued investment success if implemented with stringent discipline, by our talented and diligent team”.

Co-Portfolio Managers/Co-Heads of High Yield, Matt Philo and Jason Epstein

eVestment Performance Rankings

	3 YR	%ile Rank	2 YR	%ile Rank	1 YR	%ile Rank
Broad High Yield	3.69	4	3.21	7	-0.32	8
Select High Yield	3.3	7	2.43	21	-1.36	16
Quality High Yield	3.87	6	3.59	11	0.25	8
Short Duration High Yield	2.77	7	2.3	16	-1.02	16

Risk Metrics Since Inception

	Information Ratio	%ile Rank	Sharpe Ratio	%ile Rank	Upside Capture	%ile Rank	Downside Capture	%ile Rank
Broad High Yield	1.72	2	0.24	6	115	8	88	42
Select High Yield	1.23	8	0.17	13	121	4	98	64
Quality High Yield	1.63	3	0.28	11	111	11	90	49
Short Duration High Yield	0.74	4	0.17	11	99	31	79	38

Past Performance is not indicative of future performance. The performance of the Broad High Yield Composite is hypothetical, as the assets of the of the Select High Yield strategy and the Quality High Yield strategy have been combined to create the Broad High Yield strategy.

Peer group percentile rankings are versus eVestment's US High Yield Fixed Income (for Broad & Select High Yield), Quality High Yield Fixed Income (for Quality High Yield) & Short Duration High Yield FI (for Short Duration High Yield) universes. Data shown includes all results reported in eVestment as of May 27, 2020 and does not reflect any selection by FSI.

Investments in funds that make up the composite may produce different performance returns to the composite returns.

Philosophy

We believe that high yield corporate investing is first and foremost about risk control:

- All securities must meet stringent “margin-of-safety” metrics, and offer yields and spreads that over-compensate for estimated default risks.
- Optimal portfolio construction combines bottom-up credit selection with top-down portfolio risk management.

Objective

We strive to maximize the default-adjusted yield and spread of a diversified portfolio, with the goal of generating superior returns over a market cycle with less volatility than the broad high yield market.

Investment Process Tenets

Rigorous implementation, simple in concept:

Downside Protection / Capital Preservation

- Minimum Margin-of-Safety, requirements; quantified and stringently applied
- Qualitative Fundamental Corporate Assessments, to further safeguard against default risk

Upside Potential

- Catalysts for Total Return, expected to result in total returns above a coupon base yield

Accurate Relative Value Assessments

- Default Adjusted Methodology, spread premium necessary to overcompensate for default risk

Portfolio Construction

- Maximize the default-adjusted yield and spread of a diversified portfolio.
- Combines dynamic fundamental, bottom-up credit selection with continuous top-down portfolio risk management

Annualised/Calendar Year Performance	April'20	1Q'20	YTD	2019	2018	S.I.	3 year	Inception 30 Apr 17	
								2 year	1 year
Broad High Yield	5.51%	-11.18%	-6.29%	16.09%	-1.62%	3.69%	3.69%	3.21%	-0.32%
ICE BofAML US HY Constrained Index	3.80%	-13.13%	-9.83%	14.41%	-2.27%	1.42%	1.42%	0.54%	-5.27%
Active Performance	1.70%	1.95%	3.54%	1.68%	0.65%	2.26%	2.26%	2.67%	4.95%
Select High Yield	6.00%	-12.49%	-7.24%	16.55%	-2.06%	3.30%	3.30%	2.43%	-1.36%
ICE BofAML US HY Constrained Index	3.80%	-13.13%	-9.83%	14.41%	-2.27%	1.42%	1.42%	0.54%	-5.27%
Active Performance	2.20%	0.64%	2.59%	2.14%	0.21%	1.88%	1.88%	1.89%	3.91%
Quality High Yield	5.20%	-10.45%	-5.79%	15.75%	-1.34%	3.87%	3.87%	3.59%	0.25%
ICE BofAML BB-B US HY Constrained Index	4.18%	-11.93%	-8.25%	15.10%	-2.04%	2.25%	2.25%	2.00%	-2.86%
Active Performance	1.02%	1.48%	2.46%	0.64%	0.71%	1.62%	1.62%	1.59%	3.11%
Short Duration High Yield	3.66%	-8.58%	-5.23%	10.84%	0.53%	2.77%	2.77%	2.30%	-1.02%
ICE BAM 1-5 YR BB-B US Cash Pay HY Index	3.56%	-11.96%	-8.83%	10.98%	0.67%	1.49%	1.49%	0.54%	-4.92%
Active Performance	0.11%	3.38%	3.60%	-0.14%	-0.15%	1.28%	1.28%	1.76%	3.90%

The Inception Date of the FSI High Yield Composites was April 30, 2017. Past Performance is not indicative of future performance. The performance of the Broad High Yield Composite is hypothetical, as the assets of the Select High Yield strategy and the Quality High Yield strategy have been combined to create the Broad High Yield strategy. Composite returns do not reflect the deduction of investment advisory fees. A client's return will be reduced by the investment fees. If a client placed \$100,000 under management and a hypothetical gross return of 7% were achieved, the investment assets before fees would have grown to \$196,715 in 10 years. However, if an advisory fee of 0.4% were charged, investment assets would have grown to \$188,987, or an annual compounded rate of 6.6%. Note: due to rounding percentages may not precisely reflect the absolute figures.

Investments in funds that make up the composite may produce different performance returns to the composite returns.

Co-Portfolio Managers: High Yield



Jason Epstein

Senior Portfolio Manager, Co-Head of High Yield

Jason joined First Sentier Investors in September 2016. He has 18 years of industry experience.

Jason was a Managing Director with Oak Hill Advisors where he was responsible for managing a team of analysts covering a broad range of sectors.

While at Oak Hill he was responsible for managing leveraged credit investments in the building products, chemicals, homebuilding, lodging and paper & packaging sectors.

Prior to Oak Hill, Jason was an analyst within investment banking at Credit Suisse First Boston where he was a member of both the Financial Sponsors and Technology groups.

Jason has a BS in Economics from The Wharton School, University of Pennsylvania.



Matt Philo, CFA

Senior Portfolio Manager, Co-Head of High Yield

Matt joined First Sentier Investors in May 2016. He has 31 years of industry experience.

Matt was Executive Managing Director & Head of High Yield at MacKay Shields LLC, serving as Portfolio Manager to \$22 Billion of assets across institutional and retail accounts. He joined MacKay Shields in 1996 and managed institutional accounts for the firm from September 1996 through May 2014.

He managed the Mainstay High Yield Corporate Bond Fund (MYHIX) from December 2000 through May 2014.

Matt has an MBA in Finance from New York University Stern School of Business, and a BA in Economics from University at Albany SUNY. Matt is a CFA Charterholder.

Contact Details

Ross Crocker,

Head of Consultant Relationships:
ross.crocker@firstsentier.com.au

Jeannene O'Day

Head of Institutional Northern Region:
jeannene.o'day@firstsentier.com.au

Peter Heine

Head of Institutional Southern Region:
peter.heine@firstsentier.com.au

Edward Tighe

Business Development Manager:
edward.tighe@firstsentier.com.au

Important Information

This material has been prepared and issued by First Sentier Investors (Australia) IM Ltd (ABN 89 114 194 311, AFSL 289017) (Author). The Author forms part of First Sentier Investors, a global asset management business. First Sentier Investors is ultimately owned by Mitsubishi UFJ Financial Group, Inc (MUFG), a global financial group. A copy of the Financial Services Guide for the Author is available from First Sentier Investors on its website.

This material contains general information only. It is not intended to provide you with financial product advice and does not take into account your objectives, financial situation or needs. Before making an investment decision you should consider, with a financial advisor, whether this information is appropriate in light of your investment needs, objectives and financial situation. Any opinions expressed in this material are the opinions of the Author only and are subject to change without notice. Such opinions are not a recommendation to hold, purchase or sell a particular financial product and may not include all of the information needed to make an investment decision in relation to such a financial product.

CFSIL is a subsidiary of the Commonwealth Bank of Australia (Bank). First Sentier Investors was acquired by MUFG on 2 August 2019 and is now financially and legally independent from the Bank. The Author, MUFG, the Bank and their respective affiliates do not guarantee the performance of the Fund(s) or the repayment of capital by the Fund(s). Investments in the Fund(s) are not deposits or other liabilities of MUFG, the Bank nor their respective affiliates and investment-type products are subject to investment risk including loss of income and capital invested.

To the extent permitted by law, no liability is accepted by MUFG, the Author, the Bank nor their affiliates for any loss or damage as a result of any reliance on this material. This material contains, or is based upon, information that the Author believes to be accurate and reliable, however neither the Author, MUFG, the Bank nor their respective affiliates offer any warranty that it contains no factual errors. No part of this material may be reproduced or transmitted in any form or by any means without the prior written consent of the Author.

In Australia, 'Colonial', 'CFS' and 'Colonial First State' are trade marks of Colonial Holding Company Limited and 'Colonial First State Investments' is a trade mark of the Bank and all of these trade marks are used by First Sentier Investors under licence.