

HIGH YIELD: FIRST STATE INVESTMENTS

Noteworthy milestone

May 2020

First State Investments High Yield Group passed the **3-year performance anniversary** at the end of April. Current High Yield Strategies are long-only corporate credit, with no leverage and no derivatives. The following charts present **eVestment performance & risk metrics** for our four High Yield Composites:

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	3.30	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	2.30	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.

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. We believe our Group’s success at the 3-year mark has been the result of a dynamic, Team effort with all our credit analyst partners. Our time-tested, investment process should lead to continued investment success if implemented with stringent discipline, by a talented and diligent Team”.

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

High Yield: Foundational Strengths

People – Synergetic Co-Portfolio Manager structure, supported by talented credit analysts

Process – Time-tested Investment Process that Matt has followed since the mid-1990’s

Performance – Solid, consistent, and we believe, sustainable through any macro/market environment

Platform – Parent company among the largest and most stable in global finance

High Yield Performance

Annualized/Calendar Year Performance								Inception 30 Apr 17	
As of April 30, 2020	April'20	1Q'20	YTD	2019	2018	S.I.	3 year	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%
<i>ICE BofAML US HY Constrained Index</i>	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%
<i>ICE BofAML US HY Constrained Index</i>	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%
<i>ICE BofAML BB-B US HY Constrained Index</i>	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%
<i>ICE BAM 1-5 YR BB-B US Cash Pay HY Index</i>	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.

High Yield Portfolio Managers



Jason Epstein

Senior Portfolio Manager, Co-Head of High Yield

Jason joined First State Investments in September 2016, and 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 State Investments in May 2016, and 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.

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