

THE MONTH IN REVIEW: HIGH YIELD BONDS

PERFORMANCE IN EUR

	Fund size in millions	1M	Performance (%)			
			YTD	1Y	3Y*	5Y*
DPAM L Bonds EUR Corporate High Yield - F <i>Bloomberg Euro High Yield 3% Capped ex Fin</i>	351.54	2.39 2.42	-13.69 -12.37	-13.17 -12.01	-3.03 -1.74	-0.68 -0.32
DPAM L Bonds EUR High Yield Short Term - F	429.54	1.98	-4.42	-3.91	-1.29	-0.67
DPAM L Bonds Higher Yield - F	90.51	1.48	-10.36	-9.47	-1.02	0.50

*Annualized

Performance contributions of note for all funds, unless stated otherwise:

- Amid a recovering market, Faurecia compensated for its underperformance in September (DPAM L Bonds EUR Corporate High Yield, DPAM L Bonds Higher Yield, DPAM L Bonds EUR High Yield Short Term).
- Longer dated paper of good-quality companies also contributed well, given the move in underlying rates: some examples of note are VMED and IQV (DPAM L Bonds EUR Corporate High Yield, DPAM L Bonds Higher Yield).
- Telecom Italia suffered after the downgrade by S&P (DPAM L Bonds EUR High Yield Short Term).
- Idiosyncratic moves (such as the Eurofins' hybrids) dampened performance somewhat (DPAM L Bonds EUR Corporate High Yield).

STRATEGY & OUTLOOK

The compelling valuations in high yield markets did not go unnoticed in October. The turn in sentiment was driven, among others, by a relatively supportive earnings season. Furthermore, good news on European gas storage relieved fears about worst-case gas-rationing scenarios this winter. It also affected inflation expectations in Europe. Last but not least, so far, defaults have remained remarkably absent this year. The refinancing wave that took place at very low yields in 2020 and 2021 has pushed out the maturity wall, and, for now, companies have been coping quite well with input cost pressures.

In the primary market, a few deals were priced, raising in total roughly EUR 3 billion in Europe. However, the "double digit" coupon for B-rated issuers indicates the harsh reality faced by companies that try to raise money in this market.

At this juncture, we are adding to positions in better quality paper at the short-to-medium end of the curve. We want to take advantage of the value offered in the market, while keeping healthy cash balances going into year-end.

Among **transactions** of note for all funds, unless stated otherwise:

- We added some better-rated paper from quality companies to put some cash to work (DPAM L Bonds EUR Corporate High Yield, DPAM L Bonds EUR High Yield Short Term).
- We off-loaded our last exposure to French retailer Casino.

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