COLUMBIA THREADNEEDLE INVESTMENTS

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THREADNEEDLE EUROPEAN SHORT-TERM HIGH YIELD BOND STRATEGY

AT A GLANCE

A total return bond strategy that follows a 'buy and hold' approach to exploit opportunities in short maturity European high yield corporates.

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Co-portfolio Manager

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Co-portfolio Manager

REASONS TO INVEST

1. Attractive risk-adjusted return profile: The portfolio aims to deliver solid total returns driven primarily from income and with potential for some capital appreciation, with a focus on downside risk management and lower volatility than the European high yield market due to the strategy's shorter maturity structure.

2. Managed to short final maturity, rather than duration: With a maturity target of less than four years, the strategy seeks to protect investors in case of a market sell-off, reducing the risk of a duration extension when least favourable, for instance in a falling market, that can be triggered by the pricing of callable bonds.

3. Trusted investment team: Our experienced portfolio managers work closely with our high yield analysts and our wider extensive global network of research analysts that produce independent issuer analysis and independent risk ratings, giving us a deep understanding of issuer and industry dynamics.

KEY FACTS

Duration Target[1]

Average of 1.5 to 1.8 years, with a limit of 2.5 years
At least 80% of Net Asset Value (NAV) with final maturity of 4 years or fewer

Benchmark

Total return approach with no benchmark constraints

[1] Please note that the targets may not be attained.

> "This strategy is designed for clients who are looking for income but cautious on duration risk given the low level of yields in the current environment. The short maturity space offers income from corporate risk against a backdrop of low government bond yields."
>
> – Roman Gaiser

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 as issuer and security selection and avoiding material capital loss. 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 internal 'Investment Rating,' which helps determine the eventual sizing of the position in the portfolios.

Portfolio construction and 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 vast majority of alpha over the course of a credit cycle, we believe that at certain 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 portfolio management team and combines daily discussions on the desk with more formal meetings held weekly and monthly. 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.

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