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Man High Yield Opportunities

Opinion

- This Recommended fund is managed by Mike Scott, a passionate and experienced high yield bond manager. He managed a retail-focused high yield bond fund before joining Man Group in 2018.
- He has established a robust, repeatable process that is marked out by the depth of the credit research and the resources available at the firm.
- The team uses its analytical firepower to good effect by looking past the big benchmark issuers and focusing on smaller names where robust proprietary research can bring the greatest rewards.

Characteristics and Utility

- This is a high conviction, "go anywhere" global high yield bond fund. The team invests where they see value, regardless of the structure of formal benchmarks. The ability to express negative views on individual names or on the market within the fund is a differentiating feature.
- Credit selection is expected to be the main driver of returns. Over the course of an economic cycle, they invest in performing, stressed and distressed names, according to their value perspectives and their assessment of a company's response to secular trends.
- The team seeks to strike a balance between their expressions of conviction in the portfolio and appropriate diversification. They do not lose sight of their stated aim to deliver attractive risk-adjusted returns over different market conditions. That said, volatility is tolerated at times when they believe they are compensated for taking on more risk.
- The fund is suited to investors seeking dynamic and value-driven exposure to global high yield bond markets, managed without the constraints of an index.

Risk Commentary

The fund's KIID Synthetic Risk and Reward Indicator (SRRI) is 4. This is a regulatory measurement that is, where possible, calculated from the volatility of its weekly performance over a five-year period. A score of 4 means the fund's historic volatility is between 5% and 10%.

An SRRI score of 4 is not out of step with that of global high yield bond indices. Over time, we would expect the fund's risk profile to be in keeping with that of the asset class, although over shorter time periods, risk outcomes may look quite different because of the manager's dynamic approach. Different share classes could have differing SRRI scores.

LOWER RISK (Typically lower rewards) **HIGHER RISK** (Typically higher rewards)

1	2	3	**4**	5	6	7

Key Fund Facts

Inception Date:	6 June 2019
Manager(s) Since:	Mike Scott (Jun 19)
Fund Domicile:	United Kingdom
Base Currency:	£ Sterling
Fund Benchmark:	ICE BofA Global High Yield TR GBP (Hedged)
IA Sector:	£ High Yield

Formal documentation, including the fund prospectus and the KIID, should be sought directly from the asset manager. A link to the asset manager's website can be found on the relevant fund page at theadvisercentre.co.uk. An asset manager adviser factsheet is also provided there.

Fund Snapshot

A long-biased, unconstrained global high yield bond fund that is managed with a "go anywhere" mindset. The approach is based upon rigorous credit research to identify mispriced opportunities in any high yield market, regardless of the benchmark. Within its sector, the fund features in our 'Global High Yield, Flexible' category.

Investment Team

Mike Scott, Head of Global High Yield and Credit Opportunities, joined Man Group in 2018 to launch this fund. Previously, he worked at Schroders, where he was a high yield bond portfolio manager. Since joining Man Group, Mr Scott has established a team of high yield specialists who undertake fundamental credit research on all areas of the market. The team also has access to Man Group's proprietary research database.

Investment Philosophy

The team believes that credit markets are inefficient, and that rigorous credit analysis is the key to uncovering value and delivering attractive risk-adjusted returns. Rather than attempting to predict the future macro-economic picture, they concentrate their efforts on assessing an issuer's credit fundamentals, using broad themes to hone their search for ideas from across global high yield bond markets.

Investment Process

The investment process begins with an evaluation of the global universe of eligible fixed income instruments. This is then filtered, using a series of quantitative screens that serve to highlight issuers with attractive credit fundamentals. Credit scorecards are used to build views on regions and sectors. The team conducts deeper analysis on investment candidates to create a watchlist of 100-150 issuers. The main aim of this work is to analyse an issuer's solvency and ability to meet its debt obligations. They cover quantitative, legal and qualitative factors, including key areas such as business models, supply chains, financing, revenue streams, customer bases, governance and management styles. While their main focus is upon credit fundamentals, the team also considers the impact that broader themes, such as consumer trends, technological developments and demographics might have on an issuer. The use of such themes also helps to instil natural diversification into the portfolio.

The size of each position depends upon their conviction in the idea in the context of the sector or country in which it resides, its liquidity, the seniority of the debt and how it complements the existing portfolio. The team tends to favour smaller and medium-sized issuers, rather than the larger issuers that dominate the benchmarks. Using derivatives, they also use their research to express negative views on the market or on individual issuers.

Portfolio Construction and Risk Controls

At least two-thirds of the fund is invested in sub-investment grade bonds. The fund's global mandate means it can invest across the high yield spectrum in performing debt, special situations and distressed credits. The portfolio typically features 60-80 holdings, with position sizes ranging from 1-4% (maximum weight 5% at purchase). In keeping with the IA sector guidelines, the fund is at least 80% hedged back to sterling. The team has the flexibility to include index and single name short positions via credit default swaps and total return swaps, which can account for up to 40% of the fund. The fund is subjected to the firm's risk oversight, which is conducted independently of the portfolio managers.

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