# NB GLOBAL CORPORATE INCOME TRUST (ASX: NBI)

Global • Income • Diversification



## **MONTHLY INVESTMENT REPORT – AS OF 30 SEPTEMBER 2021**

#### **INVESTMENT OBJECTIVE & STRATEGY**

- Aims to provide a consistent and stable monthly income stream
- · Invests in high yield bonds issued by large, liquid global companies
- Strong emphasis on capital preservation by focusing on credit quality

## **Market Review and Outlook**

Fixed income markets were mixed over September as concerned around U.S. debt ceiling and events surrounding Evergrande, a Chinese property developer, has weighted on risk sentiments. That said, U.S. economic data continues to show positive signs with average hourly earnings improving +0.6% (vs. +0.4% consensus) and the jobless rate falling to 4.8% (vs. 5.2% prior).

Following the Federal Reserve's September meeting, policy remained unchanged, however signaled potential changes in the near future. In terms of tapering the current bond purchase program, the Committee suggested they could begin reducing monthly purchases as soon as November of this year. The Committee did not provide a timeline for lifting rates, but signaled, through their latest dot-plot projections, that an interest rate increase could occur as early as 2022.

Elsewhere, the European Central Bank kept its monetary policy unchanged following its early September meeting, but announced a slowdown in the pace of net asset purchases under its pandemic emergency purchase programme. In the U.K., the Bank of England kept monetary policy unchanged, but downgraded their growth projections and warned of sustained high inflation through the end of the year.

High yield spreads tightened modestly in September. In our view, valuations in high yield reflect a very benign default outlook, which is a function of improving fundamentals and issuers' ability to refinance at lower rates. High yield net leverage continues to drop, and is expected to settle out in the bottom quartile, historically with interest coverage on the index near a record high. Credit conditions are generally supportive of the tighter credit spreads and, in high yield, the share of BBs is at or near an all-time high of 54% of total outstanding.

While absolute yield levels in global high yield markets are relatively low compared to history, the increased share of higher-quality credits in high yield, and the fact that we in the beginning stages of a new credit cycle, are important to keep in mind when thinking about spreads and yield levels. It is not atypical for spreads in high yield to remain in a narrow-but-low range during the earlier part of an economic expansion. Further, the potential for spread compression remains as investor demand for lower duration yield persists. We believe our bottom-up, fundamental credit research focused on individual credit selection while seeking to avoid credit deterioration and putting only our "best ideas" into portfolios, position us well to take advantage of any volatility.

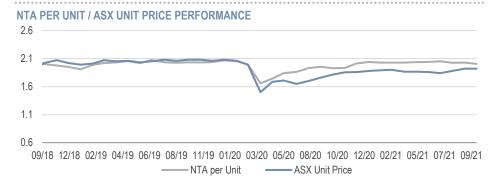
#### **NBI** Review

As of end of September, NBI returned -0.73% and announced a monthly distribution of 0.804 cents per Unit, which represents an annualised distribution of 4.75% (net of fees and expenses).

#### PERFORMANCE (NET)<sup>2</sup>

30 SEPTEMBER 2021	1 Mth	3 Mth	6 Mth	1 Year	2 Year	3 Year	Since Inception <sup>3</sup>
Total Return (%) 4	-0.73	-0.34	2.01	9.76	4.93	5.75	5.77

Past Performance is not a reliable indicator of future performance. Periods less than one year are not annualized.



# TRUST FACTS **Listing Date** 26 September 2018 Market Cap \$856.89 million **Net Tangible Assets** \$899.06 million (NTA) **ASX Unit Price** \$1.92 NTA per Unit \$2.01 (cum) Target Distribution<sup>1</sup> 4.75% (net) Distributions Monthly Management costs 0.85% p.a. **Equity Trustees** Responsible Entity Limited Neuberger Berman Manager Australia Limited

#### ABOUT NEUBERGER BERMAN

- Founded in 1939; a private, independent, employee-owned investment manager
- US\$433 billion in AUM as of June 30, 2021
- Located in 36 cities with 19 portfolio management centers across 25 countries
- The firm has considered ESG in investment processes as far back as the 1940s. For more information, please visit www.nb.com/esg

# FURTHER INFORMATION AND ENQUIRIES

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#### **PLATFORMS**

Asgard	BT Panorama	BT Wrap	CFS First Wrap	Hub 24
IOOF	Macquarie Wrap	MLC Wrap	<b>MLC Navigator</b>	Netwealth

#### SECTOR ALLOCATION

### ■ Leisure, 10.1%

- Services, 7.8% ■ Telecommunications, 7.6%
- Healthcare, 7.6%
- Media, 6.5%
- Gas-Distribution, 5.9%
- Real Estate, 5.5% ■ Retail. 5.3%
- Capital Goods, 4.9%
- Technology & Electronics, 4.4%
- Energy Exploration & Production, 3.7% Financial Services, 3.5%
  Banking, 3.2%
  Energy - Others, 3.2%
  Utility, 3.0%
  Transportation, 2.8%

- Consumer Goods, 2.5%
- Automotive, 2.5%
- Metals/Mining Excluding Steel, 2.4% Chemicals, 2.4%
- Insurance, 2.0% Others. 3.2%

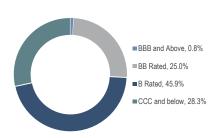
#### **TOP 10 COUNTRY ALLOCATION**

#### United States, 55.6% ■ Brazil, 5.5% ■ United Kingdom, 4.0%



- France, 3.4% ■ Germany, 2.9%
- China. 2.1%
- Mexico, 1.6%
- India. 1.6%
- Netherlands, 1.6%
- Others, 18.3%

#### CREDIT QUALITY<sup>5</sup>



#### TOTAL RETURNS (NET) (%) 2, 4

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
FY2019	-	-	-	-1.14 <sup>6</sup>	-0.87	-1.74	4.71	1.94	1.09	1.48	-1.20	3.07	7.38
FY2020	-0.70	0.04	0.85	0.33	0.69	1.94	-0.15	-2.05	-16.81	5.58	6.17	1.80	-4.22
FY2021	4.27	1.61	-0.96	0.52	4.80	1.55	-0.15	0.43	0.29	0.88	0.49	0.96	15.54
FY2022	-0.20	0.60	-0.73										

Past Performance is not a reliable indicator of future performance.

#### DISTRIBUTIONS(¢/unit)7

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total	Annualised Distribution Rate <sup>8</sup>
FY2019	-	-	-	0.875	0.875	0.875	0.875	0.875	0.875	0.875	0.875	2.469	9.47	6.24%
FY2020	0.899	0.899	0.899	0.899	0.899	0.899	0.899	0.899	0.899	0.899	0.899	0.971	10.86	5.28%
FY2021	0.696	0.696	0.696	0.696	0.696	0.696	0.696	0.696	0.696	0.696	0.696	1.985	9.64	5.20%
FY2022	0.804	0.804	0.804											4.75%

TOP 10 ISSUERS	SECTOR	%
Altice France	Telecommunications	1.79
Carvana Co	Retail	1.69
Carnival Corp	Leisure	1.61
Calpine Corp	Utility	1.44
CSC Holdings LLC	Media	1.32
Blackstone CQP Holdco LP	Gas-Distribution	1.26
Commscope Holding Co Inc	Technology & Electronics	1.19
Assuredpartners Inc	Insurance	1.12
MultiPlan Inc	Healthcare	1.05
Teva Pharmaceutical Industries Ltd	Healthcare	1.00

BOND PORTFOLIO SUMMARY	
Number of Holdings 519	
Number of Issuers 355	
Yield to Maturity (%) <sup>9</sup> 5.53	
Yield to Worst (%) <sup>10</sup> 5.09	
Weighted Average Duration (years) 3.52	
Average Credit Quality B	

- For FY2022, NBI has set the target distribution amount per Unit, which is paid monthly by NBI, at 4.75% p.a. (net of fees and expenses) on the NTA per Unit as at 1 July 2021 ("Target Distribution"). 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 change 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 NBI's product disclosure statement dated 21 January 2020 ("2020 PDS"). Section 3.3.1 of the 2020 PDS sets out the Manager's views in relation the interest rate environment and impact on target distributions.
- Performance is calculated net of management costs, which includes the Responsible Entity fee, the Management fee, the Administration fee, along with custodian, audit and legal fees and other transactional and operational costs. Investors should review the PDS for full details of NBI, including, in particular, the "Fees and Other Costs" section of the PDS.
- Annualised Performance since 26 September 2018 to latest month end.
- Total Return is calculated based on the pre-distribution month end NTA and assumes all distributions are reinvested.
- Credit quality ratings are based on the Bank of America ("BofA") Merrill Lynch Master High Yield Index composite ratings. The BofA Merrill Lynch composite ratings are updated once a month on the last calendar day of the month based on information available up to and including the third business day prior to the last business day of the month. The BofA Merrill Lynch composite rating algorithm is based on an average of the ratings of three agencies (to the extent rated). Generally the composite is based on an average of Moody's, S&P and Fitch. For holdings that are unrated by the BofA Merrill Lynch Index composite, credit quality ratings are based on S&P's rating. Holdings that are unrated by S&P may be assigned an equivalent rating by the investment manager. No NRSO has been involved with the calculation of credit quality and the ratings of underlying portfolio holdings should not be viewed as a rating of the portfolio itself. Portfolio holdings, underlying ratings of holdings and credit quality composition may change materially over time.
- Calculated from the listing date of 26 September 2018 to 31 October 2018.
- The most recent distribution amount has been announced, and will be paid in the following month.
- FY2019 based on the Initial Public Offer Subscription Price of \$2.00; FY2020 based on the NTA per Unit as at 1 July 2019; FY2021 based on the NTA per Unit as at 1 July 2020; FY2022 based on the NTA per Unit as at 1 July 2021;
- Yield to Maturity The total annualised return anticipated on a bond if it is held until the end of its lifetime. Yield to maturity is considered a long-term bond yield, but is expressed as an annual rate.
- Yield to Worst The lowest potential annualised total return that can be received on a bond without the issuer defaulting. This can be different from the yield to maturity because it assumes that the issuer 10. will exercise any option it has to "call" the security at the earliest opportunity (to redeem and repay the principal value to an investor early).

# **DISCLAIMERS**

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