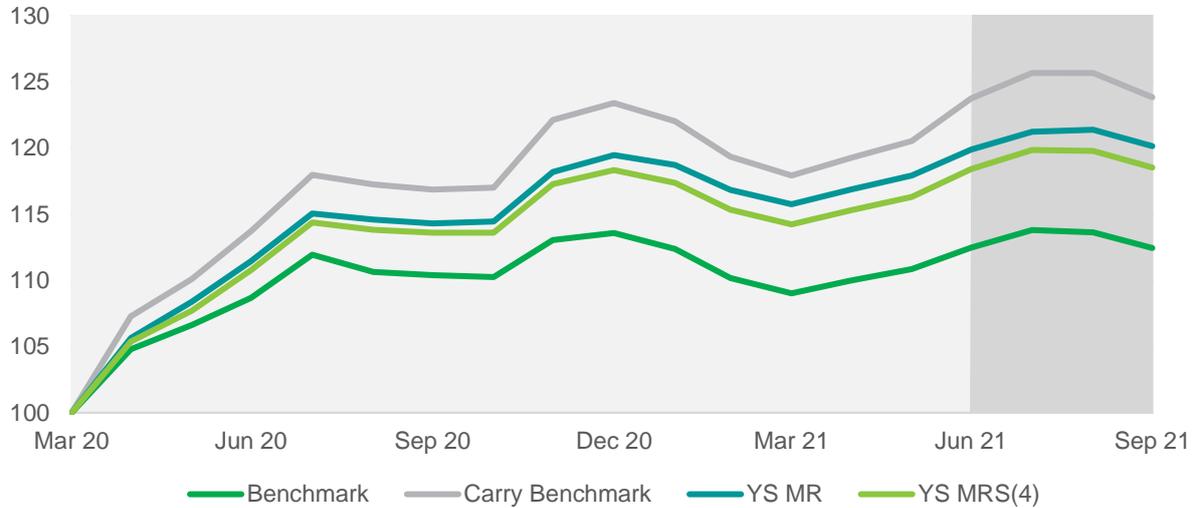




iBoxx Yield Select Quarterly Update

iBoxx 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.

Yield Select strategies on USD investment grade corporates¹ (Q3 2021)



Referring to [the iBoxx Yield Select Whitepaper](#) and the chart legend above:

- Benchmark means the *iBoxx \$ Corporates index* and Carry Benchmark means the *Basic Yield Select strategy*.
- YS MR means the *Maturity & Rating Partitioned Yield Select*. YS MRS(4) means the *Maturity, Rating & Sector Partitioned Yield Select*.

Yield Select strategies tend to outperform the Benchmark when yields are range bound or trending lower. Further, in episodes of credit spread widening they tend to outperform the Carry Benchmark.

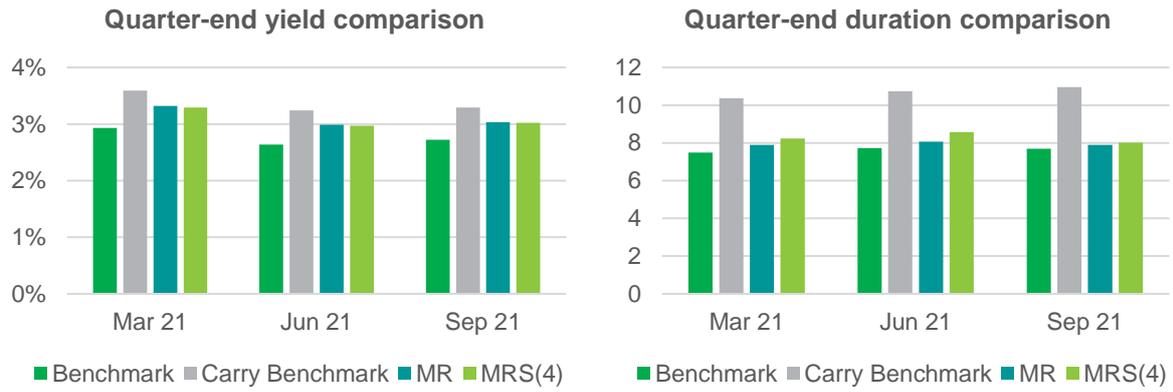
Over the quarter, credit spreads were largely range bound. However, there was a shift in the trajectory of expected US interest rates. In August, US rates started to reverse their downtrend and gapped considerably higher in September after the Federal Reserve meeting.

Looking at the monthly returns over Q3, the Benchmark, the Carry Benchmark and the Yield Select strategies delivered their best over July and their worst in September. Whilst returns for all strategies exceeded the Benchmark, the Yield Select strategies outperformed the Carry Benchmark.

Recent back tested returns

	Apr 21	May 21	Jun 21	Jul 21	Aug 21	Sep 21	Q1	Q2	Q3	YTD
Benchmark	0.9%	0.8%	1.5%	1.2%	-0.2%	-1.0%	-4.0%	3.2%	0.0%	-1.0%
Carry Benchmark	1.1%	1.1%	2.7%	1.6%	0.0%	-1.5%	-4.4%	4.9%	0.1%	0.3%
YS MR	0.9%	0.9%	1.7%	1.1%	0.1%	-1.0%	-3.1%	3.6%	0.2%	0.6%
YS MRS(4)	0.9%	0.9%	1.8%	1.2%	-0.1%	-1.1%	-3.5%	3.6%	0.1%	0.2%

¹ Total return index levels are based on back testing (rebased to 100 on 31 March 2020). Data presented is indicative and does not take into account transaction costs and turnover adjustments. Market value weighting is rebalanced every month-end and the spread based selection is implemented every quarter. The source for all charts and tables is IHS Markit unless stated otherwise.



Year-to-date, the Yield Select strategies have considerably outperformed the Benchmark. The Carry Benchmark has continually offered the highest duration, yield and spread. In contrast, the Yield Select strategies have maintained a risk profile more consistent with the Benchmark through different market dynamics, while exhibiting lower volatility – yet providing yield enhancement.

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