

## NEWSLETTER – AS OF 31 DECEMBER 2018

Dear Unitholders,

We are pleased to announce the December 2018 update for NB Global Corporate Income Trust. For more details on NBI's portfolio holdings, please view the [monthly investment report](#).

### Market Review

Global capital markets took investors on a volatile ride in December. The declines reflected investor worries about the effect of a prolonged trade war between the U.S. and China, slowing global economic growth, rising U.S. interest rates and a decline in oil prices. Risky assets such as the equities have experienced worst year since financial crisis. The S&P 500 was down 9% (AUD Hedged) in December alone.

Major U.S. indexes ended the year making modest gains but still in the red. The global high yield market was down 3.5% (AUD Hedged) which was the third worst quarter in 10 years (Q3 2011 Greek Crisis: -6.4%, Q3 2015 Commodity Collapse: -4.1%).

We view this sell-off as part of a broad-based sell-off of risk assets but not changes in fundamentals that would alter our views. In the Greek Crisis, there was a worry of another banking crisis in Europe, and with the Commodity Collapse, the worry was (and was ultimately true) that defaults would rise as a result of lower commodity prices. Rather than anything that extreme, we believe the recent risk-off is a result of investors worrying about slowing economic growth coupled with high equity valuations.

### Market Outlook

We are constructive on the fundamentals of U.S. high yield credit, which present reasonable leverage and strong interest coverage. We believe the default outlook remains benign for 2019, with expectations below 2%.

Fundamental strength in European high yield credit is similar to the U.S. market, but there are important differences. European high yield is skewed toward higher-quality credits, with very few triple-C issues and relatively low energy exposure. Against a backdrop of positive fundamentals and low default rates, recent spread-widening has made this asset class attractive.

We are not as bearish on emerging markets ("EM") growth compared to consensus as we expect EM to stabilize and GDP growth to remain largely unchanged compared to 2018. Coupled with the moderation in growth, the upward pressure on US rates might diminish, especially relative to other developed markets, also putting a ceiling on the revaluation of the USD. This could be supportive for EM currency going into 2019. We continue to see selective opportunities in the EM high yield market.

Overall, we think recent spread-widening and higher absolute levels of yield should present attractive opportunities for high yield corporate bonds. Given where current high yield valuations are, and low default risk over the next twelve months, we anticipate a mid to high single digit return for the asset class.

### NBI Review

Since NBI inception to end December, NTA of NBI dropped 3.7%. During the same period, S&P 500 (AUD Hedged) fell approximately 14.0% and ASX 200 declined more than 8.8%. The performance of NBI is in-line with our expectation of the defensive characteristic of corporate high yield bonds. The drawdown is reflective of a mark-to-market move in bond pricing. Historically, high yield has provided lesser drawdowns and quicker rebounds as compared to equity in periods of volatility. We are seeing this play out in the current environment.

There are no credit events or defaults in our portfolio. The income stream paid to NBI is intact and thus NBI's ability to achieve the Target Distribution is unaffected. For December 2018, NBI announced a monthly distribution of 0.875 cents per Unit, which puts it firmly on track to achieving its target distribution<sup>1</sup> of 5.25% per annum (net of fees and expenses).

### NBI Issuers Highlight

NBI continues investing in a diversified portfolio of corporate bonds issued by large, liquid global companies.

One example is LKQ Corporation – an American provider of alternative and specialty parts to repair and accessorize automobiles and other vehicles. LKQ has operations in North America, Europe and Taiwan. Formed in 1998, it's one of the leading aftermarket parts suppliers in the US through subsidiary Keystone Automotive. With Market Cap at US\$7.7 billion, FY2017 revenue of LKQ exceeds US\$11 billion.

We believe the credit fundamental of LKQ remains solid. The company reported strong earnings in October with its revenue and EBITDA up 26% and 22% respectively. Its Debt to EBITDA improved to 2.7x from 3.1x in the prior quarter. Despite the positive numbers reported, bond price of LKQ declined by over 5% in the past quarter. In our view, the decline in bond price is a result of market volatility and not an accurate reflection of the company's strong fundamentals. We believe LKQ will continue to have strong prospect and deliver stable income to the Trust.

For more information about NBI's Top 10 issuers, please view [here](#).

### NBI Investment Team

## Latest Update



**Our Fixed Income Investment Strategy Committee forecasts a soft landing - economic growth slows without triggering a reaction - for 2019.**

Please click [here](#) for more information.

1. The Target Distribution is only a target and may not be achieved. Actual distributions will be monitored against the Target Distribution. The Target Distribution will be formally reviewed at least annually (as at the end of each financial year) and any reduction in Target Distribution will be notified by way of ASX announcement as required. Investors should review the "Risk Factors" set out in Section 8 of the PDS

This material, and the information contained in it, relates to the NB Global Corporate Income Trust (ARSN 627 297 241) ("NBI"). Equity Trustees Limited (ABN 46 004 031 298, AFSL 240975) ("Equity Trustees") is the Responsible Entity and issuer of Units in NBI. Equity Trustees is a subsidiary of EQT Holdings Limited (ABN 22 607 797 615), a publicly listed company on the Australian Securities Exchange (ASX: EQT). Neuberger Berman Australia Pty Ltd (ACN 146 033 801, AFSL 391401) ("NB Australia") is the investment manager of NBI. The information shown in this material is general information only. It does not take into account the investment objectives, financial situation or particular needs of any particular person. Equity Trustees and NB Australia do not express any view about the accuracy or completeness of information that is not prepared by them and no liability is accepted for any errors it may contain. Before making an investment decision, you need to consider (with or without the assistance of an adviser) whether this information is appropriate to your needs, objectives and circumstances. The Product Disclosure Statement ("PDS") was lodged with the Australian Securities and Investments Commission on 6 August 2018 and is available on NBI's website at [www.nb.com/NBI](http://www.nb.com/NBI). You should obtain a copy of the PDS and consider its contents carefully before making a decision about whether to acquire or continue to hold units in NBI.

For further information and subscription details, please visit [www.nb.com/NBI](http://www.nb.com/NBI)