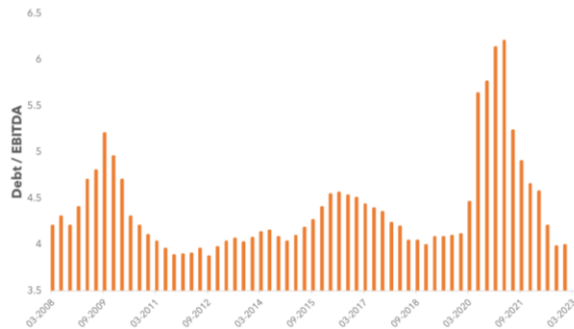


HY MARKET SNAPSHOT Q1 2023

HIGHER INTEREST COSTS CHALLENGE STRONG FUNDAMENTALS

US HY Companies Net Debt / EBITDA

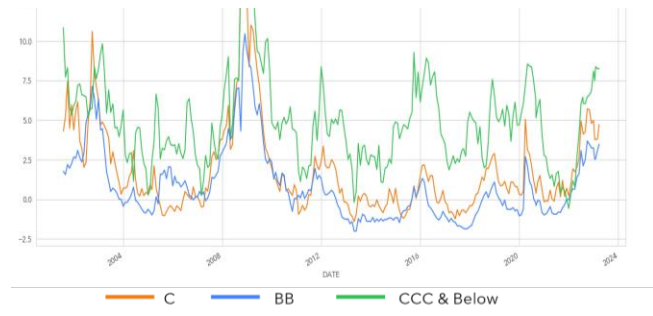
From 2008 Q1 to 2022 Q4, quarterly data



Source: J.P Morgan, Capital IQ

Estimated refinancing additional interest costs by Rating

ICE Global HY universe, From Dec 2002 to Mar 2023, monthly data

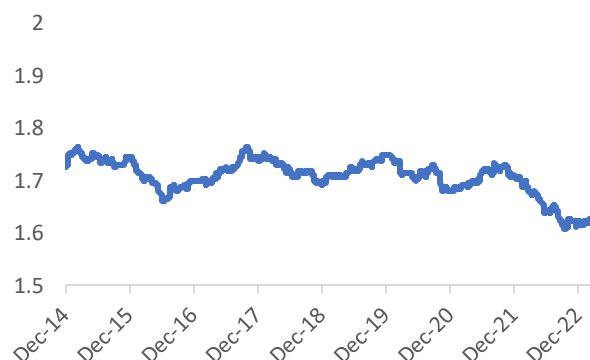
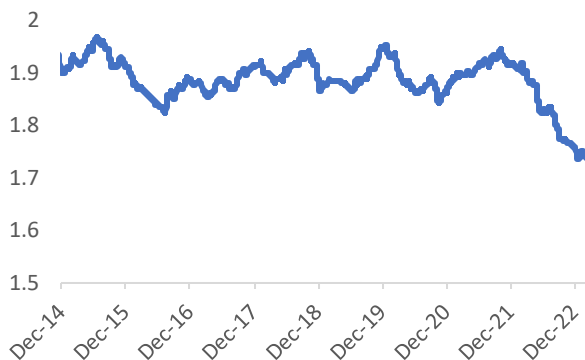


- High Yield Corporates enter this late cycle phase in a **strong balance sheet position** (lower leverage since 2012, and highest average interest cover since the GFC)
- **The main threat to corporate credit will come from higher rates.** This will not affect all issuers the same: weakest links are CCCs of course, rates sensitive names such as Real Estate names or Financial services and to some extent Europe
- The sector concentration picture do not tell the whole story as the key risk driver of current markets is rate sensitivity.

CONCENTRATION BEYOND SECTOR ANALYSIS

ICE US & Euro High Yield index realized Diversification Ratio®

From Dec 2014 to Mar 2023



- If the sector risk split shows a benign concentration picture, the **Diversification Ratio** tells a totally different story: 2022 was a year of heavy concentration in the index
- The index lost 20% of diversification in 2022 which is more than during Covid 19 (-10%) and the first Energy crisis (-5%). For reference, the diversification decreased by 25% during the Lehman crisis
- Weak links such as rates sensitive capital structures are the main driver behind this higher concentration

Usually, a well diversified approach to High Yield credit delivers value after such concentration move whatever market direction

- Agile investment boutique with prominent shareholders & clients
 - Streamlined, efficient and straight-through processing
 - Patented, unique & transparent investment process
 - Recognized pioneer in alternative beta strategies
- Value-added research focus

STRATEGY INFORMATION

Strategy	Anti-Benchmark Global High Yield
Launch Date	March 14, 2017
Benchmark	BofA ML Global TR High Yield Index
Investment Objective	The strategies aim to maintain a high degree of diversification when selecting securities and their weightings in the investment universe. The primary investment objective is to outperform the reference index and provide long term capital appreciation.
Investment Horizon	5 year
Reference Currency	USD, EUR
Valuation	Daily
Rebalancing Frequency	Ongoing

RISKS

Credit risk: This is the risk of depreciation in debt securities issued by a private-sector issuer or default by the latter. The value of the debt securities in which the Compartment is invested may decline, leading to a fall in net asset value. Interest rate risk: This is the risk of depreciation in fixed-income instruments deriving from interest-rate fluctuations. Should interest rates rise, the Compartment's net asset value may decline. Currency risk: Currency risk is the risk that the investment currencies may weaken in relation to the base currency of the portfolio. In the event of depreciation in foreign currencies, investors are thus exposed to a decline in the value of their units. Counterparty risk: The Compartment may incur a loss in the event of default by a counterparty with which certain transactions were conducted, leading to a decline in the Compartment's net asset value.

ABOUT TOBAM

TOBAM is an asset management company offering innovative investment capabilities designed to increase diversification. Its mission is to provide rational and professional solutions to long term investors in the context of efficient markets.

TOBAM manages approx. \$6 billion (as of Dec 30, 2022). TOBAM's team is composed of 47 professionals.

For more information, visit www.tobam.fr

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