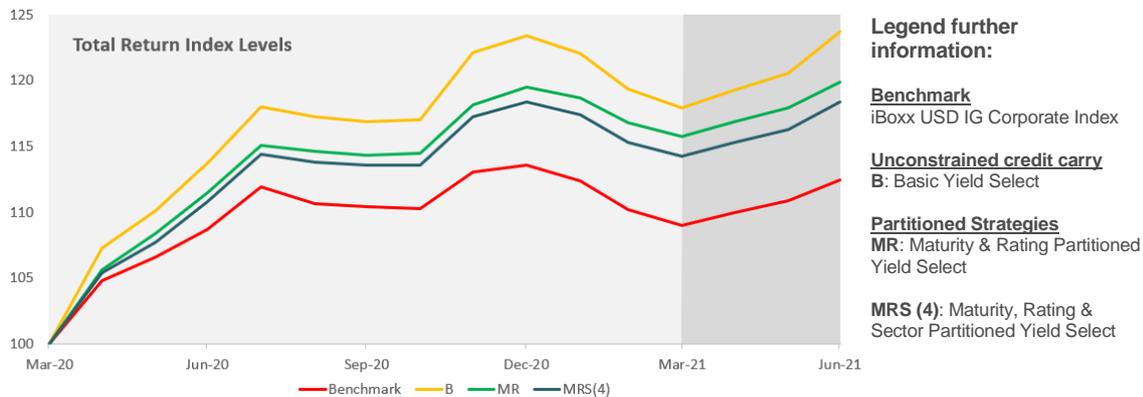


iBoxx Yield Select Quarterly Update

Yield Select is an index framework to capture the credit-carry factor in corporate bond markets. Yield Select strategies use sampling techniques to target portfolio yield-enhancement subject to investors' tolerances for risk versus the market benchmark.

Quarter ending June 2021

Back tested performance of Yield Select on USD IG Corporates



Note (1): Index levels are rebased to 100 on 31 March 2020.

Note (2): Data presented is indicative and does not take into account transaction costs and turnover adjustments.

Note (3): Market value weighting is rebalanced every month-end and spread based selection is implemented every quarter.

As explained in our research [paper](#), Yield Select strategies tend to perform well when yields are either range bound or trending lower.

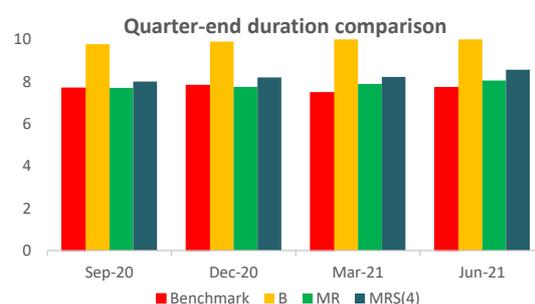
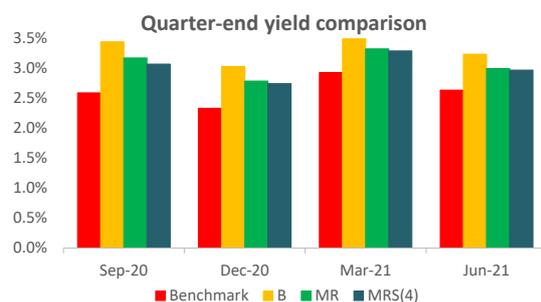
Yields fell this quarter with the moves mostly driven by changes in rates (though spread compression also contributed). The benchmark and the Yield Select strategies all posted quarterly gains. The bulk of the positive return, across all strategies, was captured in June.

Whilst all strategies outperformed the benchmark over Q2, the Basic Yield Select made the largest gain over the broad market. This contrasts to end of Q1 standings where the Basic Yield lagged the most.

Recent back tested returns

	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Q1	Q2	YTD
Benchmark	-1.06%	-1.96%	-1.05%	0.90%	0.78%	1.46%	-4.02%	3.16%	-0.99%
B	-1.12%	-2.20%	-1.19%	1.12%	1.06%	2.67%	-4.44%	4.92%	0.26%
MR	-0.64%	-1.58%	-0.92%	0.94%	0.91%	1.67%	-3.11%	3.56%	0.34%
MRS(4)	-0.82%	-1.74%	-0.94%	0.92%	0.89%	1.80%	-3.47%	3.64%	0.05%

Year-to-date, the Partitioned Strategies have fared the best. They have considerably outperformed the benchmark. With their built-in risk control features, they have seemingly better navigated the ebbs and flows of yields and spreads. In contrast to Basic Yield Select, the Partitioned Strategies maintain a risk profile closer to that of the benchmark (by design), whilst still targeting yield enhancement.



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