

Marketing communication



# ALPHA GENERATION THROUGH FOCUSED RISK MANAGEMENT

JUPITER CORPORATE BOND FUND

[jupiteram.com](http://jupiteram.com)

For professional and institutional investors only. Not for retail investors.



**JUPITER**  
ASSET MANAGEMENT

# CORPORATE BONDS: A DIVERSE ASSET CLASS, WHERE CREDIT SELECTION IS KEY TO SUCCESS

**Bonds issued by companies have long been thought of as a mainstay of a well diversified investment portfolio.**

Overall, the attractions of the asset class are relatively plain to see; corporate bonds have the potential to offer investors an attractive total return, derived largely from the regular “coupons” (interest) they pay to their investors. Additionally, corporate bonds have the potential to provide capital growth, where an investor is able to identify and purchase bonds trading at cheap valuations, and which subsequently enjoy price appreciation.

While recognising the many appeals of corporate bonds, it is also important to understand that they do not form a homogeneous investment universe. Indeed, the wide variations in risk and reward characteristics of different parts of the corporate bond market mean that there are significant

differences between funds in the IA £ Corporate Bond sector.

This collection of infographics has been designed to help explain the distinctive features of the Jupiter Corporate Bond Fund, our GBP-denominated corporate bond fund.

## CORPORATE BONDS

Credit quality

Portfolio diversifier

Yields in excess of gilts

Volatility lower than equities




Liquidity



# ACTIVE, PRAGMATIC AND RISK AWARE

## THE PILLARS OF OUR INVESTMENT PHILOSOPHY

We believe there is substantial scope to add alpha in the asset class through judicious credit selection and a willingness to be active and flexible.

 <p><b>ACTIVE</b></p>	 <p><b>PRAGMATIC</b></p>	 <p><b>RISK AWARE</b></p>
<p>Utilise duration and credit exposure as key levers of risk adjusted returns</p>	<p>Fund positioning must reflect our evolving views of a changing world</p>	<p>Prioritise capital preservation and mitigate drawdown risk</p>
<p>Sweat the asset class</p>	<p>We are not inherently aggressive, or defensive, or long duration, or short duration</p>	<p>Focus on liquidity (larger, highly tradable corporate bonds)</p>
<p>Assess GBP investment grade in a global context</p>		
<p><i>The fund managers take a high conviction, active approach to managing the fund. They use duration and credit exposure as they sweat the asset class in search of strong risk-adjusted returns.</i></p>	<p><i>The fund is always appropriately positioned by the fund managers according to their assessment of the current macro and micro economic landscape.</i></p>	<p><i>Risk management is at the heart of the fund's investment process. The fund managers focus on in-depth on credit research to understand business and financial risks.</i></p>

## LIQUIDITY

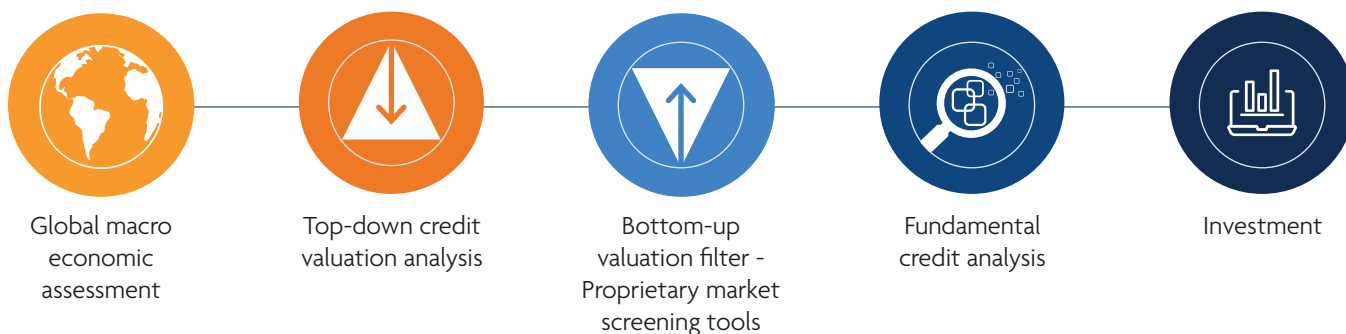
To maintain a high level of liquidity the fund managers focus the vast majority of the portfolios on issues greater than £250 million in size. This allows them flexibility in their asset allocations and ensures the scalability of the investment process as the fund grows.



Source: Jupiter, as at 31.12.2020. Liquidation profile: 97.8% of fund can be liquidated in 1 day.

## DISCIPLINED AND FLEXIBLE

The fund's investment process begins with an assessment of the global macro landscape, and incorporates detailed analysis on each issuer. The process is both holistic and highly repeatable, with the aim of ensuring appropriate fund positioning throughout the market cycle.



### 2-IN-1 OUT POLICY

Both fund managers must agree on any additions to the portfolio, but if either manager has concerns, the position is reduced or removed.



### DODGING BULLETS

The risk/return balance in credit is very much skewed to the downside, as a downgrade or even default can destroy many years of coupons. A key part of the fund's investment process is therefore selecting issuers with robust business models and a very low likelihood of a deterioration in credit quality.

### FUND-SPECIFIC RISKS

The fund can invest up to 20% in non-rated bonds. These bonds may offer a higher income but carry a greater risk, particularly in volatile markets. In difficult market conditions, it may be harder for the manager to sell assets at the quoted price, which could have a negative impact on performance. The fund may use derivatives which may result in large fluctuations in the value of the fund. Counterparty risk may cause losses to the fund. In extreme market conditions, the Fund's ability to meet redemption requests on demand may be affected. The Key Investor Information Document, Supplementary Information Document and Scheme Particulars are available from Jupiter on request. This fund can invest more than 35% of its value in securities issued or guaranteed by an EEA state.

# MEET THE TEAM

The fund's investment process begins with an assessment of the global macro landscape, and incorporates detailed analysis on each issuer. The process is both holistic and highly repeatable, with the aim of ensuring appropriate fund positioning throughout the market cycle.



**HARRY RICHARDS** Investment Manager

Harry joined Jupiter in 2011. He is co-Investment Manager, alongside Adam Darling, of the Jupiter Corporate Bond Fund (Unit Trust). He is also Investment Manager of the Jupiter Strategic Bond Fund (Unit Trust) and Jupiter Dynamic Bond fund (SICAV) alongside Ariel Bezael. Harry has a degree in Chemistry from Oxford University and is a CFA® charterholder.



**ADAM DARLING** Investment Manager

Adam joined Jupiter's Fixed Income team in February 2015. He is Investment Manager of the Jupiter Global High Yield Short Duration Bond fund (SICAV) and co-Investment Manager, alongside Harry Richards, of the Jupiter Corporate Bond fund (Unit Trust). Adam began his investment career in 2000. Prior to joining Jupiter, Adam worked at Barclays, Société Générale and Morgan Stanley. Adam has a degree in Modern History from Oxford University.

Harry and Adam have significant credit research resources at their disposal, while benefiting from the holistic view of global fixed income markets that comes from being part of Jupiter's broader fixed income team.

## JUPITER FIXED INCOME TEAM

30

investment professionals

14x Portfolio Managers

13x Credit Research & Analysts

3x Product Specialists

## JUPITER SUPPORT TEAM

42

investment professionals

22x Risk & Portfolio Reporting

10x Data Science

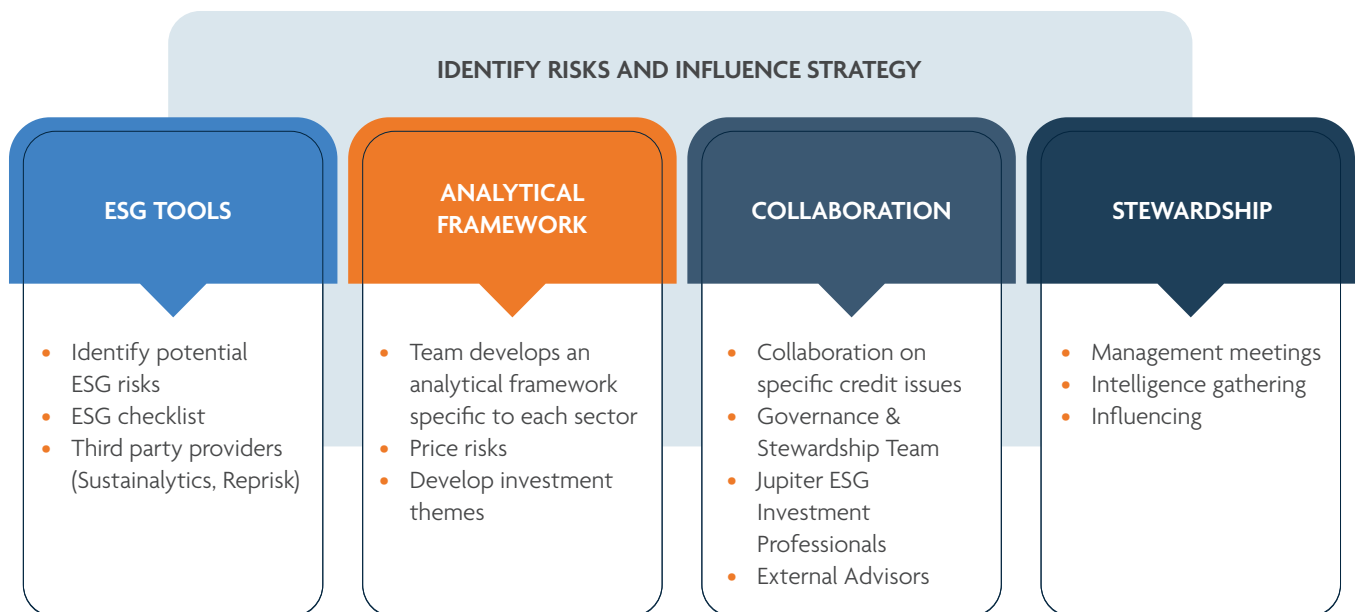
4x Execution Desk

6x Stewardship Team

Source: Jupiter, as at 30.06.2022. **Jupiter Operational Infrastructure:** Systems: Aladdin/PRT/Factset/Sustainalytics/RepRisk.

# INCORPORATING ESG INTO CREDIT ANALYSIS

The Jupiter Corporate Bond Fund is not an “impact” strategy, but in keeping with Jupiter’s values, the approach of the wider Fixed Income desk, and the fund managers’ own views on responsible portfolio management, ESG research is deeply embedded in the investment process.











The fund managers view ESG factors as a crucial subset of credit risk analysis. Their experience of managing portfolios with high-yield credit components alongside this investment-grade strategy has been particularly influential in their approach, not least because potential dislocations have a habit of making themselves known initially in the lower-grade segments of the credit market.

The value of seeking to pre-empt such risks is hard to overstate; a sudden deterioration in risk factors assessed within a robust ESG framework can have potentially terminal consequences for a business.

## PUTTING PRINCIPLES INTO PRACTICE

We believe there is substantial scope to add alpha in the asset class through judicious credit selection and a willingness to be active and flexible.

GOVERNANCE AND DISCLOSURES		CLIMATE CHANGE AND SUSTAINABILITY		SOCIAL AND REPUTATIONAL	
<b>Coventry Building Society</b> 	<p>Challenged the process for appointing Board Chair, and Board's oversight of the Chair's outside commitments.</p>	<b>Barclays</b> 	<p>Signed a letter to the Chairman, calling for the Board to adopt an open and proactive dialogue with shareholders on climate change impact and financing of fossil fuels.</p>	<b>Thames Water</b> 	<p>Challenged the group's effort to build a better relationship with OFWAT, and progress on targets on leakage, blockage and pollution reductions.</p>
<b>Vonovia</b> 	<p>Encouraged reinstatement of a discontinued credit metric to maintain high standard of financial disclosure.</p>	<b>National Express</b> 	<p>Engaged on societal shift away from cars in urban areas, the company's decarbonisation efforts and ambitions to achieve zero emissions by 2035.</p>	<b>Housing associations (e.g. Orgit, Hyde)</b> 	<p>Regularly engage on proportion of lettings that are social housing, post-Grenfell building regulations, affordable rents and tenant satisfaction.</p>
<b>Plains All American</b> 	<p>Encouraged capital allocation shifts in favour of paying down debt in order to manage sustainability risks.</p>	<b>BHP Billiton</b> 	<p>Challenged on scope of emission reduction charges and technological adaptation required to enable this.</p>		

Stock examples are used for illustrative purposes only and are not a recommendation to buy or sell.

## Alpha generation through focused risk management

For more information on the Jupiter Corporate Bond Fund or any other Jupiter funds, please contact your relevant Sales contact or the Client services team:

[clientservices@jupiteram.com](mailto:clientservices@jupiteram.com)

Or call 020 3817 1063

to speak directly with our Client Services Team

\*Telephone calls may be recorded.

## IMPORTANT INFORMATION

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