

INSIGHTS INTO CREDIT ANALYSIS

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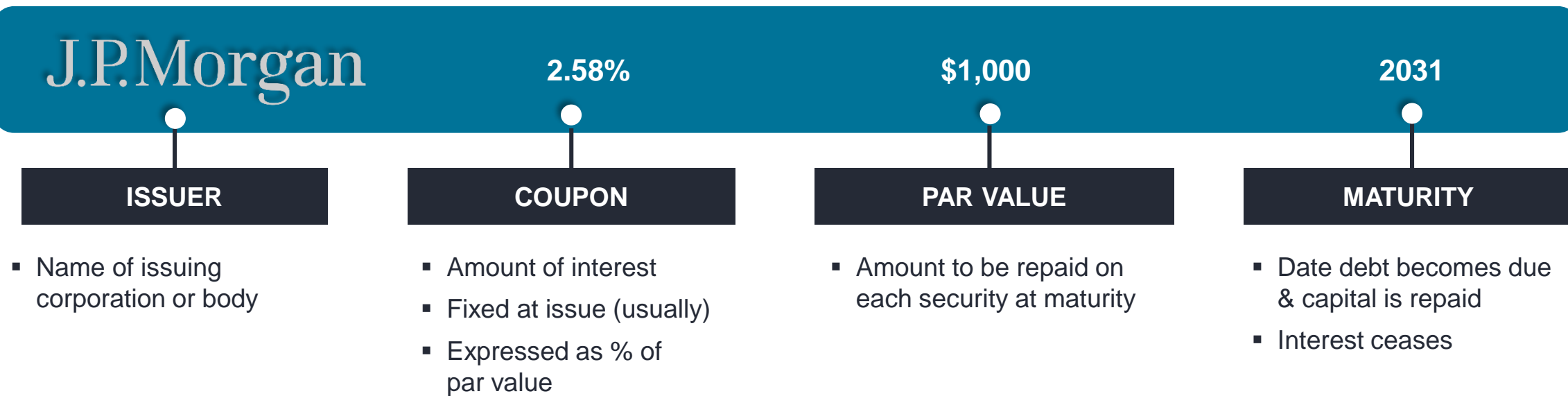


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BONDS – RECAP

WHAT ARE CORPORATE BONDS?



Bond Yields Explained

Yield

=

Interest payments
(coupon)

+

Capital gain
or loss

Yield to maturity is the expected return earned *on average* if the bond is held to its maturity

WHAT DETERMINES THE COUPON?

- ✓ Interest rates at time of issue
- ✓ The **credit spread**, which compensates for:
 - Default risk
 - Illiquidity
 - Return volatility
 - Cost of funding



	S&P	Moody's	
	AAA	Aaa	Investment-Grade Bonds
	AA	Aa2	
	A	A2	
	BBB	Baa2	
High-Yield Bonds (Junk Bonds)	BB	Ba2	
	B	B2	
	CCC	Caa	
	CC	Ca	
	C	C	
	D	D	

CREDIT ANALYSIS

DIFFERENT ROLES IN INVESTING

Fund Manager



- Top-down asset allocation views
- Portfolio construction
- Risk management

Credit Analyst



- Sector reviews and recommendations
- Issuer reviews and recommendations
- Capital structure and instrument
- Documentation and covenant assessment

HOW DOES AN ANALYST ASSESS ISSUER CREDIT RISK

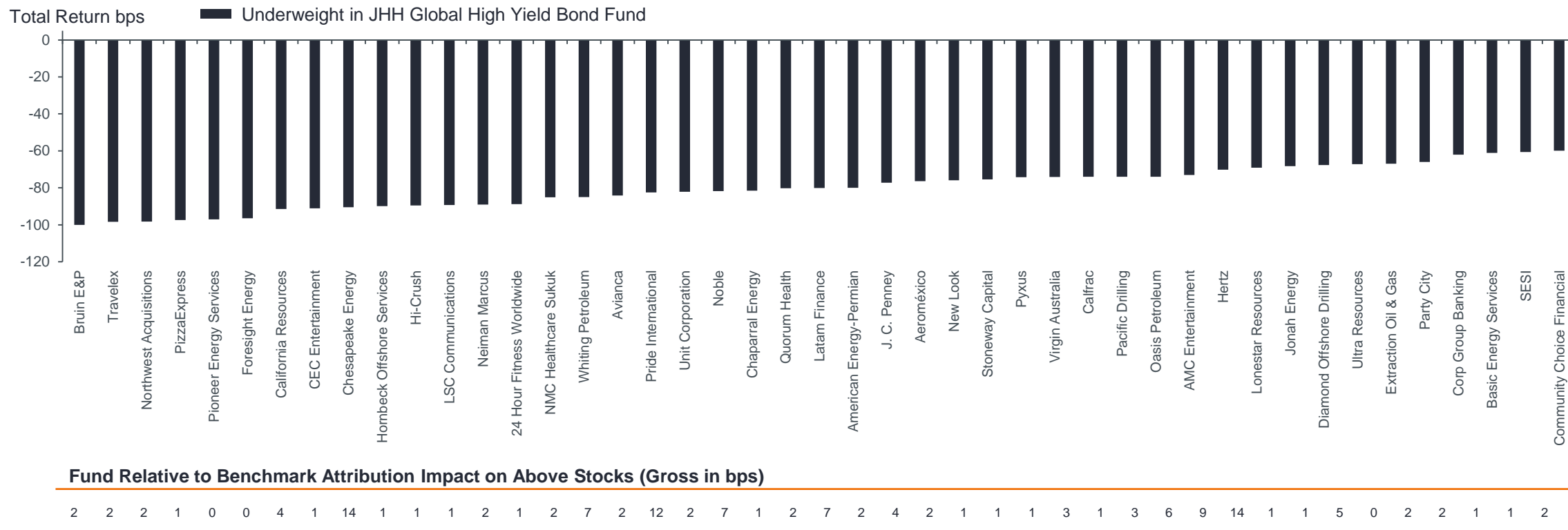
Goal is to identify potential underperformers and outperformers



GETTING ISSUER SELECTION RIGHT IS IMPORTANT

Weaker companies significantly suffered in 2020

Benchmark YTD to end of December 2020 Biggest Losers



Source: Janus Henderson Investors, as at 31 December 2020.

Note: Attribution: gross of fees, in USD

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Past performance is no guide to future performance.

INTERVIEW WITH RICHARD TAYLOR

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