# Green Ash Global High Yield Fund
# September 2019 Monthly Factsheet

## INVESTMENT OBJECTIVE

**PROFESSIONAL INVESTORS ONLY**

Green Ash Global High Yield is an open-end fund incorporated in Luxembourg. The Fund's objective is to achieve income and capital appreciation. The Fund invests in bonds and other debt securities denominated in any currency, issued by sub-investment grade issuers worldwide including emerging market countries.

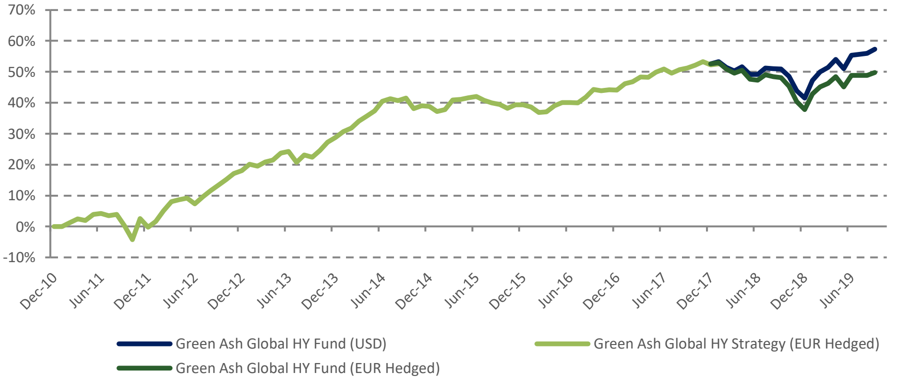
## KEY INFORMATION

| | |
|---|---|
| Fund Name | Green Ash Global High Yield - a Subfund of Woodman SICAV |
| Investment Team | Miles Cohen, Nicholas Freeman, Edward Vincent, James Sanders |
| Fund Launch Date | 9th October 2017 |
| Fund Type | UCITS |
| Fund Domicile | Luxembourg |
| Liquidity | Daily |
| Management Fee | I: 0.80% / R: 1.45% p.a. |
| Fund Size | $55MM |
| Share Classes | USD, EUR, GBP (Acc.) |
| USD I<br>USD R<br>EUR I (hedged)<br>EUR R (hedged)<br>GBP I (hedged)<br>GBP R (hedged)<br>CHF I (hedged) | LU1692346551<br>LU1692346478<br>LU1692346718<br>LU1692346635<br>LU1692347104<br>LU1692347013<br>LU1692346981 |
| Min Investment | I: 1,000,000 /R: 100,000 |
| Investment Manager | Green Ash Partners LLP |

## SUMMARY

- The fund gained +0.86% in September, performing well in what was a mixed month for high yield markets. This brought the Q3 and YTD returns to +1.26% and +11.13%
- The US and the UK indices were both positive on the month, rising +0.36% (spreads -20bps) and +0.80% (spreads -6bps) respectively, while Europe lagged, declining -0.12% (spreads +14bps). Many of the same issues persisted in September, from US/China trade issues to Brexit, and these overhangs are taking their toll on global growth
- Our more conservative approach has enabled us to outperform this year as we do not actively allocate to CCC rated paper, and this has significantly underperformed YTD. We have also avoided many of the idiosyncratic risks this year thanks to our rigorous bottom up process
- Despite headwinds in the global economy, high yield bonds have posted the highest risk adjusted returns of any asset class YTD. In an era of slowing growth but accommodative policy, the solid performance of high yield can continue, and defaults should remain low

## GREEN ASH GLOBAL HIGH YIELD STRATEGY[1] + FUND PERFORMANCE




## GREEN ASH GLOBAL HIGH YIELD STRATEGY PERFORMANCE[1]

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|
| GA Global HY Strategy (EUR Hedged Managed Account) | 5.65% | 1.61% | 18.28% | 8.70% | 5.00% | 1.03% | 5.33% | 4.60% |

| | 2018 | 1Q19 | 2Q19 | 3Q19 | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | 2019 YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GA Global HY Fund (USD Hedged) | -7.24% | 7.00% | 2.58% | +1.26% | 4.01% | 1.85% | 1.01% | 1.69% | -1.97% | 2.90% | 0.21% | 0.20% | 0.85% | 11.13% |

*[1]The Green Ash Global High Yield Strategy track record and returns are derived from a single EUR hedged, managed account up to 31 Dec 2017. From Dec 2017, the Green Ash Global High Yield UCITS fund is shown in USD and EUR hedged institutional share classes. All performance figures are net of fees. Source: Green Ash Partners LLP*

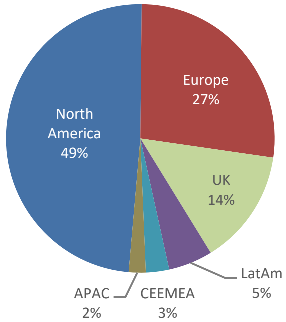
### Overall Portfolio Summary

| | |
|---|---|
| Currency | USD |
| Duration | 3.0 |
| Maturity in Years | 3.8 |
| Average Z Spread | 412 |
| Coupon Rate | 5.5% |
| Yield to Worst | 5.0% |
| Average Ratings | Ba3/BB- |
| No. of Positions | 72 |

### Top 10 Positions

| | |
|---|---|
| Tenet Healthcare | 2.3% |
| Nationwide BS | 2.3% |
| HCA Healthcare Inc. | 2.2% |
| Hilton Domestic | 2.0% |
| Altice France | 2.0% |
| Charter Comms. | 2.0% |
| Centene | 1.9% |
| Meritor | 1.8% |
| Western Digital | 1.8% |
| Petrobras | 1.8% |

### Regional Exposure




### Sector Weightings

| | |
|---|---|
| Communications | 20.3% |
| Financial | 19.9% |
| Consumer Cyclical | 14.7% |
| Cons. Non-cyclical | 11.3% |
| Energy | 10.3% |
| Basic Materials | 7.1% |
| Industrial | 6.3% |
| Cash | 4.6% |
| Technology | 4.1% |
| Utilities | 1.7% |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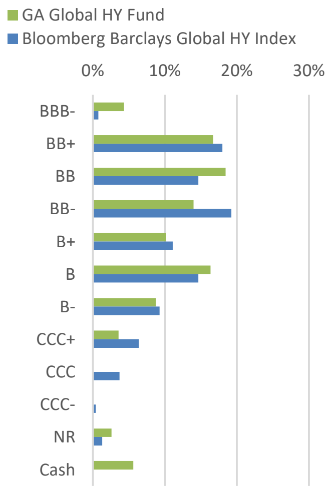
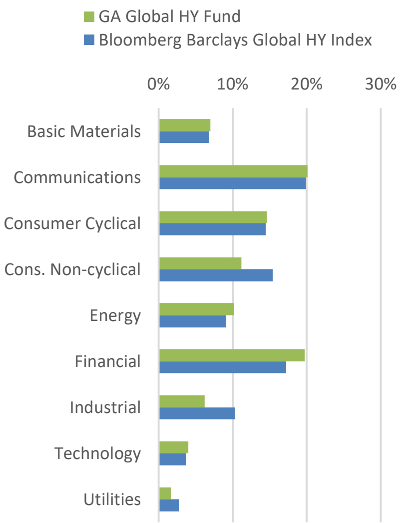
## FUND UPDATE AND OUTLOOK

### CREDIT RATING EXPOSURE




### SECTOR EXPOSURE




### SERVICE PROVIDERS

| | |
|---|---|
| Auditor | PricewaterhouseCoopers (PwC) |
| Custodian | Credit Suisse (Lux) |
| Administrator | Credit Suisse Fund Services (Lux) |
| Paying Agent | Credit Suisse AG |
| Legal Representative | Credit Suisse AG |
| Management Company | MultiConcept Fund Management S.A (Luxembourg) |

The fund gained +0.86% in September, performing well in what was a mixed month for high yield markets. This brought the Q3 and YTD returns to +1.26% and +11.13%. The US and the UK indices were both positive on the month, rising +0.36% (spreads -20bps) and +0.80% (spreads -6bps) respectively, while Europe lagged, declining -0.12% (spreads +14bps). Many of the same issues persisted in September, from US/China trade issues to Brexit, and these overhangs are taking their toll on global growth. Leading economic indicators continue to slide, especially in manufacturing and industrial sectors, with services the only bright spot holding up the larger economies. Geopolitical risk also returned to the oil markets in September, following an attack on Saudi oil processing facilities that briefly took 5% of global supply off the market. This caused a record intraday spike in oil prices of nearly +20%, however the impact proved short lived as concerns over global growth is keeping investor focus firmly on the demand side of cyclical commodities. Much anticipated central bank meetings of the Fed and the ECB took place in the month, though ultimately their impact on markets was limited. In the US, Jay Powell cut rates by -25bps for the second time, but accompanied the move with slightly hawkish commentary. 10Yr US treasury yields rose +17bps over the month to 1.66%. Meanwhile Mario Draghi attempted to deploy a monetary ‘bazooka’, introducing rate cuts, asset purchases, deposit tiering, and dovish guidance and even this was met by a underwhelmed response from the markets. 10Yr bund yields rose +13bps to negative -0.57%.

September was a huge month for fixed income issuance in both the US and Europe, though the new supply was met by ample demand in the market following a quiet August. Gross high yield issuance in the US reached over $30BN, and is up +24% on a YTD basis. €13BN was issued in Europe, which also banks coming back to the market with some new AT1 and Tier 2 issuance. European HY corporate issuance is still down slightly YoY on a YTD basis, but about flat when including Financials.

At a portfolio level, the best performing sectors for the month and the quarter were Financials and Communications, while more cyclical/trade exposed sectors such as Basic Materials and Industrials lagged. Some of the laggards rallied back in September, as shown by the three best performing bonds – Denbury Resources, Rayonier AM, and First Quantum Resources which together added +25bps to attribution for the month. That said there is still considerable dispersion in the lower-rated end of the high yield market, which is masked by the number of constituent bonds in the indices. Our more conservative approach has enabled us to outperform this year as we do not actively allocate to CCC rated paper, and this has significantly underperformed YTD. We have also avoided many of the single name/idiosyncratic blow-ups this year thanks to our rigorous bottom up process.

Heading in to the final quarter of the year, many of the issues and fears that contributed to the volatility and risk aversion in 4Q18 remain. This is balanced by a co-ordinated U-turn by central banks around the world, setting us on course for an another prolonged monetary easing cycle. Europe is at the centre of this, having never really had the opportunity to start the process of interest rate normalisation, and the question is whether the ECB possesses the toolkit to address the complex set of challenges they face. The call for fiscal stimulus in Europe is rising in volume, though so far German enthusiasm for the idea has been muted. Somewhat ironically given the looming Brexit deadline, it is the Conservative party in the UK that are championing fiscal stimulus and infrastructure investment. Despite these uncertainties, high yield bonds have posted the highest risk adjusted returns of any asset class YTD – a fact that seems to have been unappreciated by asset allocators, as although the $15BN in HY inflows YTD are the highest since 2012, they are still some way away from offsetting the -$26BN in outflows in 2018 (US). In an era of slowing growth but accommodative policy, the solid performance of high yield can continue, and defaults should remain low.



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