



## Mirabaud - Convertible Bonds Global

### Performance Update

Mirabaud - Convertible Bonds Global (I cap. USD) returned 4.46% in June, while the Refinitiv Global Focus Hedged Index (\$) returned 2.76%. From a geographic perspective, every region contributed positively. Sector-wise, on an absolute basis, holdings in Consumer Discretionary and Industrials contributed the most positively while Energy slightly detracted. The 3 biggest contributors were Under Armour 1.5% 2024, Air Canada 4% 2025 and Bloomin Brands 5% 2025, while the 3 biggest detractors were Scorpio Tankers 3% 2022, Twitter 0.25% 2024 and Swiss Prime Site 0.325% 2025.

### Portfolio Activity

Over the month, among the main trades, we took profits in CIMB 0% 2024, Dexus 2.3% 2026, Dish 2.375% 2024, Euronet Worldwide 0.75% 2049, Vishay Intertechnologies 2.25% 2025, Seven 2.2% 2025 and Swiss Ré 3.25% 2024. We initiated positions in American Airlines 6.5% 2025, Bosideng 1% 2024, Cembra Money Bank 0% 2026, CP Food 0.5% 2025, Infinera 2.5% 2027, Jazz Pharmaceuticals 2% 2026, LG Display 1.5% 2024, Livent 4.125% 2025, Palo Alto Networks 0.375% 2025, Royal Caribbean Cruises 4.25% 2023, The Realreal 3% 2025, Swiss Prime Site 0.325% 2025, Veeco Instruments 3.75% 2027 and Zhen Ding Technology 0% 2025. Sector-wise, I.T. represents the largest exposure at 23.3% (UW), followed by Consumer Discretionary at 14.8% (OW), Industrials at 14.2% (UW), Healthcare at 10.8% (UW), Materials at 9.3% (OW). Geographically, the regional breakdown is North America at 55.9% (N), EMEA at 19.1% (UW), Asia Pacific Ex-Japan at 20% (OW) and Japan at 4.5% (UW).

### Market Review & Outlook

In June, global convertible bonds (CBs) continued to push higher in-line with both equities and credit as in many countries, America especially, the scale of the revival of consumer spending and of activity in the housing sector has provided positive surprises. Nevertheless, weekly fund flows aggregated to monthly totals was much less negative as global funds saw a slight outflow of \$13m (-0% of AUM) in June according to BofA, bringing a total year to date of -\$3bn (-7.5% of AUM). In the meantime, valuations finished the month better with the global market trading now at a 4% discount to its theoretical value, according to Nomura, which remains well below the peak rich levels we saw in January when global CBs were trading at a 0.4% premium. Consequently, we see the valuation as a greater source of alpha than a medium-term risk for the asset class, which is an attractive vehicle for investors looking for asymmetric exposure to the melt-up in equities with the benefit of enhanced downside protection and a pickup in yield. Moreover, the global CB primary market remained active in June as \$18.79bn came to market across 34 transactions, totalling \$72.89bn over 143 deals above \$100m, the most in H1 on record. We think that the new opportunities make the asset class even more appealing as we expect the leadership for the next leg -up in equities to come from cyclicals, of which many new issuers have recently tapped the convertibles market. The rising coronavirus cases and the political uncertainty (Brexit/China/US election) could be a catalyst for an equity correction, but we think markets could move back up into the summer given the excess liquidity, light positioning, resilient credit markets and fiscal stimulus. Nevertheless, volatility could rise anytime given that it's impossible to evaluate with any precision the scale of enduring disruption to the world economy produced by the COVID-19 pandemic. The Fund positions itself today as a defensive equity strategy with a 50% delta while we look to express safely our convictions through balanced convertibles, a blend of credit and equity sensitivities, for a total of 71%. The Fund provides also a 3.29% yield to maturity and 2.08% current yield with a duration of 3.75 years while the average shadow credit rating is in the sweet spot of BB+ (575bps average credit spread). The Fund, which holds the SRI label\*, integrates ESG principles in its investment process and also captures the diversity of stock selection opportunities across only 51 positions versus 199 for the benchmark, with top 20 holdings accounting for ~60% and an active share ratio of ~93%. We continue to look for hidden value among mid cap names (~39%), which is reflected by the high weight off-benchmark exposure (~74.9%).

Annual Performance (%)	2015	2016	2017	2018	2019	YTD 2020
Mirabaud - Convertible Bonds Global I cap.USD	3.65	1.92	6.17	-6.30	16.70	5.40
Thomson-Reuters Global Focus Convertible Bond Hedged USD	3.83	1.59	6.00	-3.01	13.10	5.15

Share class inception date: 17/02/2014. All data sourced from Mirabaud Asset Management and Bloomberg. \*Obtained 20/03/2020

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