

# Rubrics Global Credit UCITS Fund

## *Portfolio Positioning & Outlook*



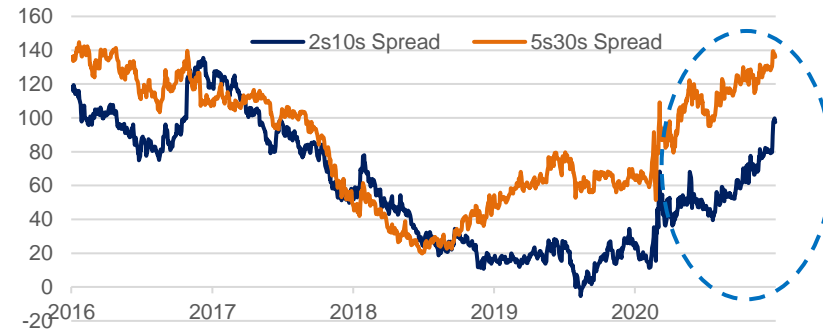
Data as at 31 December 2020 unless otherwise noted

# Credit Market Backdrop

## Market Overview - opportunities emerging in longer dated IG

- Curve steepening in the US has led global bond yields higher
- This represent a positive development for the Global Credit UCITS Fund, with opportunities arising from all-in higher yields
- Result of this is cheapening of long dated investment grade credit (including EM) and tightly priced new issues
- In addition, a selling of short dated credit to buy higher yielding long dated issues - more attractive levels in short dated paper

US 2s10s and 5s30s Spread



Yield Snapshot	YTW	Spread
<b>Investment Grade</b>		
AAA Index	1.79	58
AA Index	1.62	63
A Index	1.72	78
BBB Index	2.13	122
<b>Higher Beta</b>		
US HY Yield	4.29	356
Global CoCo High Yield	4.04	331

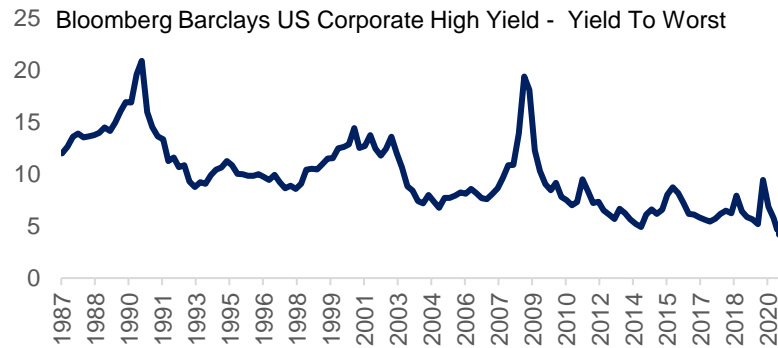
Source: Citi, Bloomberg Index yields as at 13 January 2020

# Credit Market Backdrop

## Market Overview – valuations in high yield remain stretched

- The high yield market has swung from a 1000+bps credit spread to approx 360bps

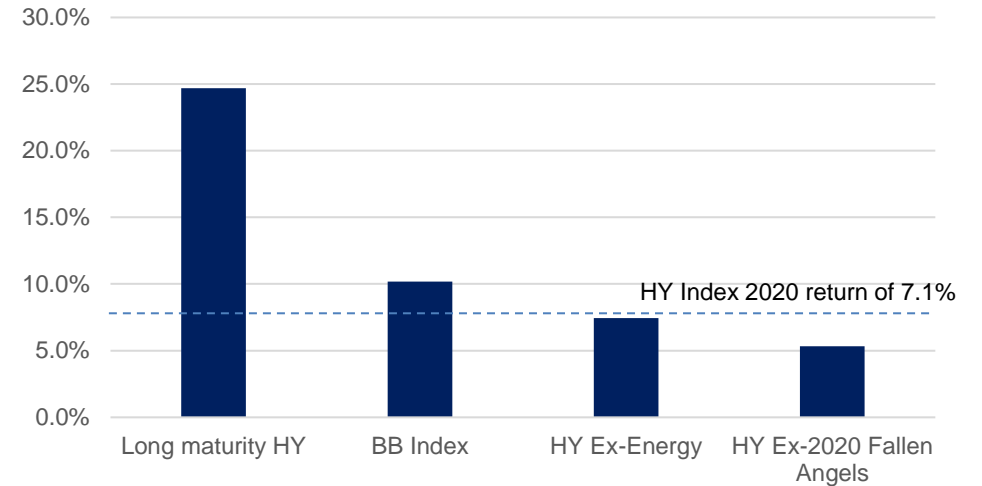
### US HY - Hitting new record low yields



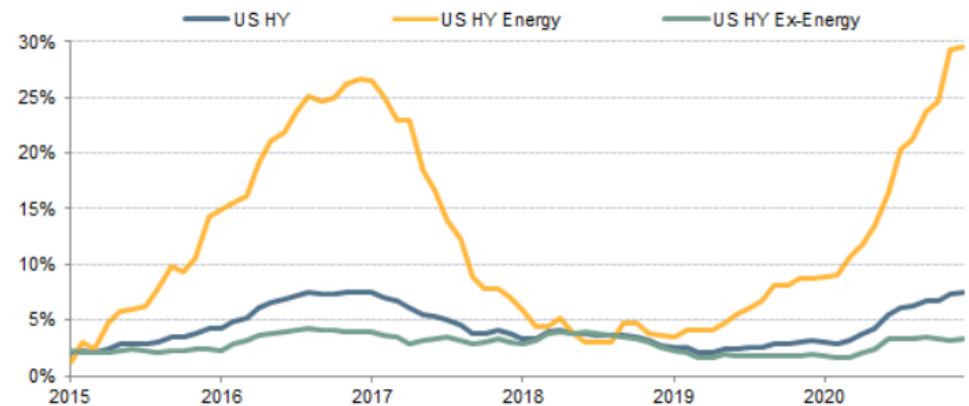
Source: Bloomberg as at 7 January 2020

- Yields on large parts of the credit market are “priced for perfection”
- US HY Energy defaults have dominated the default statistics for 2020 – overall default rates remain low owing to govt and central banks support
- Long duration credit outperformed in 2020 – can this trend continue in 2021?

### HY - Long Duration and High quality won in 2020



Source: Citi research



Source: Creditsights data as at December 2020

## Credit Market Backdrop

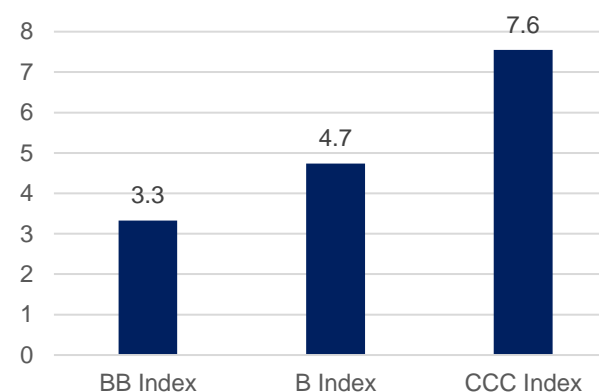
### Market Overview – squeeze in BB yields

#### Examples of BB rated Bonds

Security	Issuer	Issuer Type	A Px	A YTC	Spread	Moody	S&P	Fitch
BRAZIL 4.25 25	BRAZIL	EM Sovereign	109.64	1.7	128	Ba2	BB-	BB-
DOMREP 5.5 25	DOMINICAN REPUBLIC	EM Sovereign	113.21	2.1	162	Ba3	BB-	WD
FCX 4.55 24	FREEPORT-MCMORAN	Copper Miner	110.25	1.6	139	Ba1	BB	BB+
GUATEM 4.5 26	GUATEMALA	EM Sovereign	111.54	2.2	173	Ba1	BB-	BB-
HLT 4.875 30	HILTON	Hotelier	110.3	2.7	227	Ba2	BB	
NFLX 3.625 25	NETFLIX	Video Streaming	107.82	1.7	123	Ba3	BB	
PETBRA 5.299 25	PETROBRAS	Energy - EM	113.44	1.8	138	Ba2	BB-	BB-
SOAF 5.875 25	SOUTH AFRICA	EM Sovereign	113.65	2.7	229	Ba2	BB-	BB-
UZBEK 5.375 29	UZBEKISTAN	EM Sovereign	117.37	3.0	187		BB-	BB-
VIETNM 4.8 24	VIETNAM	EM Sovereign	113.3	1.3	104	Ba3	BB	BB

Source: Bloomberg as at 7 January 2021

#### Yields on US HY - Index

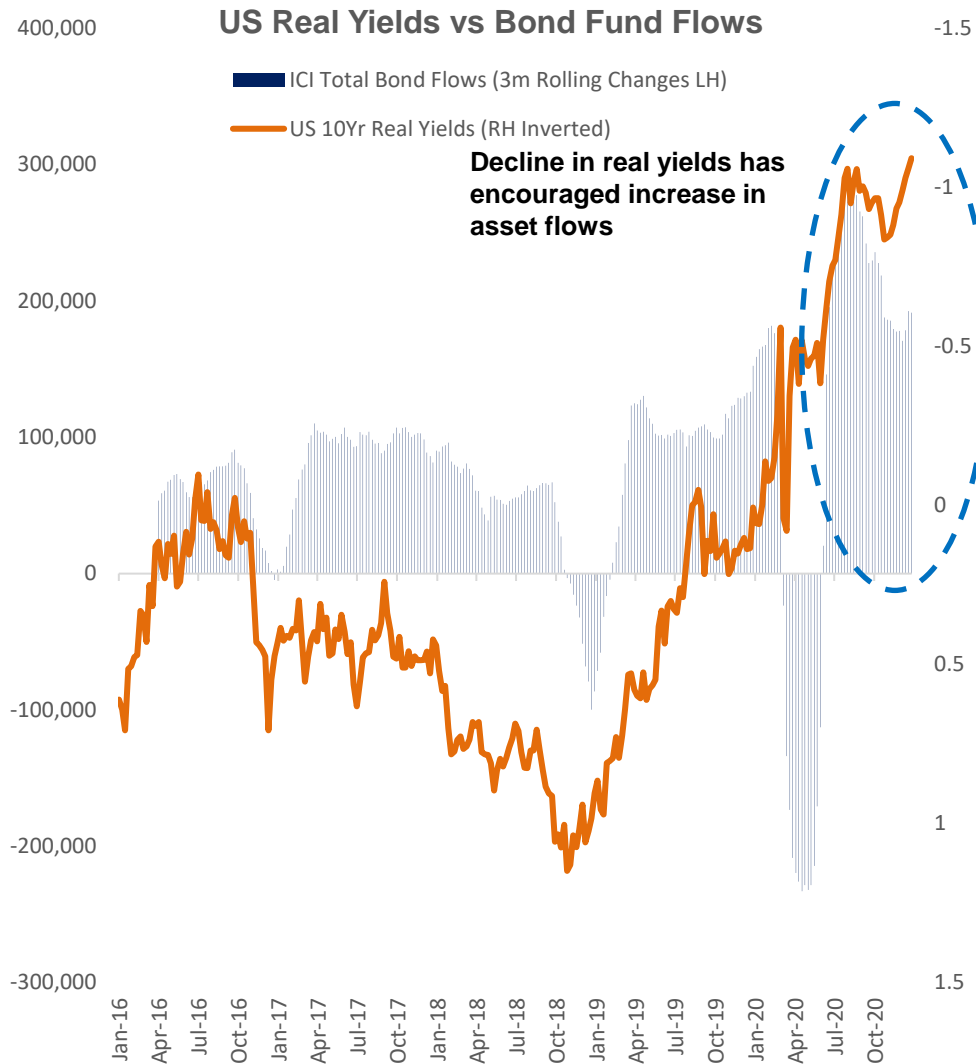


Source: Citi as at 7 January 2021

- Investment grade investors appear to be pushing down yields in the high yield space
- This has mainly been in the fallen angel/BB rating space within EM and HY
- With 10yr US Treasury yields rising above 1.0%, these levels become less appealing for what are high beta instruments
- Post the Georgia run-off there appears to be some switching from HY investors from BBs into single Bs in order to pick up credit spread, albeit embedding more credit risk in portfolios

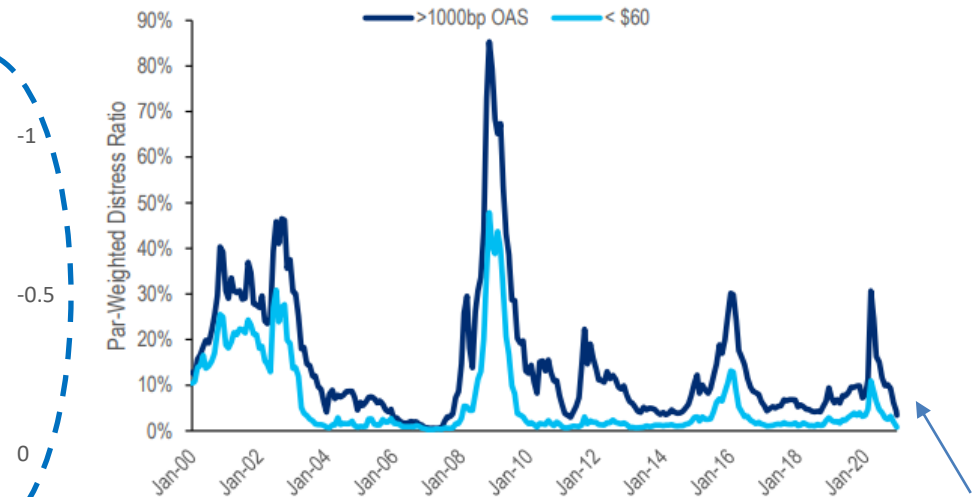
# Credit Market Backdrop

**Decline in real yields (>100bps) has underpinned record bond inflows**  
**Can reversal of this trend spur a market dislocation?**



Source: Bloomberg as at 06/01/2021

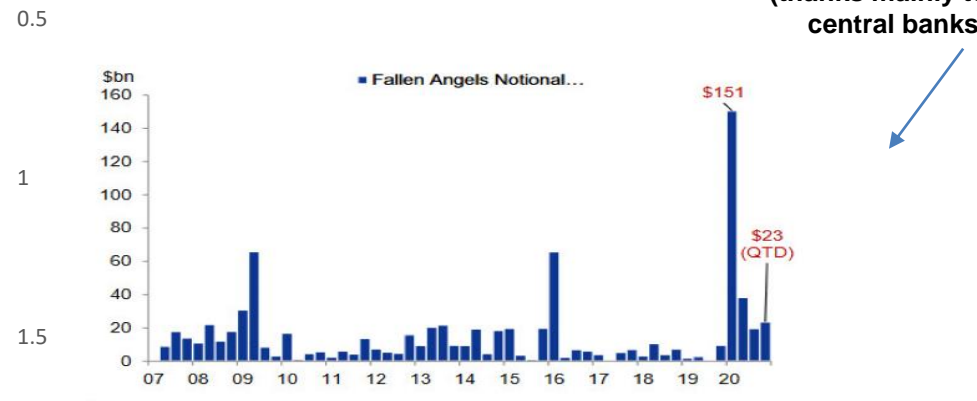
**Percentage of USD bonds in distress have decreased**



Source: Citi Research

Credit market distress short-lived (thanks mainly to central banks)

**Fallen Angel Notional (USD Bln)**



Source: Bloomberg, Goldman Sachs Global Investment Research

Source: Bloomberg, GS

# Credit Market Backdrop

## Rates cheapening presents most immediate opportunity

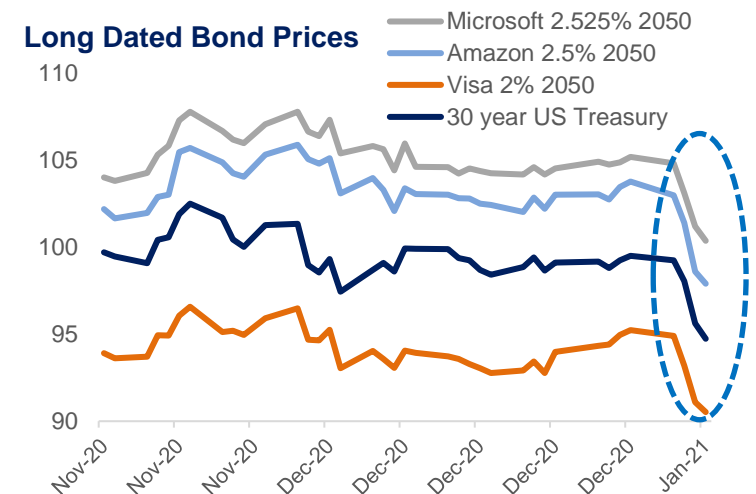
### 10 Year Bonds

Security	Issuer	A Px	A YTC	Credit Spread	Moody	S&P
ATVI 1.35 30	ACTIVISION BLIZZARD	96.81	1.7	64	Baa1	A-
GOOGL 1.1 30	ALPHABET INC	97.16	1.4	35	Aa2	AA+
AZN 1.375 30	ASTRAZENECA PLC	97.15	1.7	63	A3	BBB+ *+
CMCSA 1.5 31	COMCAST CORP	97.41	1.8	71	A3	A-
HD 1.375 31	HOME DEPOT INC	98.47	1.5	47		
MARS 1.625 32	MARS INC	98.25	1.8	72	A1	A
MDLZ 1.5 31	MONDELEZ INTERNATIONAL	97.29	1.8	73	Baa1	BBB
NDAQ 1.65 31	NASDAQ INC	97.33	1.9	88	Baa2	BBB
RIFP 1.625 31	PERNOD RIC INTL FIN LLC	96.87	2.0	90	Baa1	BBB+
PLD 1.25 30	PROLOGIS LP	97.46	1.5	46	A3	A-
FINL 0.875 30	REPUBLIC OF FINLAND	97.61	1.1	8	Aa1u	AA+
KOREA 1 30	REPUBLIC OF KOREA	97.46	1.3	21	Aa2	AA
SPGI 1.25 30	S&P GLOBAL INC	97.11	1.6	51	A3	
TEMASE 1 30	TEMASEK FINANCIAL I LTD	96.8	1.4	28	Aaa	AAA
VZ 1.5 30	VERIZON COMMUNICATIONS	97.14	1.8	75	Baa1	BBB+
V 1.1 31	VISA INC	96.58	1.5	40	Aa3	AA-

### 30 Year Bonds

Security	Issuer	A Px	A Ytc	Credit spread	Moody	S&P
ATVI 2.5 50	ACTIVISION BLIZZARD	92.15	2.90	103	Baa1	A-
AZN 2.125 50	ASTRAZENECA PLC	89.28	2.65	78	A3	BBB+ *+
BRK 2.5 51	BERKSHIRE HATHAWAY FIN	96.06	2.69	83	Aa2	AA
CMCSA 2.45 52	COMCAST CORP	92.65	2.80	94	A3	A-
CVX 2.343 50	CHEVRON USA INC	92.12	2.73	87	Aa2	AA
FE 3.4 50	FIRSTENERGY CORP	94.00	3.74	187	Ba1	BB *-
GOOGL 2.05 50	ALPHABET INC	90.93	2.49	62	Aa2	AA+
HD 2.375 51	HOME DEPOT INC	95.68	2.58	72		
LLY 2.25 50	ELI LILLY & CO	94.03	2.54	67	A2	A+
MCO 2.55 60	MOODY'S CORPORATION	91.27	2.92	106		BBB+
PLD 2.125 50	PROLOGIS LP	89.28	2.65	78	A3	A-
REGN 2.8 50	REGENERON PHARMACEUTICAL	92.70	3.18	132	Baa3	BBB+
SPGI 2.3 60	S&P GLOBAL INC	90.19	2.71	84	A3	
T 3.3 52	AT&T INC	94.09	3.62	175	Baa2	BBB
V 2 50	VISA INC	90.61	2.45	58	Aa3	AA-

- Rising treasury yields are giving rise to some value emerging in longer duration credit
- Main opportunities lie in high quality credits who have issued very expensively - either at or near par. These issues have sold off as yields have risen
- The strategy here is to selectively buy higher quality issuers (typically A and higher) at a large discount
- For example, Berkshire Hathaway priced a bond on 5<sup>th</sup> January 2021 at 98.85, is now offered at 96 (more than 2 pts cheaper)



Source: Rubrics, as at 7 January 2021



— — —

# Portfolio Update

# Portfolio Update

## Positioning, duration and risk buckets

Short end rates have been offering poor risk / reward since Fed intervention in early 2020

This has prompted a shift towards “Core” exposures vs “Roll Down”

Higher cash levels have been maintained since February 2020 compared to prior years

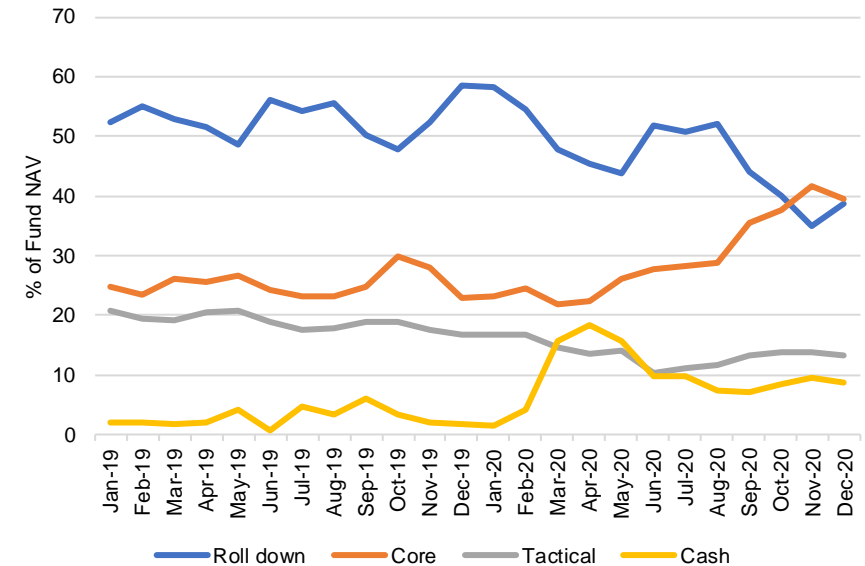
Credit duration of 2.7 lower than aggregate portfolio duration of 3.3 due to holdings in long end US Treasuries and Australia Government bonds

Additions to longest duration credit positions have been in mega cap highly rated issuers, e.g. Apple, Amazon, Google, Astra Zeneca, Temasek and Visa

By Region	Roll Down	Core	Tactical	Weight
Emerging Market	1.3%	4.0%	1.2%	6.5%
Developed Market	37.3%	35.4%	12.0%	84.7%
By Strategy	Weight	Duration	Spread	Yield
Roll Down	38.6%	0.8	143	1.38
Core	39.4%	4.7	222	2.58
Tactical	13.2%	8.5	320	3.75
Cash	8.8%	0.0	0	0.00

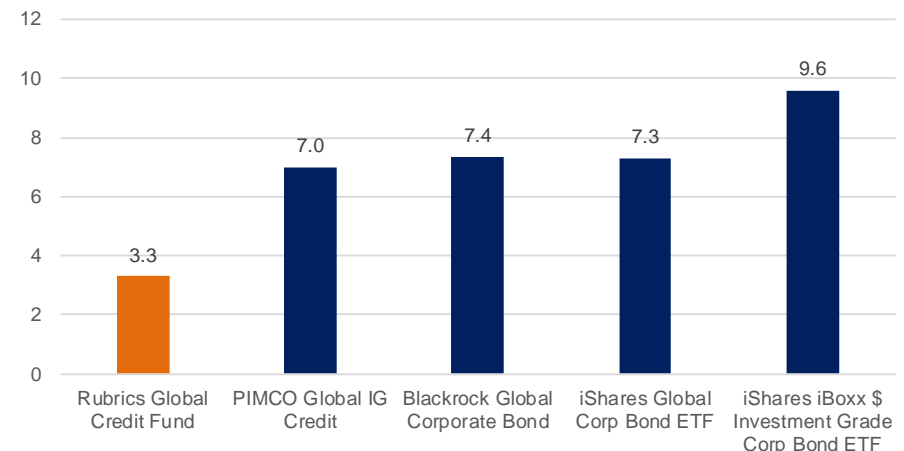
Source: Rubrics Asset management as at 31 December 2020

## Historical Risk Bucket Allocation



Source: Rubrics Asset management as at 31 December 2020

## Duration vs Larger peers



Source: Rubrics, Company websites. Pimco Global, Blackrock Global latest info as at 30-Nov-2020



# Portfolio Update

## Credit Ratings

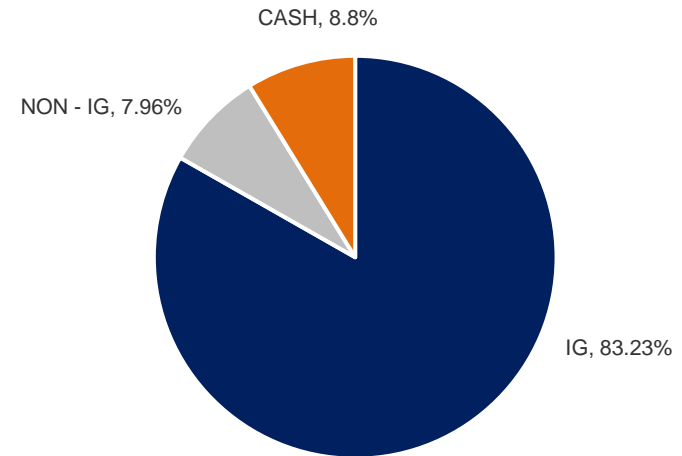
Meaningful increase in ratings quality in the “belly” of the portfolio compared to the start of the year. Most notable changes:

- BBB- rated exposure has decreased by over 14ppts
- BBB exposure has increased by ~8ppts
- BBB+ has increased by ~3ppts

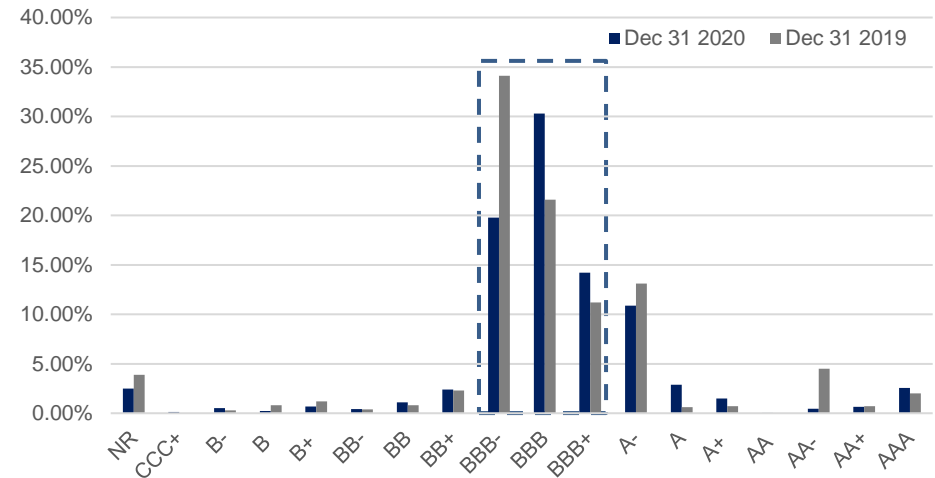
The “Non-IG bucket” of which there is a 10% hard limit has been run with more headroom since Feb-2020. This is to account for any future ratings migration on the portfolio

Due to the current headroom, the fund is positioned well to add to HY exposure once valuations cheapen up

### IG / Non-IG Split



### Ratings Composition



Source: Rubrics Asset management as at 31 December 2020

# Portfolio Update

## Sector exposures

Leisure/hospitality and 'bricks & mortar' non-food retailers exposure remain at zero

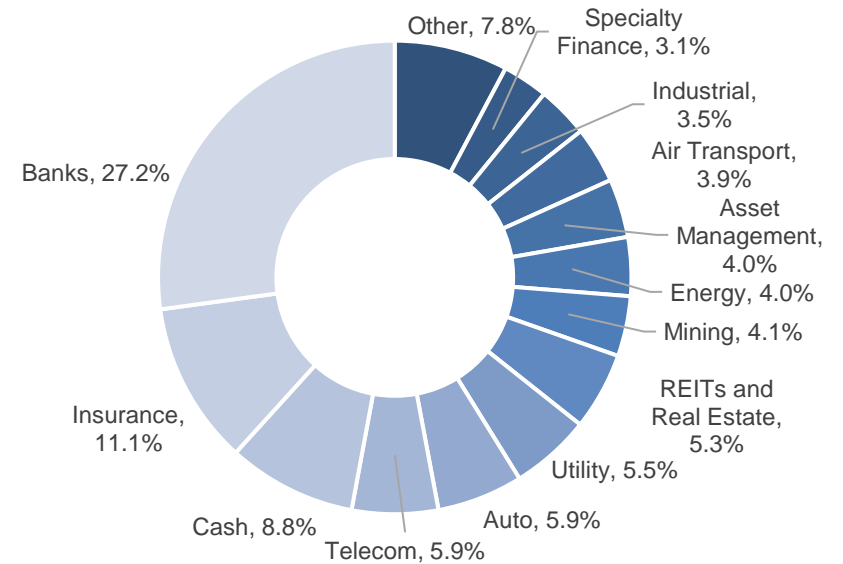
Banks and Insurers continue to make up the bulk of the portfolio, a theme that has continued since 2012

Oil & Gas – incremental exposure added via Total SA and BP Corporate Hybrids. Both are working hard on the transition to renewable energy. BP's hybrids issued in June have posted strong performance to date.

Autos – Added exposure throughout the year in high quality names within the space – e.g., BMW, Daimler, GM, Nissan and VW which previously may have been harder to buy

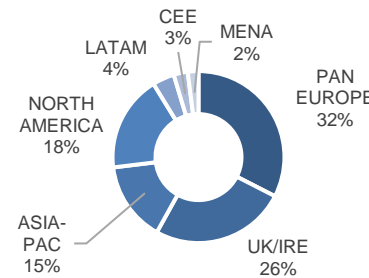
REITs and Real Estate – Added positions at the end of Q3 and this quarter in large cap names like Aroundtown and SCENTRE. Both have managed the pandemic extremely well and have rallied strongly post vaccine announcements

Top Sector Exposures

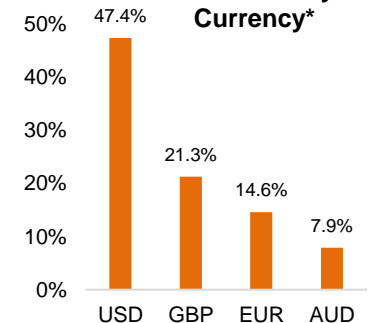


Source: Rubrics Asset management as at 31 December 2020

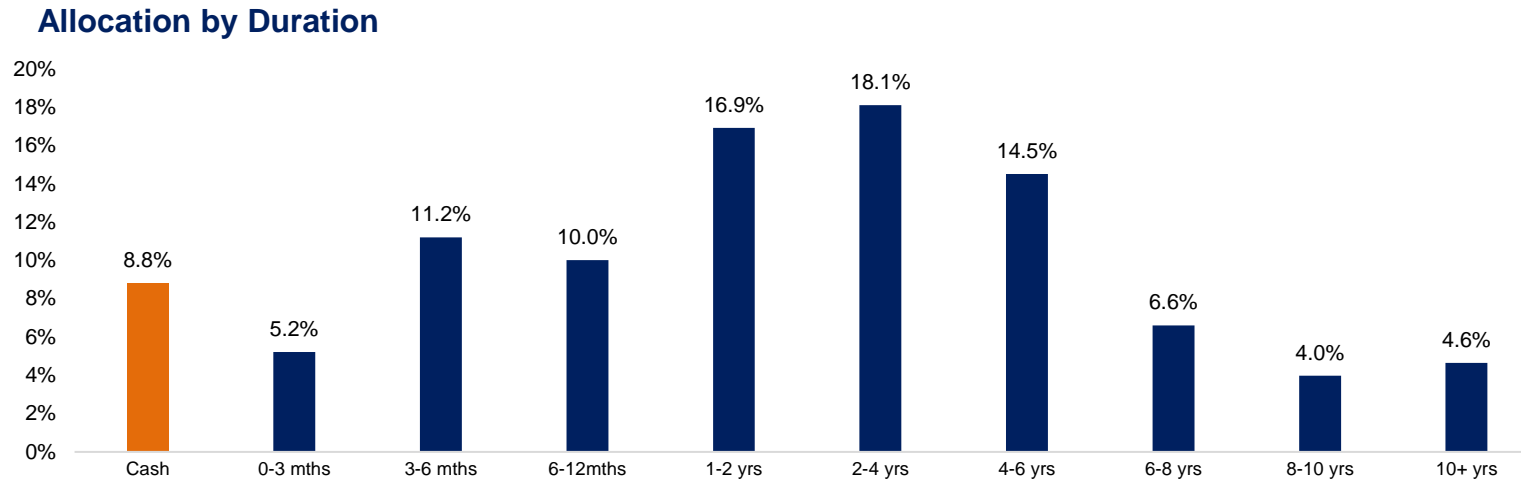
Regional Split



Allocation by Currency\*



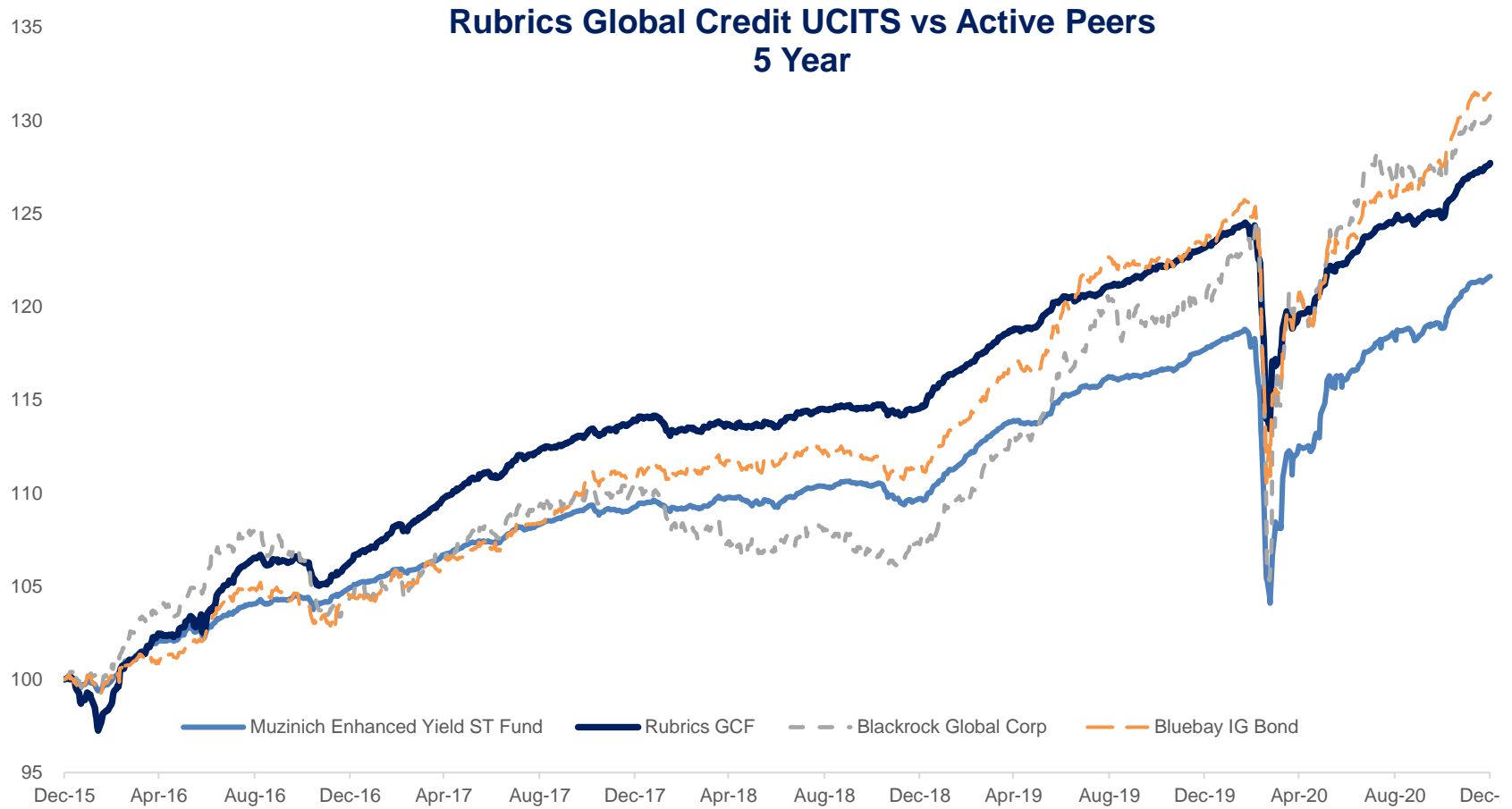
## Portfolio Duration Profile



- **The Fund is running a lower portfolio duration than the wider market**
- **Approx. 35% of the portfolio is re-investable over the next 12 months**
- **The Fund is in a good position to capitalise on the opportunities that arise from higher yields given the natural re-investable cashflow generated by the portfolio. The structure of the portfolio can enable it to navigate any short-term volatility more effectively than longer duration peers**
- **From a market perspective, talk of “reflation” may give rise to a slightly more subdued bid for fixed income assets, a situation that a positive for the Fund as entry yields on new investments should be more attractive**

# Fund Performance

## Rubrics Global Credit UCITS Fund – 5 Year vs Active Peers



	Rubrics GCF	Muzinich Enhanced	Blackrock Global Corp	Bluebay IG Bond
<b>Return</b>	5.01%	3.99%	5.42%	5.62%
<b>Volatility</b>	2.44%	2.88%	5.16%	3.40%
<b>Sharpe Ratio</b>	1.5	0.9	0.8	1.2

Source: Bloomberg as at 31/12/20

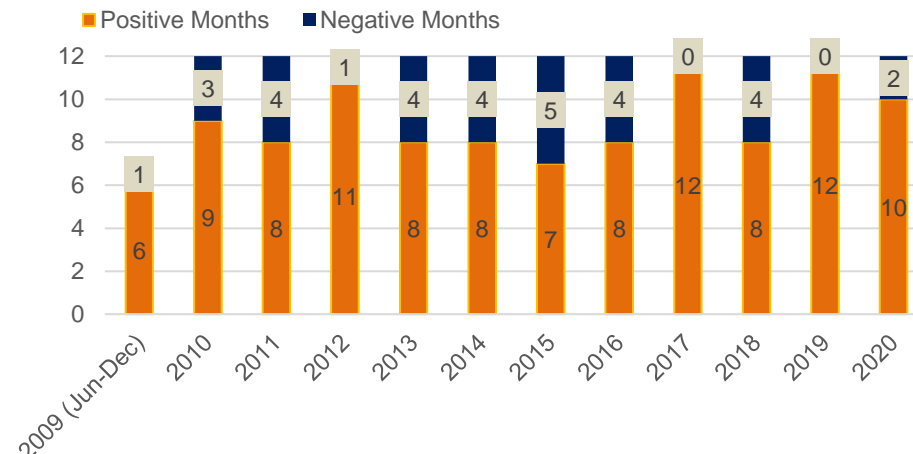
# Fund Performance

## Long Term Performance Track Record

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year	3m Libor +2.5%
2009						0.93	2.24	1.01	0.61	0.21	1.08	(0.35)	<b>5.86</b>	1.71
2010	1.02	0.63	0.72	0.57	(0.07)	0.46	1.36	1.16	0.70	0.20	(0.67)	(0.43)	<b>5.80</b>	2.88
2011	0.03	0.13	0.31	0.81	0.68	(0.19)	0.62	(1.12)	(1.11)	1.44	(1.26)	1.17	<b>1.46</b>	2.86
2012	1.83	1.32	0.10	0.55	(0.28)	0.49	1.82	0.80	0.78	1.14	0.76	0.94	<b>10.71</b>	3.03
2013	(0.11)	0.74	0.45	1.47	(0.26)	(2.19)	0.92	(0.43)	0.92	1.50	0.26	0.14	<b>3.41</b>	2.83
2014	0.53	1.13	(0.01)	0.88	0.89	0.21	(0.14)	0.60	(0.29)	0.51	0.54	(0.09)	<b>4.86</b>	2.78
2015	1.19	0.74	0.29	0.25	(0.07)	(0.97)	0.87	(0.63)	(0.70)	1.32	0.27	(0.29)	<b>2.27</b>	2.86
2016	(0.70)	(0.64)	2.54	1.28	0.35	0.36	2.05	1.16	(0.22)	0.08	(1.15)	1.07	<b>6.28</b>	3.31
2017	0.78	1.09	0.37	0.92	0.85	0.24	0.79	0.52	0.22	0.57	0.13	0.51	<b>7.21</b>	3.85
2018	0.07	(0.55)	0.15	0.10	(0.10)	0.02	0.66	0.13	0.17	(0.10)	(0.27)	0.26	<b>0.55</b>	4.97
2019	1.40	0.59	0.88	0.80	0.16	1.10	0.21	0.46	0.30	0.54	0.34	0.50	<b>7.52</b>	4.90
2020	0.68	(0.23)	(5.27)	2.04	1.27	1.06	1.19	0.62	0.07	0.06	1.71	0.64	<b>3.69</b>	3.15

\*Source: Bloomberg. Data up to 31 December 2020

### Rubrics Credit Fund Return – Positive vs Negative Months



### Key Points:

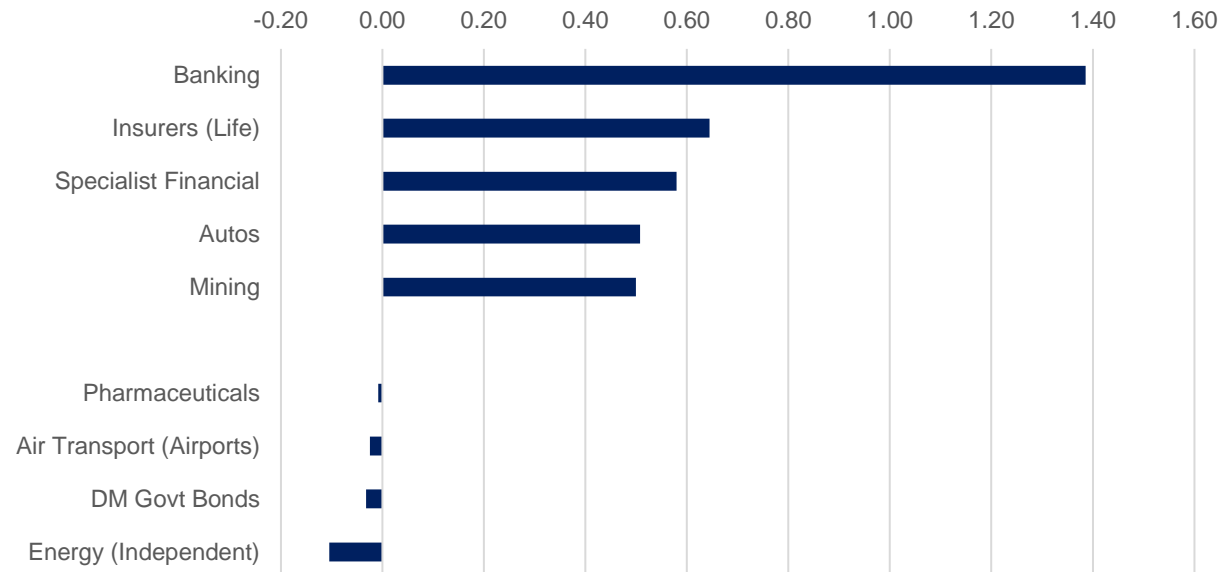
Positive annual returns in difficult years for Credit:

- Post GFC
- European Banks Crisis
- 2015/16 Commodity Crash
- Covid-19 pandemic

## Fund Performance

### 2020 Performance and Attribution

Broad Attribution in 2020 – Top 5 and Bottom Sectors



- **Positive returns dominated by biggest holdings in financials, strong capital positions coming into the pandemic, combined with regulatory relief has helped weather credit risks in this space so far**
- **Strong Metals / Mining demand translated into material credit spread tightening from depressed levels**
- **Allocation into Autos sector during the year paid off, as market under-estimated demand and ability of firms to access cheap funding**
- **Detractors in early part of year were COVID sensitive sectors (e.g., Airlines/ Independent E&Ps), many of which have rallied post the vaccine announcements in November 2020**

## Looking Ahead

### The Fund & Future opportunity set

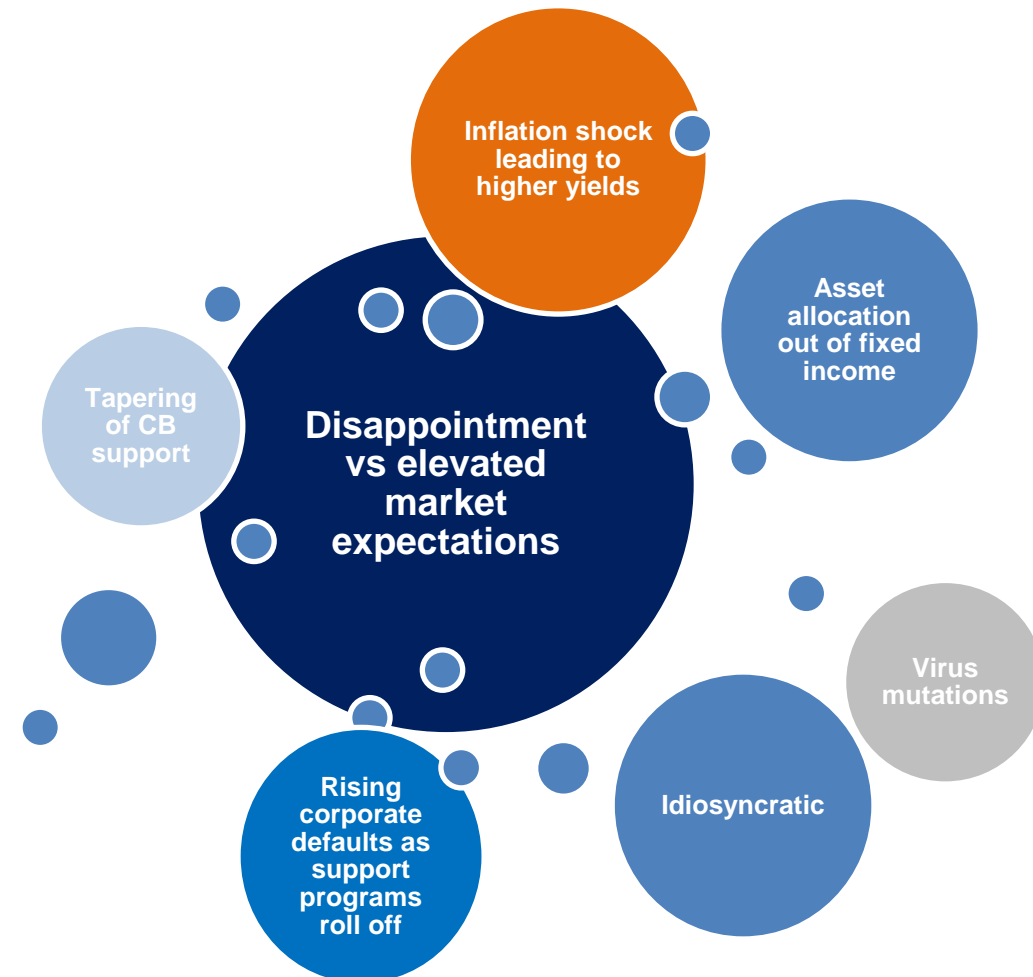
#### Meaningful spread over cash

- Current portfolio yield of 2.2% in USD with scope to move higher as fund deploys cash at higher yields

#### Well positioned for volatility

- Modest portfolio duration of 3.3 (spread duration of 2.7)
- Fund well placed to deliver strong relative returns in a rising yield environment
- Headroom in high beta sectors – EM exposure at 6.5% and HY exposure at 7.9%
- Cash level of 8% of NAV
- Well best placed to take advantage of idiosyncratic opportunities

#### Where could the opportunities come from?





## Important Information

Rubrics Global UCITS Funds Plc is a variable capital umbrella investment company with segregated liability between sub-funds; incorporated with limited liability in Ireland under the Companies Acts 2014 with registration number 426263; and authorised by the Central Bank of Ireland pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011, as amended). This document is for information only and does not constitute an offer or solicitation to deal, whether directly or indirectly, in any particular fund. Nothing in this document should be taken as an expressed or implied indication, representation, warranty or guarantee of performance whether in respect of income or capital growth. No warranty or representation is given as to the accuracy or completeness of this document and no liability is accepted for any errors or omissions that the document may contain. The Key Investor Information Documents ("KIIDs") and prospectus (including supplements) for Rubrics Global UCITS Funds Plc are available at [www.rubricsam.com](http://www.rubricsam.com). The management company of Rubrics Global UCITS Funds Plc is Carne Global Fund Managers (Ireland) Limited (the "Management Company"). The Management Company is a private limited company, incorporated in Ireland on 16 August, 2013 under registration number 377914. The investment manager of Rubrics Global UCITS Funds Plc is Rubrics Asset Management (Ireland) Limited (the "Investment Manager"). The Investment Manager is a private company registered in Ireland (reference number:613956) and regulated by the Central Bank of Ireland in the conduct of financial services (reference number:C173854). Details about the extent of its authorisation and regulation is available on request. Data Source: © 2019 Morningstar. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. [www.morningstar.co.uk](http://www.morningstar.co.uk). For South African investors: In the Republic of South Africa this fund is registered with the Financial Sector Conduct Authority and may be distributed to members of the public. In addition to the other information and warnings in this document, the Financial Sector Conduct Authority of South Africa requires us to tell South African recipients of this document that collective investment schemes are generally medium to long-term investments, collective investment schemes are traded at ruling prices and can engage in borrowing and scrip lending and that a schedule of fees and charges and maximum commissions is available on request from the manager. Because foreign securities are included in the investments within this collective investment scheme, we are also required to disclose to you that there may be additional risks that arise because of events in different jurisdictions: these may include, but are not limited to potential constraints on liquidity and the repatriation of funds; macroeconomic risks; political risks; foreign exchange risks; tax risks; settlement risks and potential limitations on the availability of market information.

Additional Information for Switzerland: The prospectus and the Key Investor Information Documents for Switzerland, the articles of association, the annual and semi-annual report in French, and further information can be obtained free of charge from the representative in Switzerland: Carnegie Fund Services S.A., 11, rue du Général-Dufour, CH-1204 Geneva, Switzerland, tel.: + 41 22 7051178, fax: + 41 22 7051179, web: [www.carnegie-fund-services.ch](http://www.carnegie-fund-services.ch). The Swiss paying agent is: Banque Cantonale de Genève, 17, quai de l'Île, CH-1204 Geneva. The last share prices can be found on [www.fundinfo.com](http://www.fundinfo.com). For the shares of the Funds distributed to non-qualified investors in and from Switzerland and for the shares of the Funds distributed to qualified investors in Switzerland, the place of performance is Geneva.