



GIBRALTAR ASSET MANAGEMENT  
STOCKBROKERS & INVESTMENT MANAGERS

## Market Commentary

### Recommended Investment:

#### **iShares Global High Yield Corporate Bond GBP Hedged ETF**

iShares Global High Yield Corp Bond GBP Hedged ETF is an exchange traded fund that trades on the London Stock Exchange (GHYS.L) in sterling. It tracks the Markit iBoxx Global Developed Markets Liquid High Yield Capped Index.

This index provides diversified exposure to sub investment grade rated bonds issued by companies based in developed countries. Such bonds can be notoriously volatile, so it makes sense for the average investor to obtain exposure through a fund, rather than through direct holdings. There are over 1,200 holdings in this index, so the failure of any individual bond will have a negligible effect on the fund's market value.

The fund is highly diversified by region (US 65%, Italy 3%, France 4%, Germany 4% & Netherlands 3%) and sector (Communications 22%, Consumer Cyclical 14%, Consumer Non-Cyclical, Energy 10% & Capital Goods 10%). As the majority of the fund's holdings are non-sterling denominated, the fund hedges that exposure back to sterling monthly to eliminate currency risk. 61% of the underlying bonds are BB rated and 30% single B. The average maturity of the fund is just 3.4 years, putting the fund at the lower end of the risk scale should interest rates start to rise.

As the fund is a passive index tracker, the management fees are very low, 0.55% per annum in this case. For us, the main attraction, however, is its source of income. The yield is currently 4.9% and the income is distributed semi-annually to shareholders.

For investors seeking income and with a time horizon of at least 5 years, we rate the fund a strong buy.