

Schroders



# Schroders Credit Lens

Perspective of USD investor

Strategic Research Unit

March 2024

Marketing material for professional investors or advisers only.

# Important information

- **These do not represent the investment views of Schroders' credit teams**
- Marketing material for professional clients only
- Past performance is not a guide to future performance and may not be repeated
- Yields and returns are shown hedged to USD unless stated otherwise
- All credit spreads are option-adjusted spreads (OAS) unless stated otherwise
- Spreads are quoted in basis points (bps) where 100 basis points = 1%
- Full list on indices on page 70

# Index

[Summary](#) (slides 4-14)

[Cross-credit analysis](#) (slides 15-28)

[IG long vs short](#) (slides 29-32)

[Corporate credit: valuation](#) (slides 33-35)

[Corporate credit: fundamentals](#) (slides 36-54)

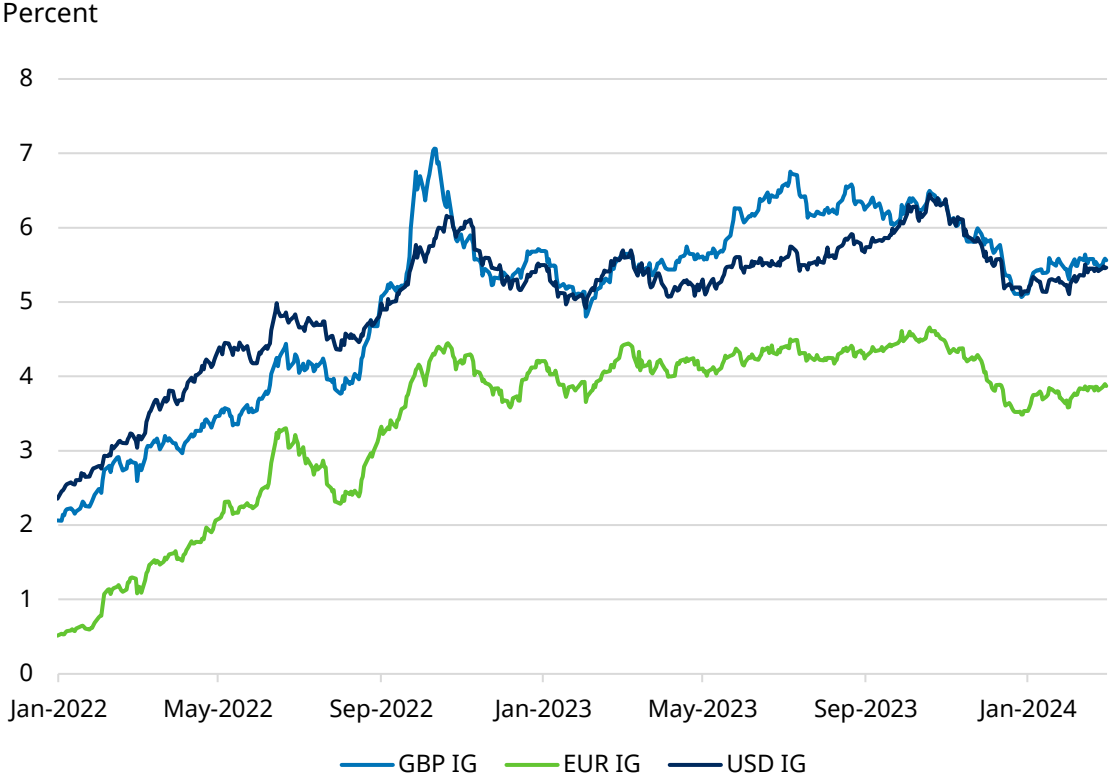
[Corporate credit: technicals](#) (slides 55-67)

# Summary

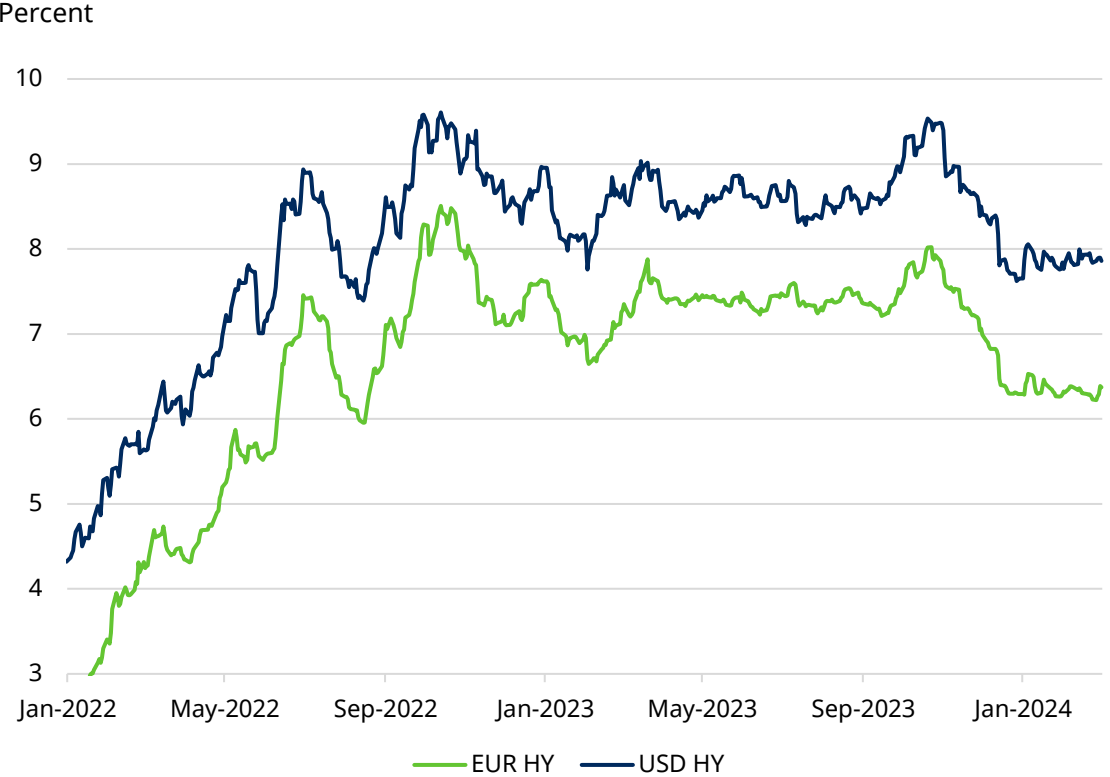
- **Spreads have narrowed significantly in recent months, alongside growing expectations for both lower policy rates and a soft landing for economic growth. USD spreads are tighter relative to their history than is the case for EUR spreads, particularly so for IG**
- Corporate bond yields have fallen far from their October 2023 peaks, and are now notably lower than the levels seen for most of last year
- Alongside relatively lower yields, year-to-date issuance has been strong, particularly in IG. Within USD HY, issuance has been dominated by refinancings, with maturity walls gradually being pushed out
- The credit rating migration picture is mixed. In HY, net downgrades have been outpacing upgrades over the last year. By contrast, *'rising stars'* have been outpacing *'fallen angels'*, with stronger HY issuers being upgraded to IG at a faster rate than weaker IG issuers are downgraded to HY
- While US high-yield default rates have moved higher over the past year, they have so far only increased to around long-run average (median) levels. As is the case for Euro high-yield default rates
- Overall corporate fundamentals were broadly stable in Q4. In recent quarters interest coverage ratios have fallen to more typical levels on the back of higher interest expense. Leverage mostly remained in recent ranges

# Corporate bond yields have fallen far from their October 2023 peaks

## IG yield



## HY yield



**Yields are now notably lower than the levels seen for most of last year**

Source: LSEG Datastream. Data as at 29 February 2024. Please see relevant disclaimers on page 71. Charts show local currency yield to worst.

# Significant spread narrowing in recent months, to levels last seen in early 2022

## IG Spread



## HY Spread



**Spread narrowing has been alongside growing expectations for both lower policy rates and a soft landing for economic growth**

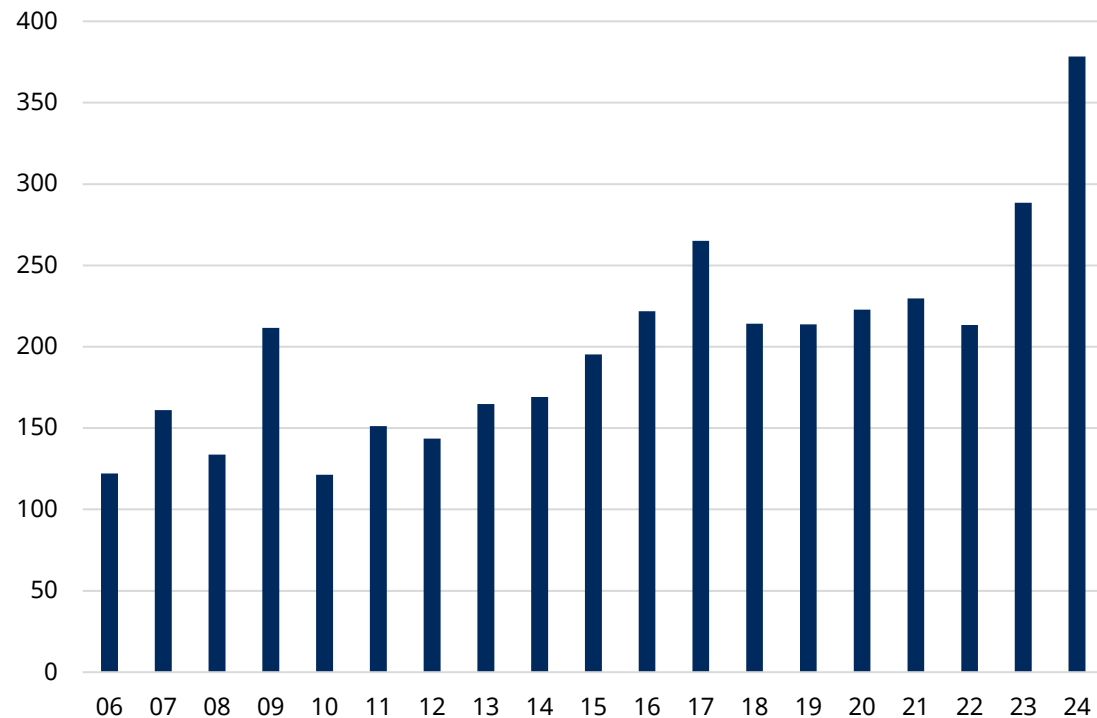
Source: LSEG Datastream. Data as at 29 February 2024. Please see relevant disclaimers on page 71.

# Strong start to 2024 for issuance, with record levels in IG

1

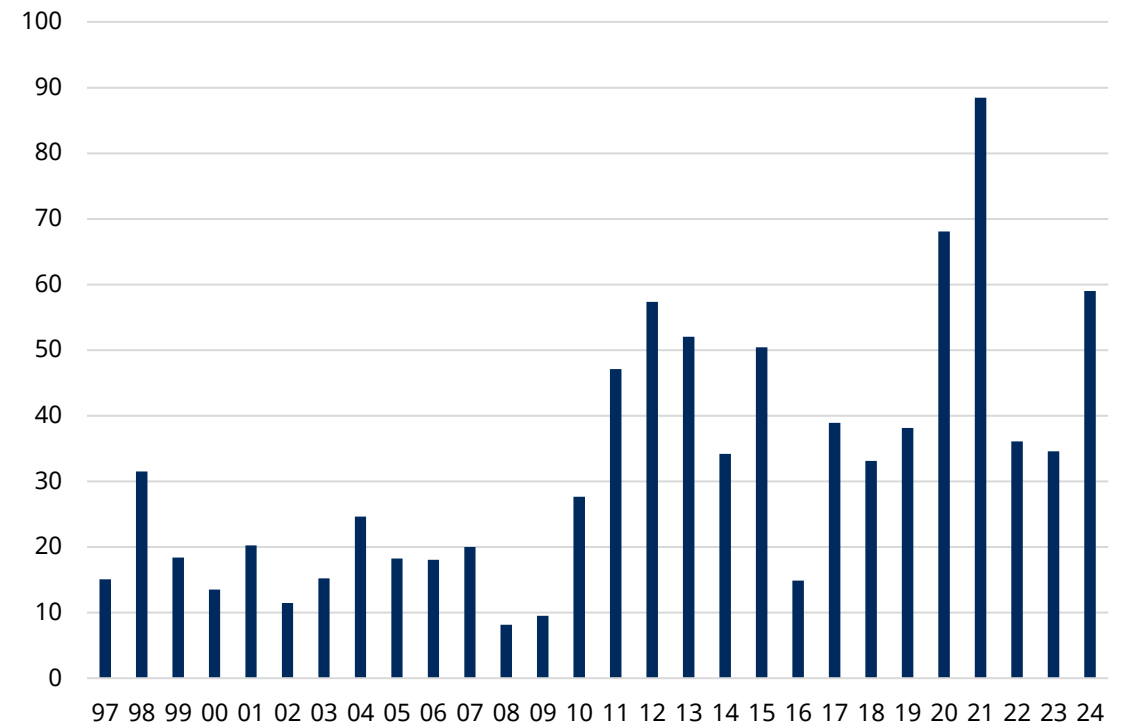
## USD IG bonds – January-February Issuance

Billions USD



## USD HY bonds – January-February Issuance

Billions USD

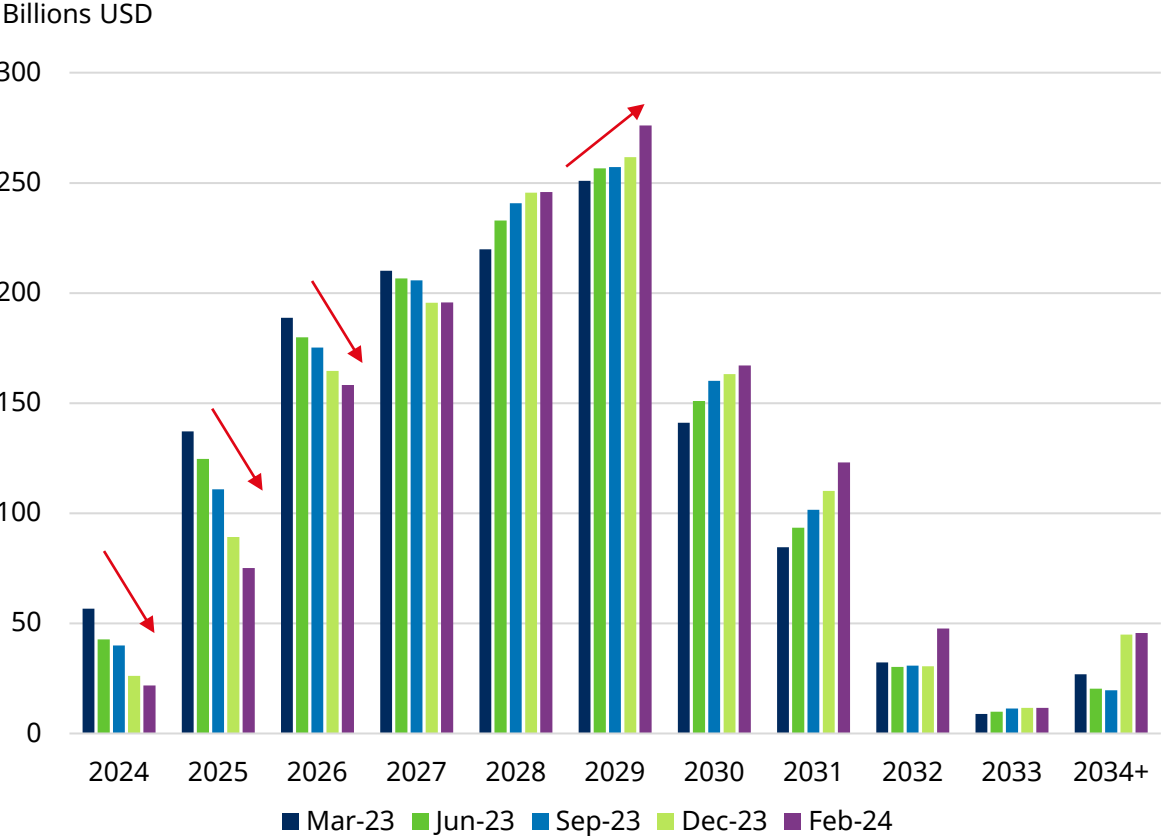


Source: BofA Global Research. Data as at 29 February 2024. Please see relevant disclaimers on page 71.

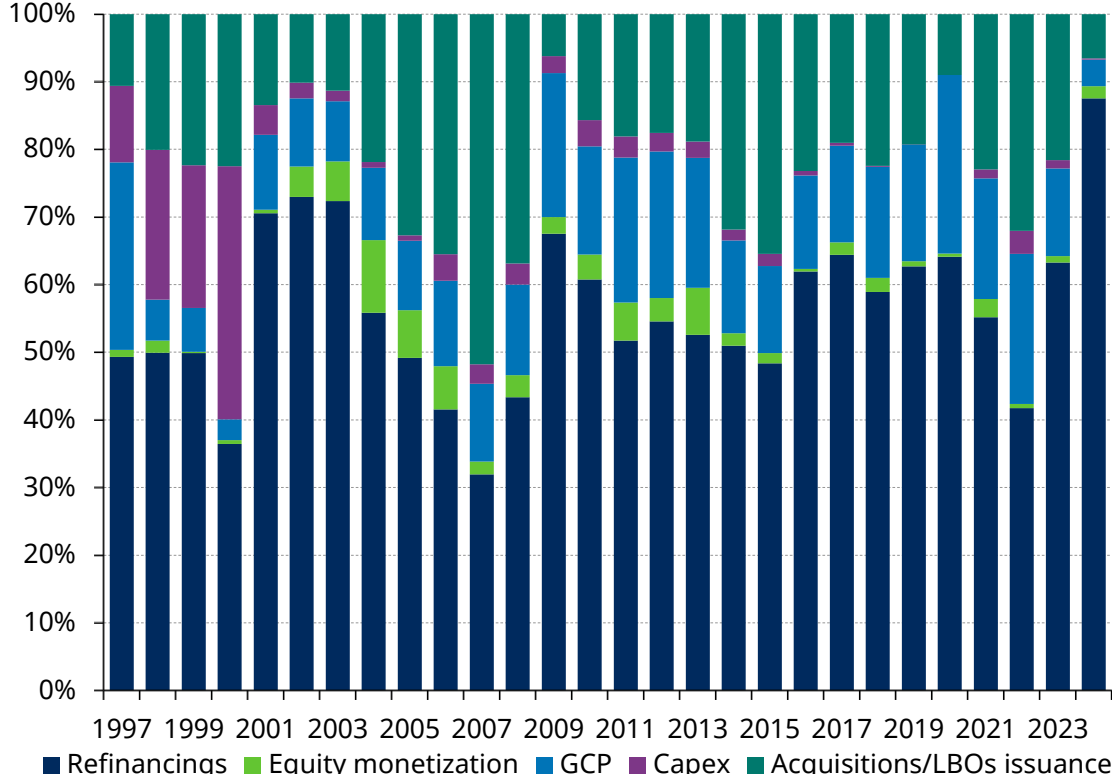
(1) Since at least 2006 when the data series began. Charts show YTD issuance (i.e. combined January and February) for each calendar year. It uses a different data source than shown on slide 61 to enable longer back-run of monthly data (key conclusions are the same across both sources)

# Maturity wall gradually being pushed out, year-to-date USD HY issuance dominated by refinancings

## USD HY Maturity profile



## USD HY - issuance by use of proceeds<sup>(1)</sup>



Source: Schroders, BofA Global Research. Data as at 29 February 2024. Please see relevant disclaimers on page 71.

(1) 2024 is year to date as at 29 February 2024. GCP is General Corporate Purposes; Equity monetization includes dividends and share repurchases.



# Summary of corporate fundamentals

- **Overall corporate fundamentals were broadly stable in Q4. The elevated level of interest rates has reduced median interest coverage ratios (ICRs) towards more typical levels in recent quarters. Leverage mostly remained in recent ranges**
- Leverage has remained mostly stable in recent quarters. High-yield leverage is below average levels seen over the last decade, whereas IG leverage is around or slightly above average
- In recent quarters median ICRs have fallen towards more typical levels, reflecting a significant increase in interest expense which is growing at rates not seen for over two decades. Albeit there are tentative signs that the decline in interest coverage has slowed
- Q4 saw continued signs of EBITDA margins improving, or at least stabilising in the case of US HY.
- See the full corporate fundamentals section on slide 36

# Interest coverage has declined towards more typical levels

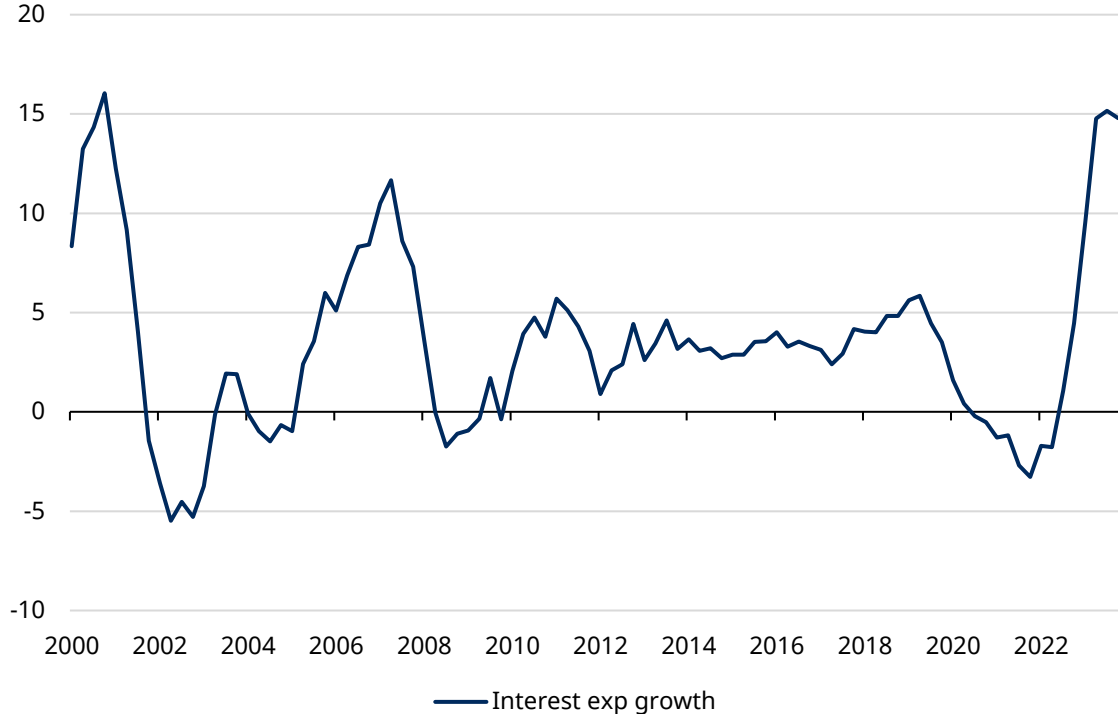
## US HY interest coverage ratio

Last 12 months EBITDA to interest expense



## US HY annual interest expense growth

%



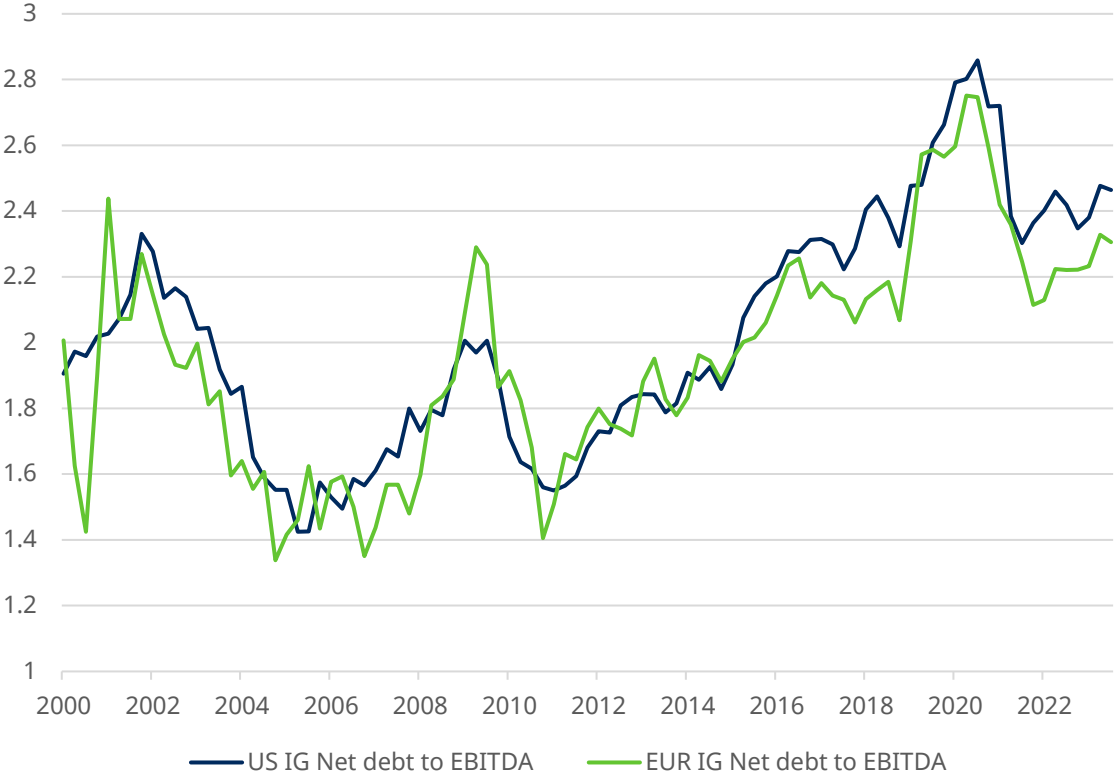
## Interest expense growth is the highest in over two decades

Source: Schroders, Bloomberg, Median issuer ex-Financials. Data as of Q4 2023. Please see relevant disclaimers on page 71.

# Leverage has been mostly stable in recent quarters

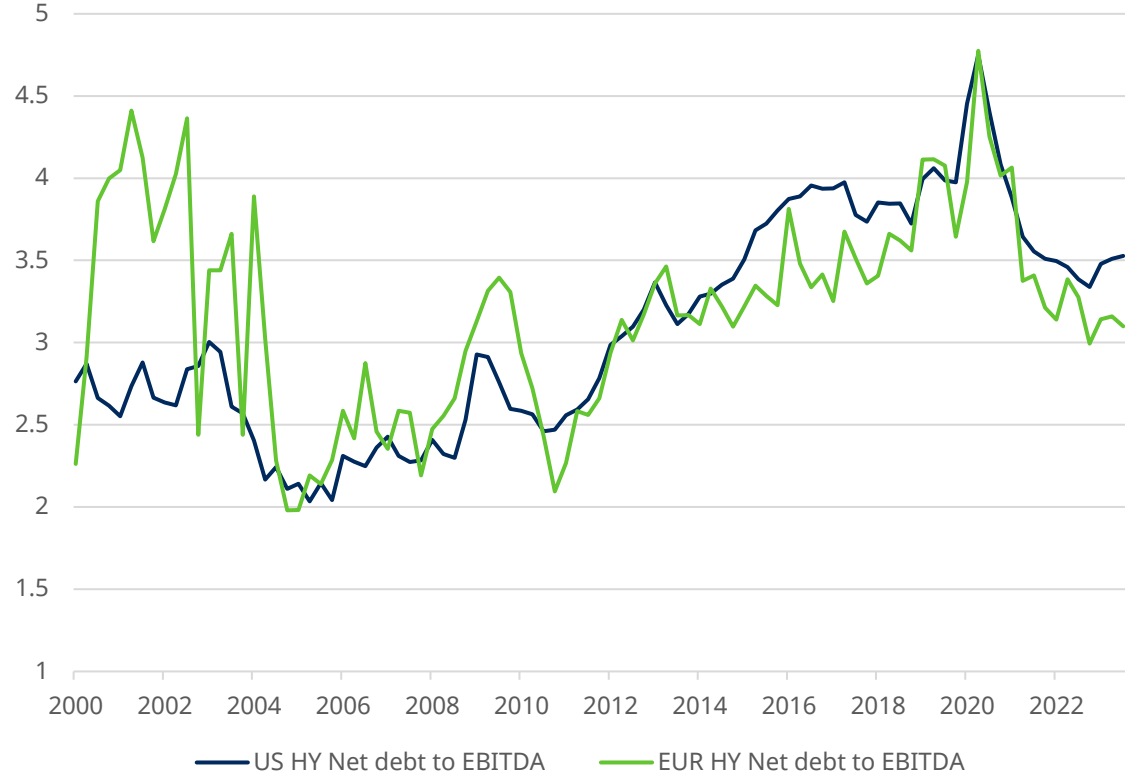
## IG net leverage

Net debt to last 12 months EBITDA



## HY net leverage

Net debt to last 12 months EBITDA



**High-yield leverage is below average levels seen over the last decade, whereas IG leverage is around or slightly above average**

Source: Schroders, Bloomberg. Median issuer ex-Financials. Data as of Q4 2023. Please see relevant disclaimers on page 71.

# Summary table

## Cross-credit overview

Date: 29 February 2024

	IG GBP non-gilts	IG GBP corporates	IG Euro	IG USD	HY GBP	HY Euro	HY USD	Hard EMD	Local EMD	Corp. EMD
Yield to worst	5.3%	5.6%	3.9%	5.5%	8.5%	6.4%	7.9%	8.1%	6.2%	6.8%
Yield to worst (hedged to USD) <sup>1</sup>	5.5%	5.8%	5.4%	5.5%	8.7%	7.9%	7.9%	8.1%	-	6.8%
Spread (bps)	101	125	121	100	412	346	329	369	192	245
Spread (percentile) <sup>2</sup>	27%	27%	52%	19%	28%	27%	14%	49%	1%	17%
Risk premium (bps) <sup>3</sup>	68	87	83	62	213	172	108	229	137	138
Duration	5.8	6.4	4.6	6.9	3.0	3.3	4.1	6.6	5.0	4.2
MV (billion \$)	750	557	3,134	8,194	51	394	1,252	675	1,553	517
Rating	A1	A3	A3	A3	BB3	BB3	B1	BB1	BBB2	BBB3
Nr. of issues/countries	1,341	1,123	4,226	10,309	99	682	1,862	70	18	1,767

### Since Jan 1997 or inception

Annualised return <sup>4</sup>	4.8%	5.0%	4.7%	5.0%	8.5%	6.0%	6.3%	6.9%	5.1%	6.0%
Annualised volatility	5.8%	6.5%	3.9%	5.9%	10.3%	11.2%	8.9%	10.6%	11.7%	7.5%
Return/volatility	0.8	0.8	1.2	0.8	0.8	0.5	0.7	0.6	0.4	0.8
Max drawdown	-24.0%	-26.2%	-14.9%	-20.1%	-28.5%	-39.8%	-33.2%	-29.5%	-12.5%	-24.3%
Correlation with S&P500	0.3	0.3	0.4	0.4	0.6	0.6	0.7	0.6	0.6	0.5
Correlation with MSCI World	0.3	0.4	0.4	0.4	0.6	0.7	0.7	0.6	0.7	0.6
Correlation with US Treasuries	0.5	0.5	0.4	0.6	-0.1	-0.2	0.0	0.2	0.2	0.3

**Past performance is not a guide to future performance and may not be repeated.**

Source: Schroders, Refinitiv Datastream, ICE Data Indices, J.P. Morgan. Data as at 29 February 2024. Please see relevant disclaimers on page 71.

<sup>1</sup>Local currency yield minus annualized 3-month hedging cost/return.

<sup>2</sup>Percentile shows where the current spread is relatively to the historical range of spreads, within a range of 0 to 100. The greater the percentile the higher the spread compared to history.

<sup>3</sup>Spread minus average historical default and downgrade losses (see slide 27).

<sup>4</sup>All returns USD hedged returns, except EMD Local which is unhedged USD return.

# Summary table (alternatives)

## Cross-credit overview

Date: 29 February 2024

	US Agency MBS	US ABS	US CMBS	US leveraged loans	EUR leveraged loans	Cat Bonds
Yield <sup>1</sup>	5.1%	5.7%	6.5%	10.5%	9.0%	-
Yield (hedged to USD) <sup>2</sup>	5.1%	5.7%	6.5%	10.5%	10.5%	-
Spread (bps) <sup>3</sup>	86	107	224	519	505	-
Risk premium (bps)	-	-	-	-	-	-
Duration	5.9	2.1	3.7	0.0	0.0	-
Market size (billion \$)	7,357	467	435	1,385	309	-
Rating	AA1	AA1	AAA	B	BB3/B1	-

### Since Jan 1997 or inception

Annualised return <sup>4</sup>	3.9%	3.6%	4.7%	4.9%	5.2%	7.5%
Annualised volatility	3.6%	2.2%	6.1%	5.7%	6.7%	4.2%
Return/volatility	1.1	1.6	0.8	0.9	0.8	1.8
Max drawdown	-16.7%	-9.0%	-25.8%	-29.9%	-32.2%	-8.7%
Correlation with S&P500	0.1	0.1	0.3	0.5	0.5	0.2
Correlation with MSCI World	0.1	0.2	0.3	0.5	0.5	0.2
Correlation with US Treasuries	0.8	0.5	0.4	-0.3	-0.3	0.1

**Past performance is not a guide to future performance and may not be repeated.**

Source: Schroders, Refinitiv Datastream, Bloomberg, Credit Suisse. Data as at 29 February 2024. Please see relevant disclaimers on page 71.

<sup>1</sup>US leveraged loan yield is calculated as 3-year discount margin plus 3-month term SOFR. Euro leveraged loan yield is calculated as 3-year discount margin plus 3-month Euribor.

<sup>2</sup>USD yield minus annualized 3-month hedging cost/return

<sup>3</sup>Leveraged loans spread is discount margin (3-year life)

<sup>4</sup>All returns USD returns

# Performance table

## Cross-credit overview

Date: 29 February 2024

	IG GBP non-gilts	IG GBP corporates	IG Euro	IG USD	HY GBP	HY Euro	HY USD	Hard EMD	Local EMD	Corp. EMD
<b>Return (local)<sup>1</sup></b>										
1 month return	-0.6%	-0.5%	-0.9%	-1.4%	0.7%	0.4%	0.3%	1.0%	-0.6%	0.7%
YTD return	-1.5%	-1.6%	-0.8%	-1.2%	2.4%	1.2%	0.3%	-0.1%	-2.1%	1.3%
1 year return	5.6%	6.3%	6.6%	6.1%	13.2%	10.0%	11.0%	10.1%	9.3%	9.0%
<b>Return (USD hedged)</b>										
1 month return	-0.5%	-0.5%	-0.8%	-1.4%	0.7%	0.5%	0.3%	1.0%	-0.6%	0.7%
YTD return	-1.5%	-1.6%	-0.5%	-1.2%	2.4%	1.4%	0.3%	-0.1%	-2.1%	1.3%
1 year return	6.2%	7.0%	8.7%	6.1%	13.8%	12.2%	11.0%	10.1%	9.3%	9.0%
<b>Spread</b>										
1 month OAS change	-9	-8	-9	-2	-55	-39	-30	-33	-35	-30
YTD OAS change	-13	-12	-14	-4	-103	-49	-5	-15	-41	-36
1 year OAS change	-41	-44	-26	-30	-147	-75	-93	-78	-69	-51
Latest OAS	101	125	121	100	412	346	329	369	192	245

**Past performance is not a guide to future performance and may not be repeated.**

Source: Schroders, Refinitiv Datastream, ICE Data Indices, J.P. Morgan. Data as at 29 February 2024. Please see relevant disclaimers on page 71.

<sup>1</sup>Local EMD is USD return.

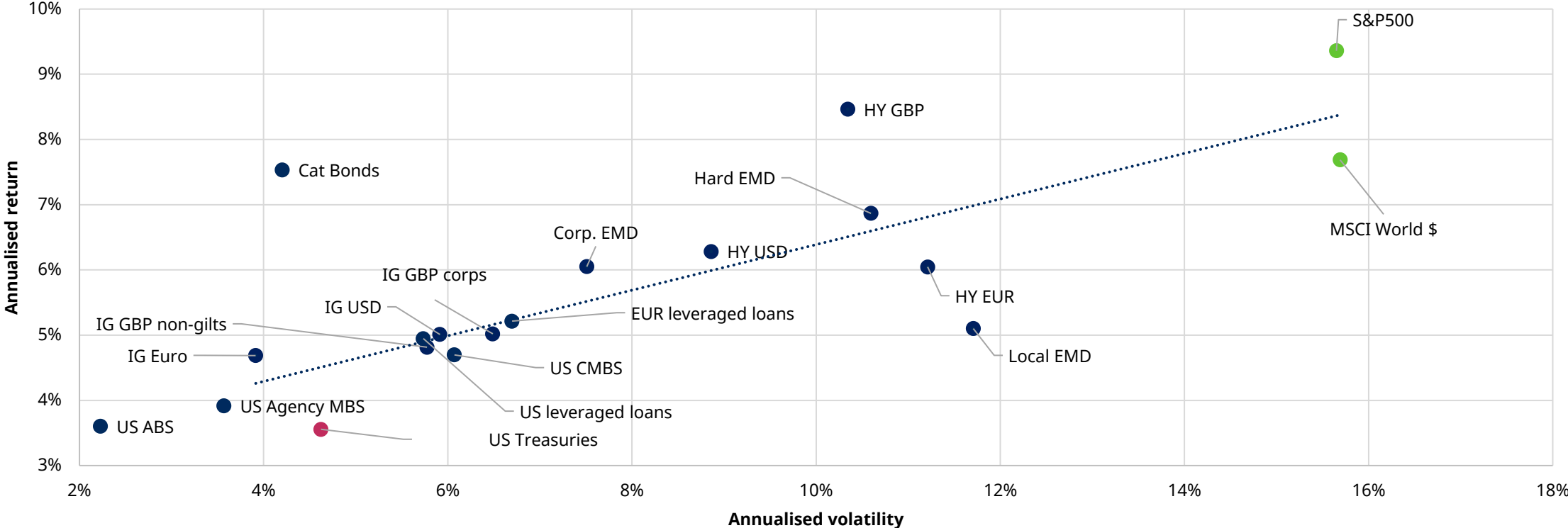
**Schroders**



**Cross-credit analysis**

# Cross-credit risk-return profile

Since Jan 1997 or inception



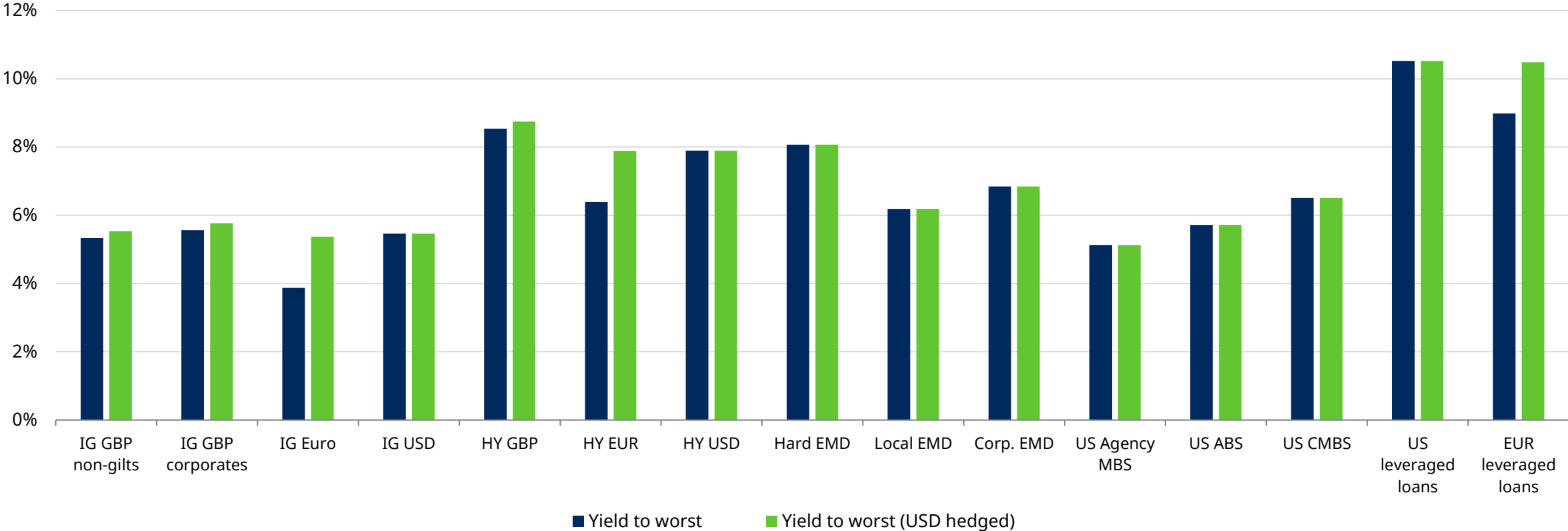
**Past performance is not a guide to future performance and may not be repeated.**

Source: Schroders, Refinitiv Datastream, ICE Data Indices, J.P. Morgan, Credit Suisse. Data as at 29 February 2024. Please see relevant disclaimers on page 71. All return and volatility figures shown as USD hedged, except EMD Local and MSCI World which are unhedged returns in USD.



# Cross-credit yield

## Yield to worst<sup>(1)</sup>



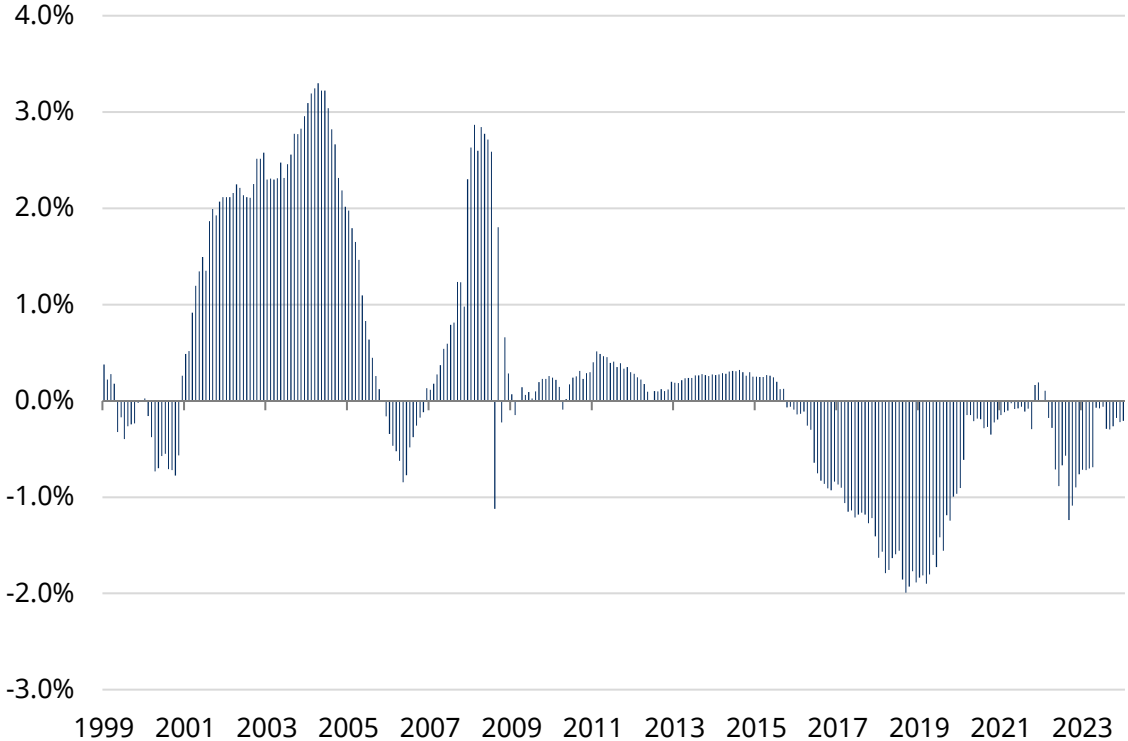
**EUR, GBP, and USD IG bonds now offer a similar yield on a currency-hedged basis. And EUR HY is similar to USD HY a currency-hedged basis**

Source: Schroders, Refinitiv Datastream, ICE Data Indices, J.P. Morgan, Bloomberg. Data as at 29 February 2024. Please see relevant disclaimers on page 71.  
 (1) Hedged yield is local currency yield minus annualised 3-month FX hedging cost/return (see next slide). Leveraged loan yields are 3-year discount margin plus 3-month Euribor or 3-month term SOFR.

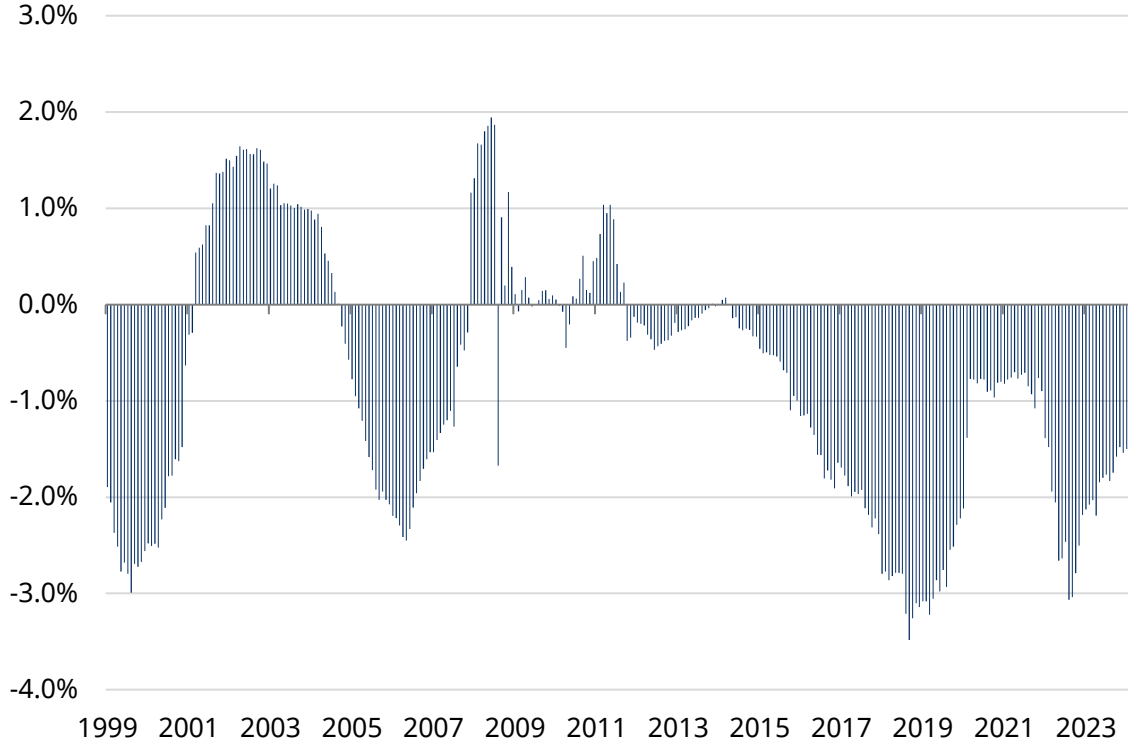
# FX hedging cost or return

Using 3-month FX forwards

Annualised GBP to USD hedging cost (pos) or return (neg)



Annualised EUR to USD hedging cost (pos) or return (neg)



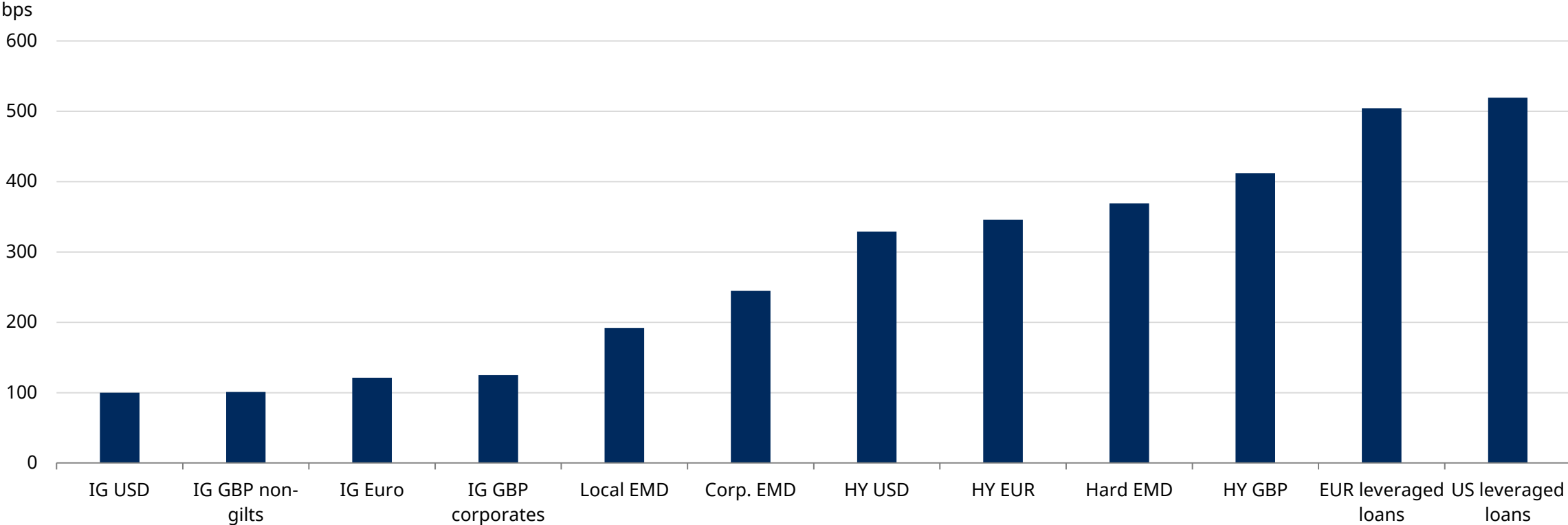
**GBP yields will be 0.2% higher in USD once hedging taken account**

**EUR yields will be 1.5% higher in USD once hedging taken account**

Source: Refinitiv Datastream. Data as at 29 February 2024. Please see relevant disclaimers on page 71.

# Cross-credit spread

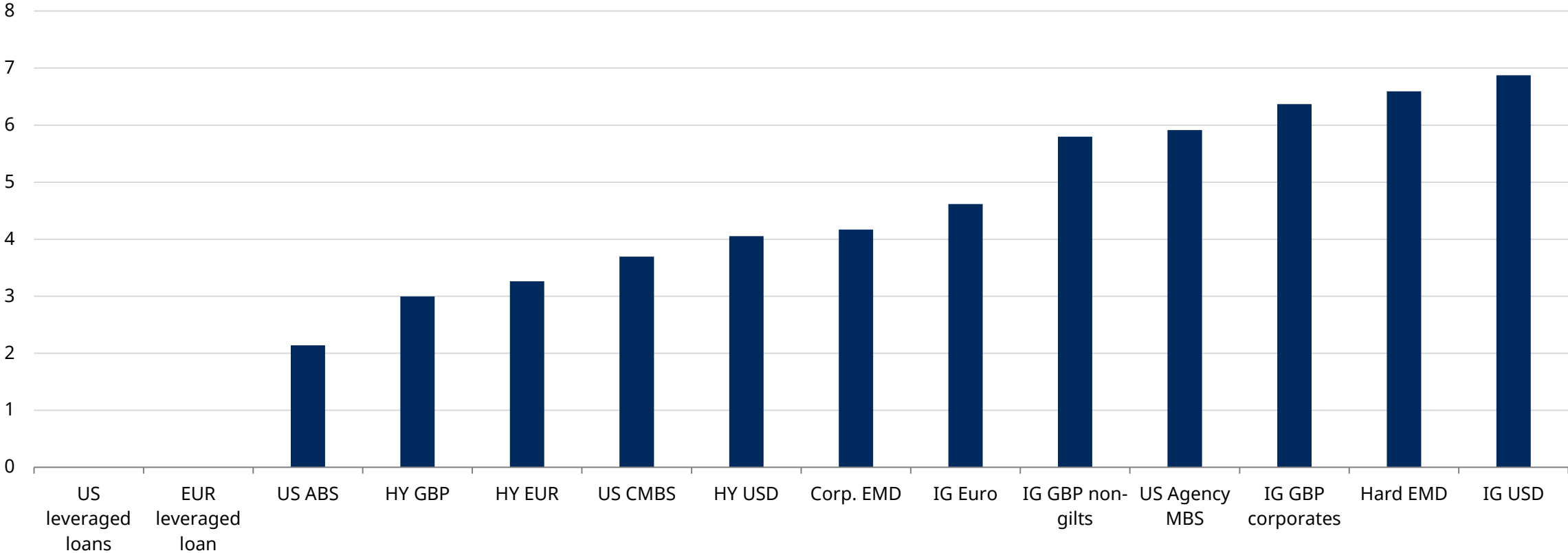
## Spread



Source: LSEG Datastream, ICE Data Indices, J.P. Morgan, Credit Suisse. Data as at 29 February 2024. Hard EMD = stripped spread, Local EMD = Spread to 5-year UST, Corporate EMD = spread to worst. Leveraged loan spread is Discount Margin (3-year life). Please see relevant disclaimers on page 71.

# Cross-credit duration

## Modified duration

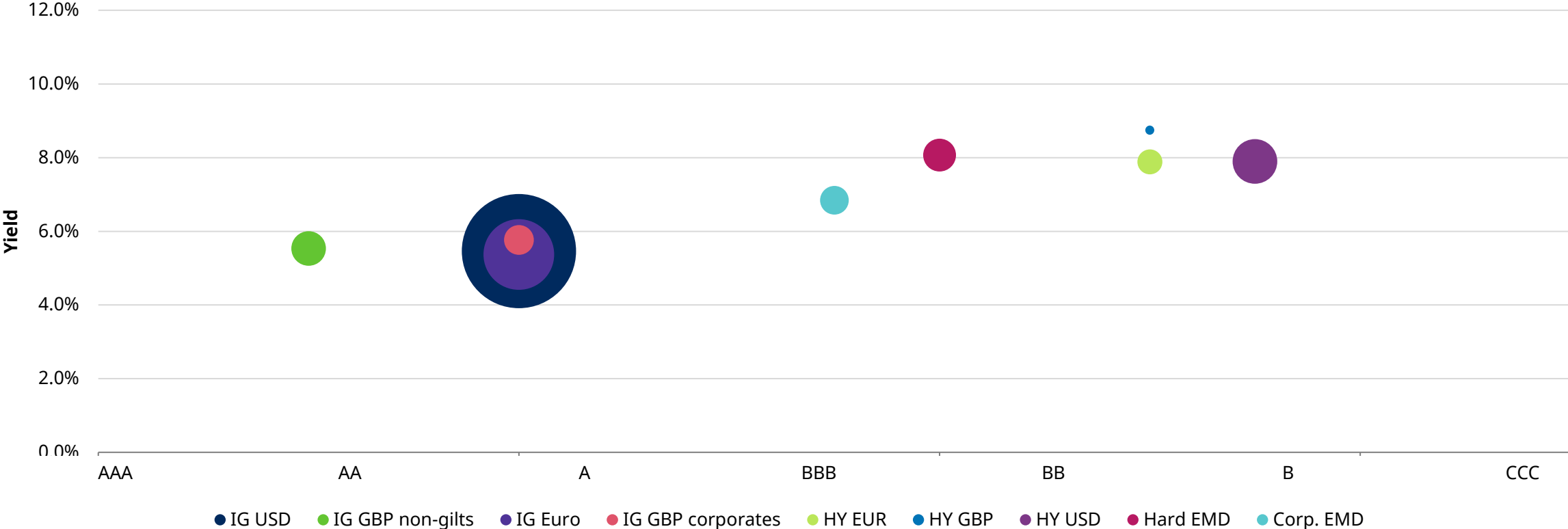


Source: LSEG Datastream, ICE Data Indices, J.P. Morgan. Data as at 29 February 2024. Please see relevant disclaimers on page 71.

# Yield vs. credit rating vs. market size

The size of bubble is proportionate to the size of the market

Yield (USD hedged) vs credit rating vs market size

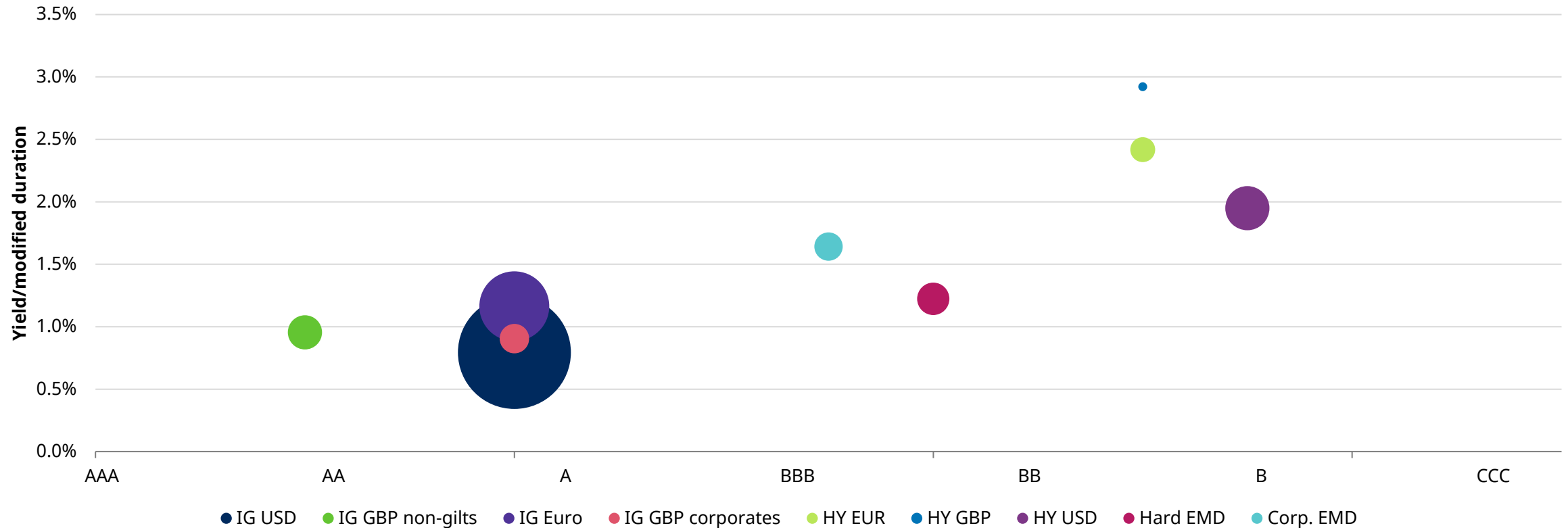


Source: Schroders, Refinitiv Datastream, ICE Data Indices, J.P. Morgan. Data as at 29 February 2024. Please see relevant disclaimers on page 71.

# Yield per unit of duration vs. credit rating vs. market size

Vertical axis is yield divided by modified duration

## Yield (USD hedged) per unit of duration vs credit rating vs market size

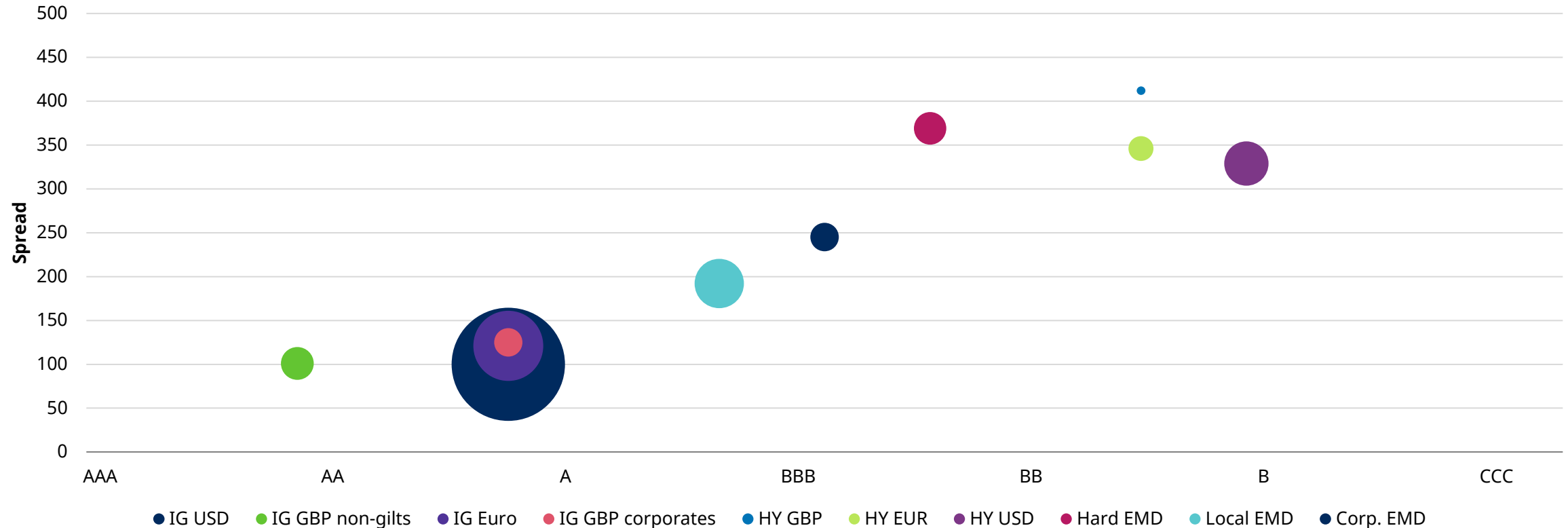


Source: Schroders, Refinitiv Datastream, ICE Data Indices, J.P. Morgan. Data as at 29 February 2024. Please see relevant disclaimers on page 71.

# Spread vs. credit rating vs. market size

The size of bubble is proportionate to the size of the market

## Spread vs credit rating vs market size

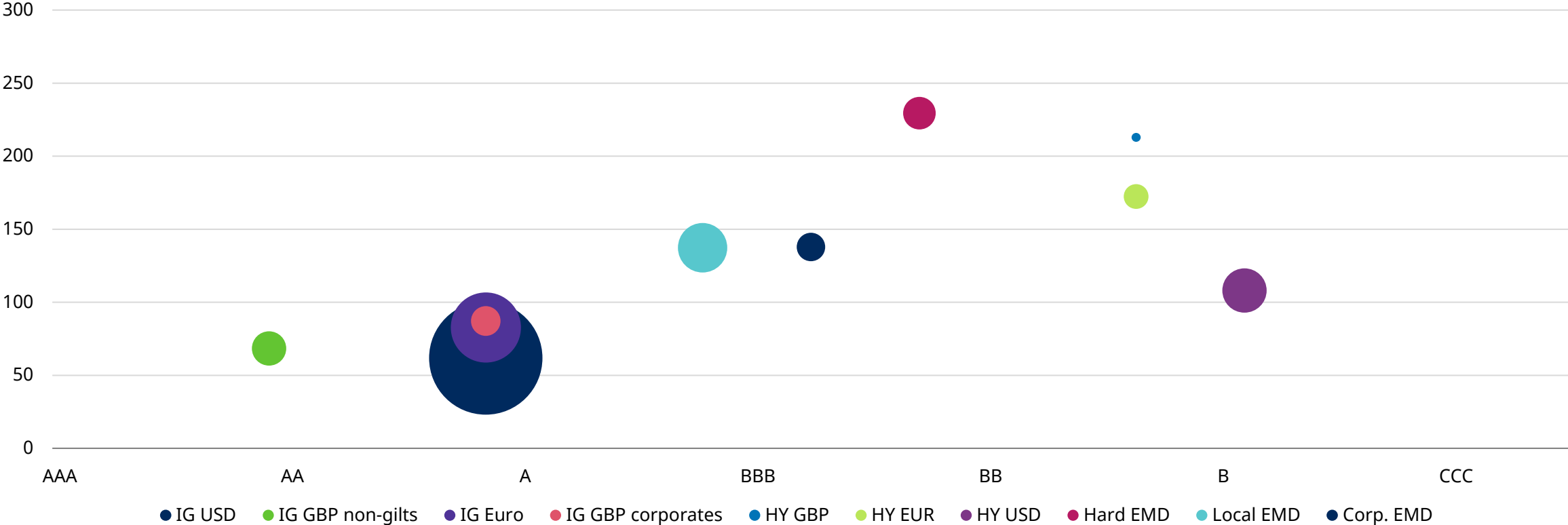


Source: Schroders, LSEG Datastream, ICE Data Indices, J.P. Morgan. Data as at 29 February 2024. Please see relevant disclaimers on page 71.

# Risk premium vs. credit rating vs. market size

Risk premium = credit spread – long term default and downgrade losses

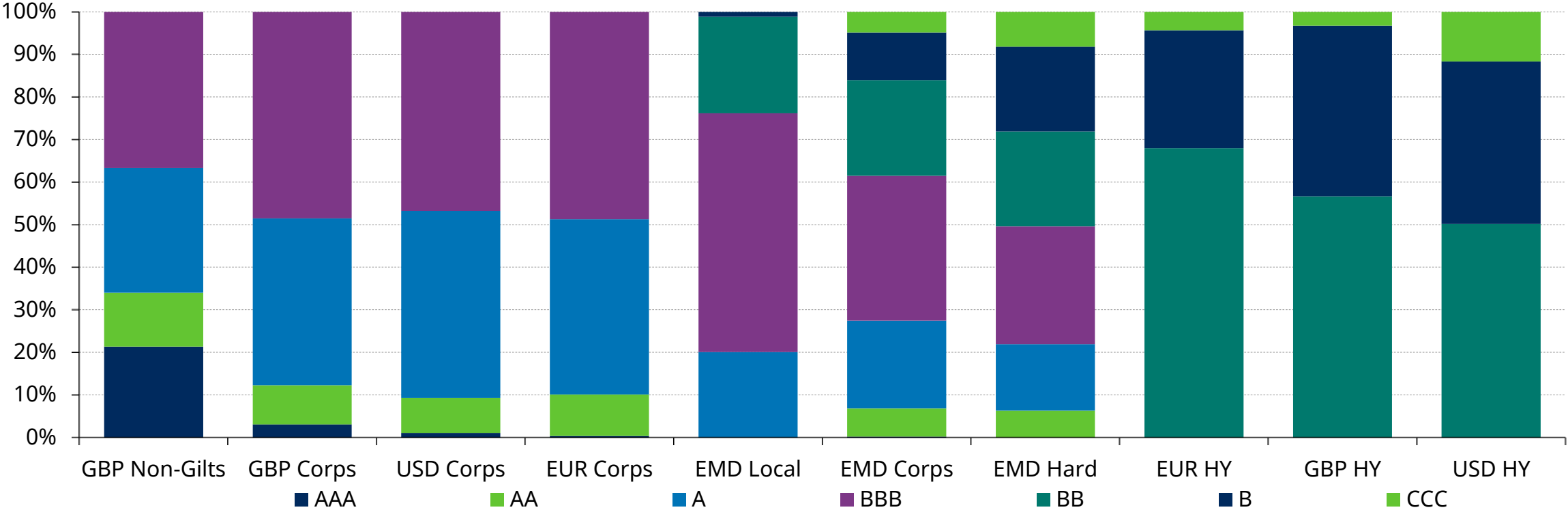
## Risk premium vs credit rating vs market size



Source: Schroders, Moody's default and recovery study 2022, LSEG Datastream, ICE Data Indices, J.P. Morgan. Data as at 29 February 2024. Please see relevant disclaimers on page 71. Local EMD returns are driven by rates and currency movements rather than defaults



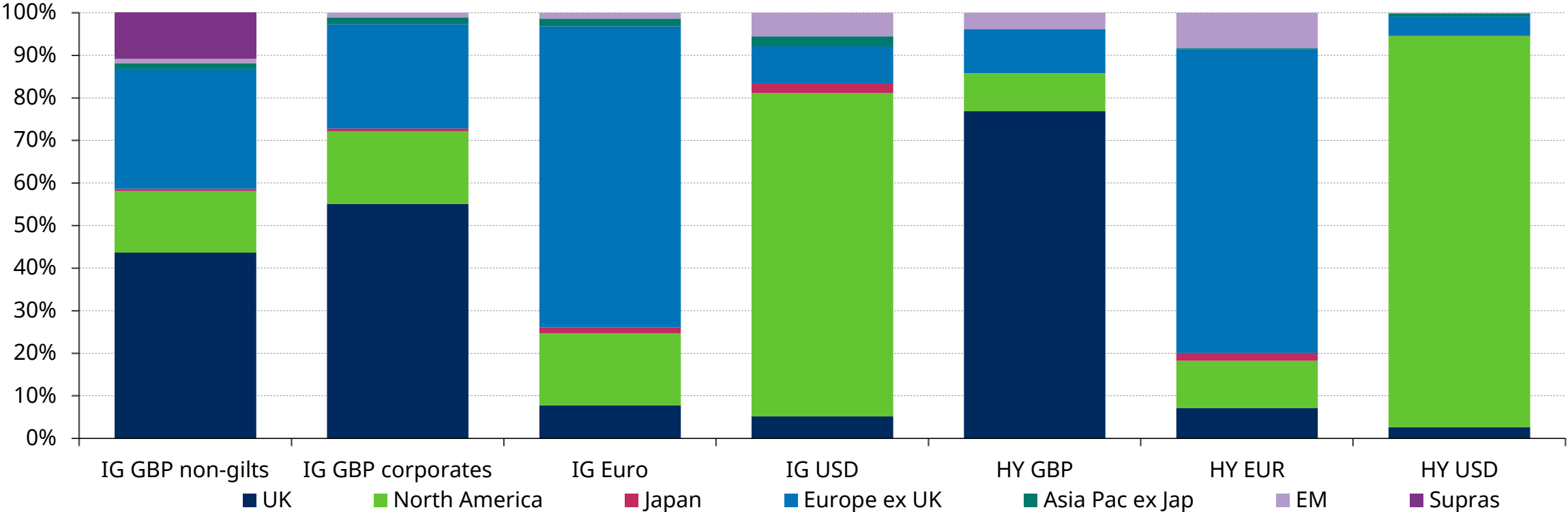
# Cross-credit ratings split



US HY lower quality than GBP/EUR HY; IG larger share of EMD Corporates than EMD Hard

Source: LSEG Datastream, ICE Data Indices, J.P. Morgan. Data as at 29 February 2024. Please see relevant disclaimers on page 71.

# Currency of issue vs country of issuer

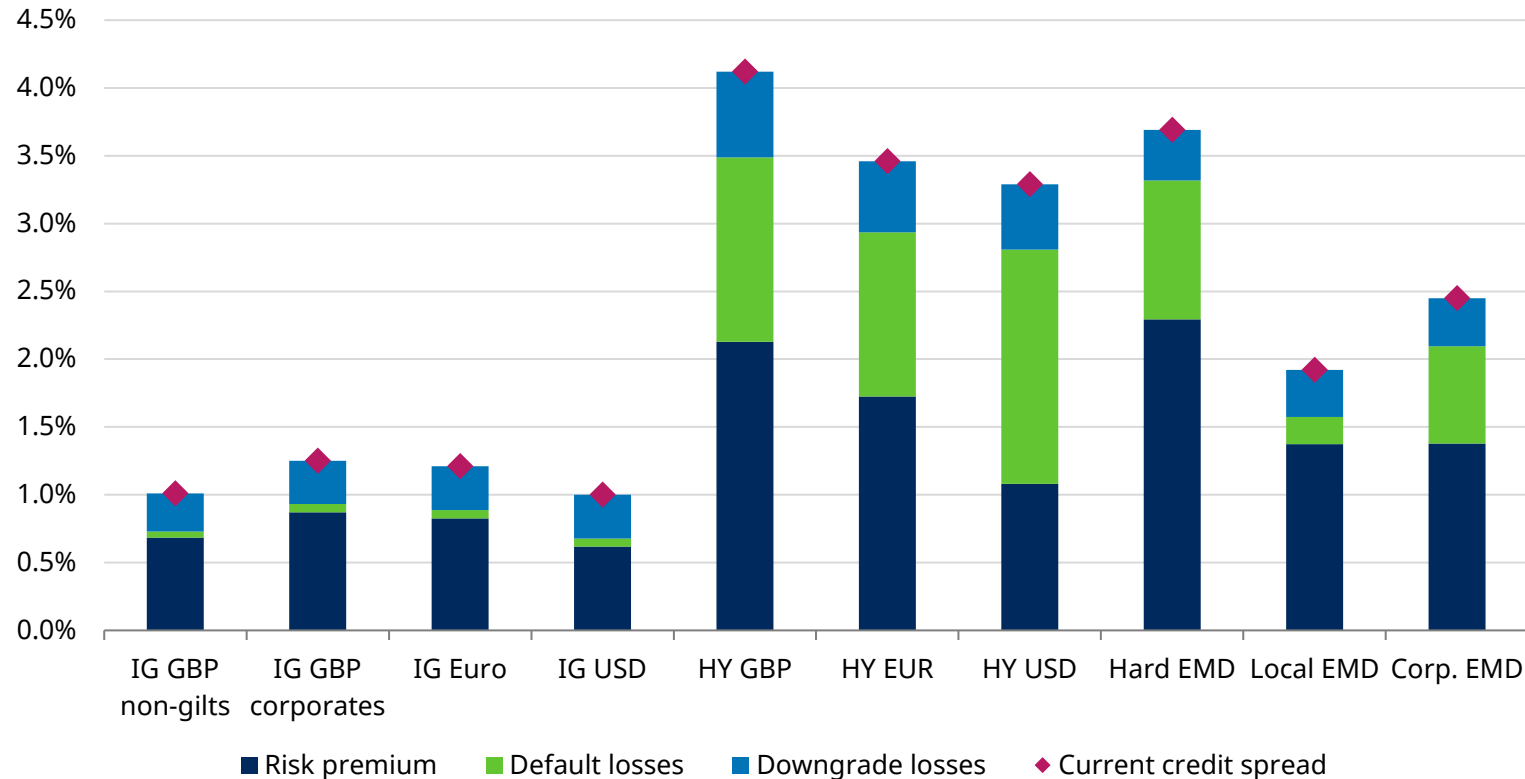


Almost half of GBP IG issuers are not based in the UK

Source: ICE Data Indices, J.P. Morgan. Data as at 31 December 2023. Please see relevant disclaimers on page 71.

# Risk premium/net spread in credit

## Decomposition of credit spread into expected losses and expected risk premium



- IG is more exposed to **downgrade losses** (value of a bond falling after a downgrade), while **default losses** have been negligible
- Major losses in HY come from defaults that mostly happen in recessions
- Historically, investors have received a **risk premium** for having exposure to credit, as the average default and downgrade losses have been less than the average spread

Source: Schroders, Moody's default and recovery study 2022, ICE Data Indices, J.P.Morgan. Data as at 29 February 2024. Please see relevant disclaimers on page 71.

# Risk premium

Decomposition of credit spread into exp. losses and exp. risk premium

	Expected default rate <sup>1</sup>	Default losses <sup>2</sup>	Downgrade losses	Current credit spread	Risk premium <sup>3</sup>
IG GBP non-gilts	0.1%	0.0%	0.3%	1.0%	0.7%
IG GBP corporates	0.1%	0.1%	0.3%	1.3%	0.9%
IG Euro	0.1%	0.1%	0.3%	1.2%	0.8%
IG USD	0.1%	0.1%	0.3%	1.0%	0.6%
HY GBP	2.1%	1.4%	0.6%	4.1%	2.1%
HY EUR	1.9%	1.2%	0.5%	3.5%	1.7%
HY USD	2.7%	1.7%	0.5%	3.3%	1.1%
Hard EMD	1.6%	1.0%	0.4%	3.7%	2.3%
Local EMD	0.3%	0.2%	0.3%	1.9%	1.4%
Corp. EMD	1.0%	0.7%	0.4%	2.5%	1.4%

**Risk premium is expected annual return on top of risk-free rate over a full credit cycle, implied by current spreads**

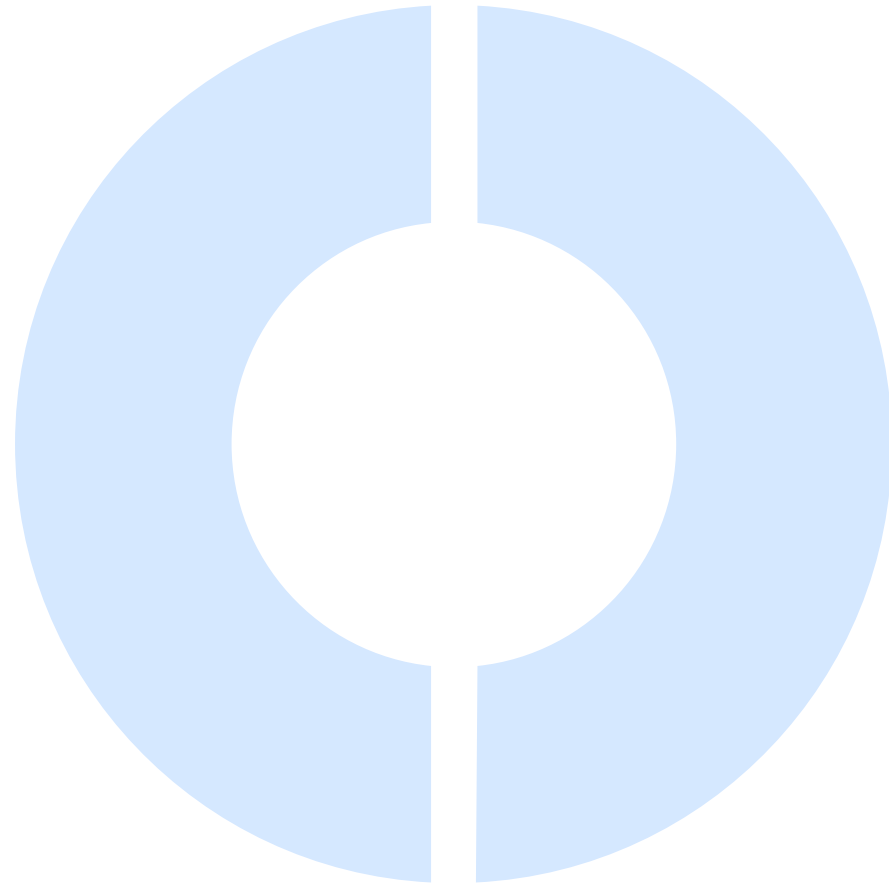
Source: Schroders, Moody's default and recovery study 2022, ICE Data Indices, J.P.Morgan. Data as at 29 February 2024. Please see relevant disclaimers on page 71.

<sup>1</sup>Based on average historical default rate

<sup>2</sup>Default rate \* (1-recovery rate)

<sup>3</sup>Credit spread – default losses – downgrade losses

**Schroders**



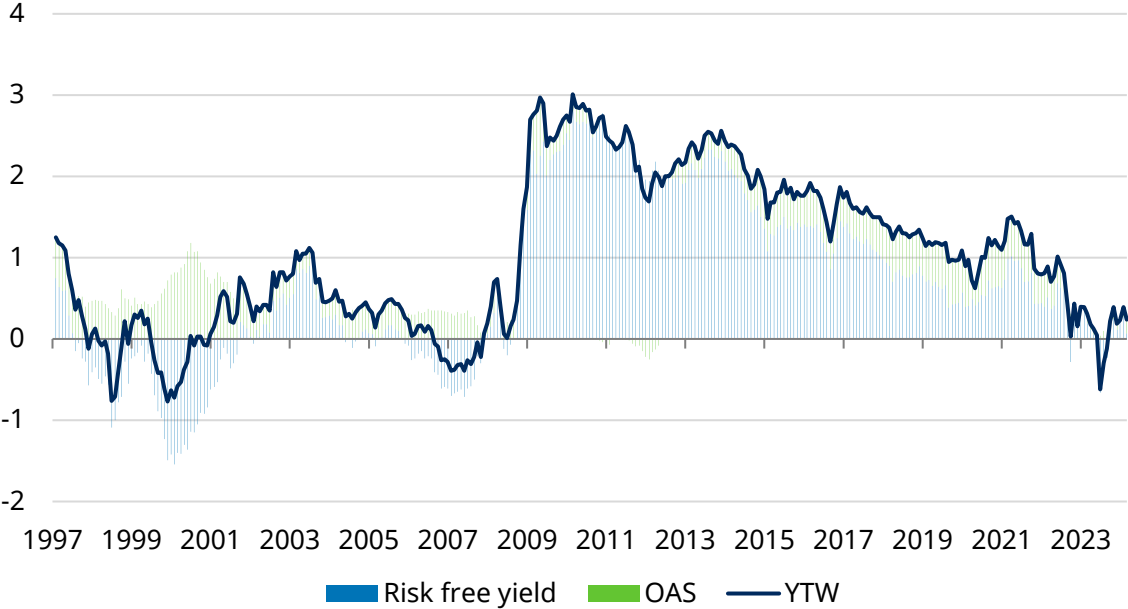
**IG long vs short**

Shape of the curve

# GBP IG curves are still very flat

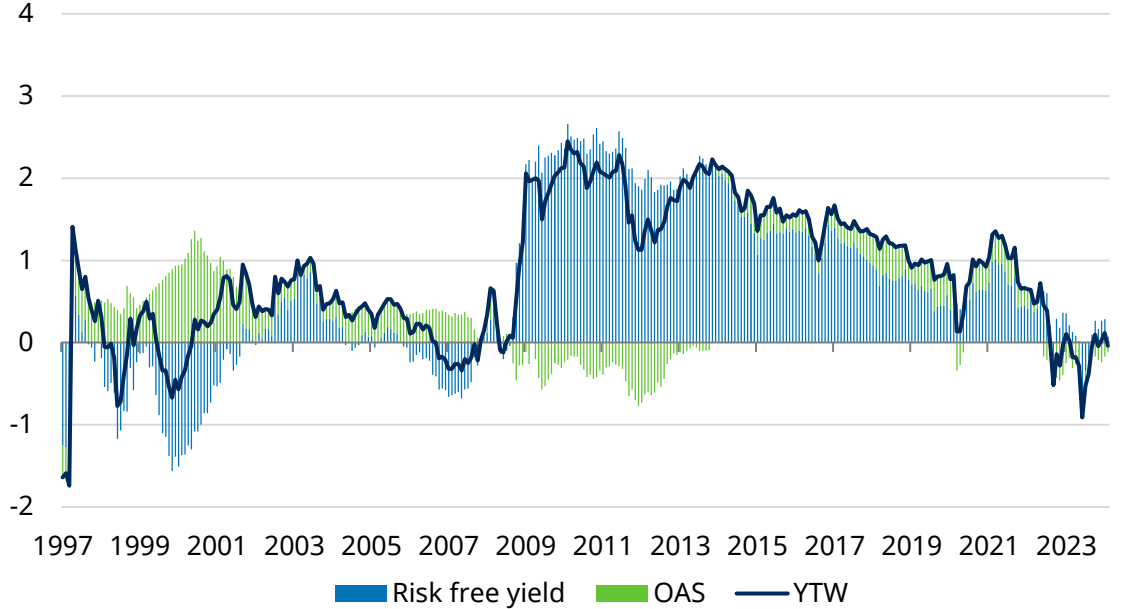
## Shape of GBP IG yield curves

IG GBP non-gilts 10+ minus 1-5 year index yield (%)



	YTW	OAS	Duration
IG GBP non-gilts 1-5 year	5.2%	90	2.7
IG GBP non-gilts Index	5.3%	101	5.8
IG GBP non-gilts 10+	5.5%	107	11.6

IG GBP corporate 10+ minus 1-5 year index yield (%)



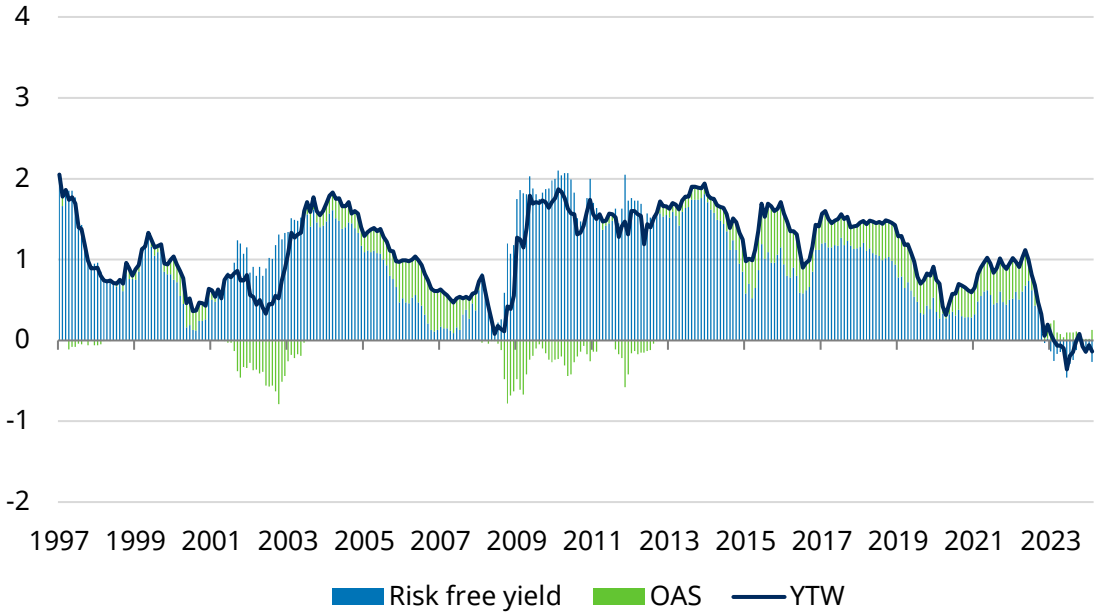
	YTW	OAS	Duration
IG GBP corporates 1-5 year	5.6%	125	2.8
IG GBP corporates Index	5.6%	125	6.4
IG GBP corporates 10+	5.6%	114	11.5

Source: LSEG Datastream. Data as at 29 February 2024. Please see relevant disclaimers on page 71.

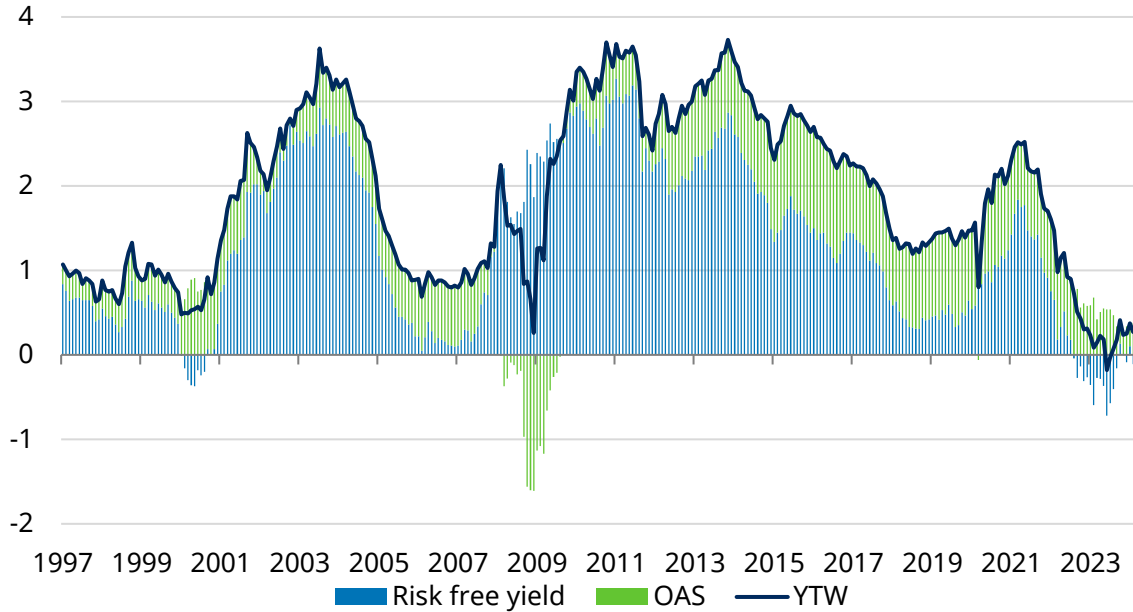
# EUR IG and USD IG curves are still very flat

## Shape of EUR IG and USD IG yield curves

IG EUR 10+ minus 1-5 year index yield (%)



IG USD 15+ minus 1-5 year index yield (%)



	YTW	OAS	Duration
IG Euro 1-5 year	3.9%	109	2.8
IG Euro Index	3.9%	121	4.6
IG Euro 10+	3.8%	122	11.5

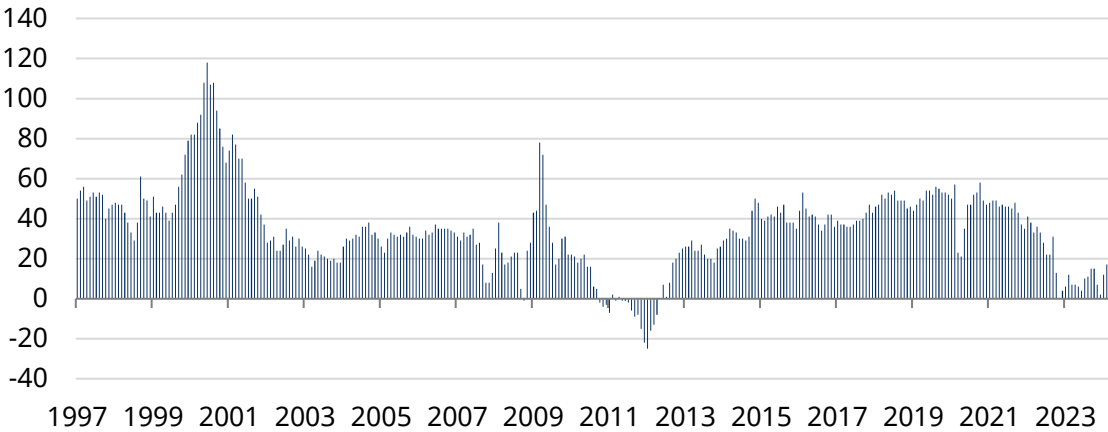
	YTW	OAS	Duration
IG USD 1-5 year	5.4%	77	2.7
IG USD Index	5.5%	100	6.9
IG USD 15+	5.6%	115	13.8

Source: LSEG Datastream. Data as at 29 February 2024. Please see relevant disclaimers on page 71.

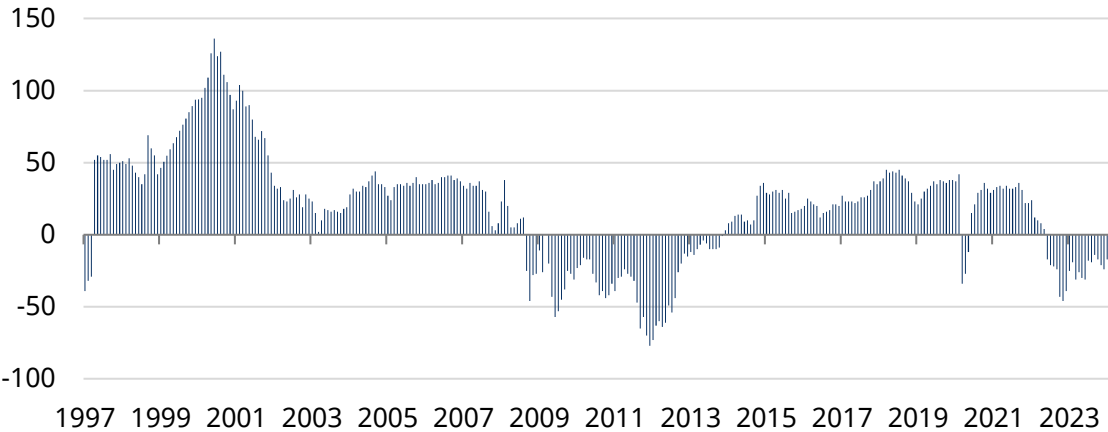
# IG long vs short OAS

## Shape of spread curves

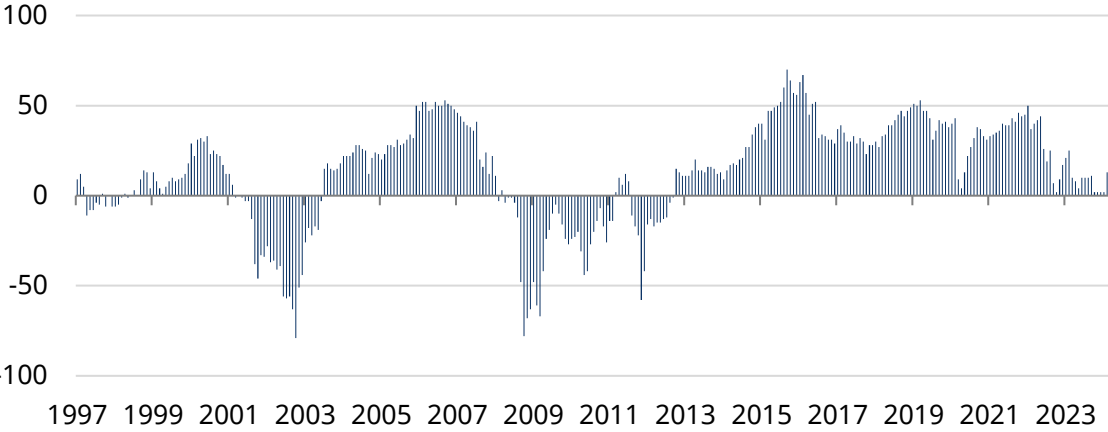
IG GBP non-gilts (bps)



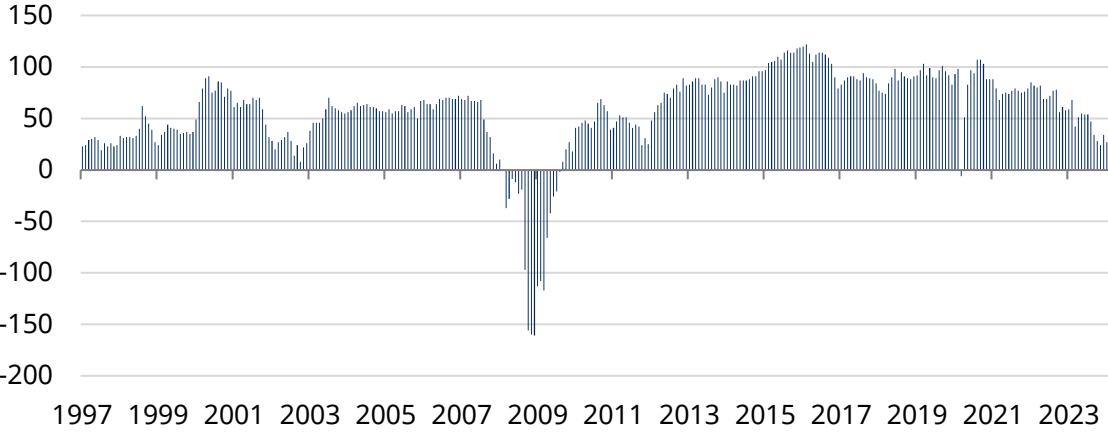
IG GBP corporates (bps)



IG EUR (bps)



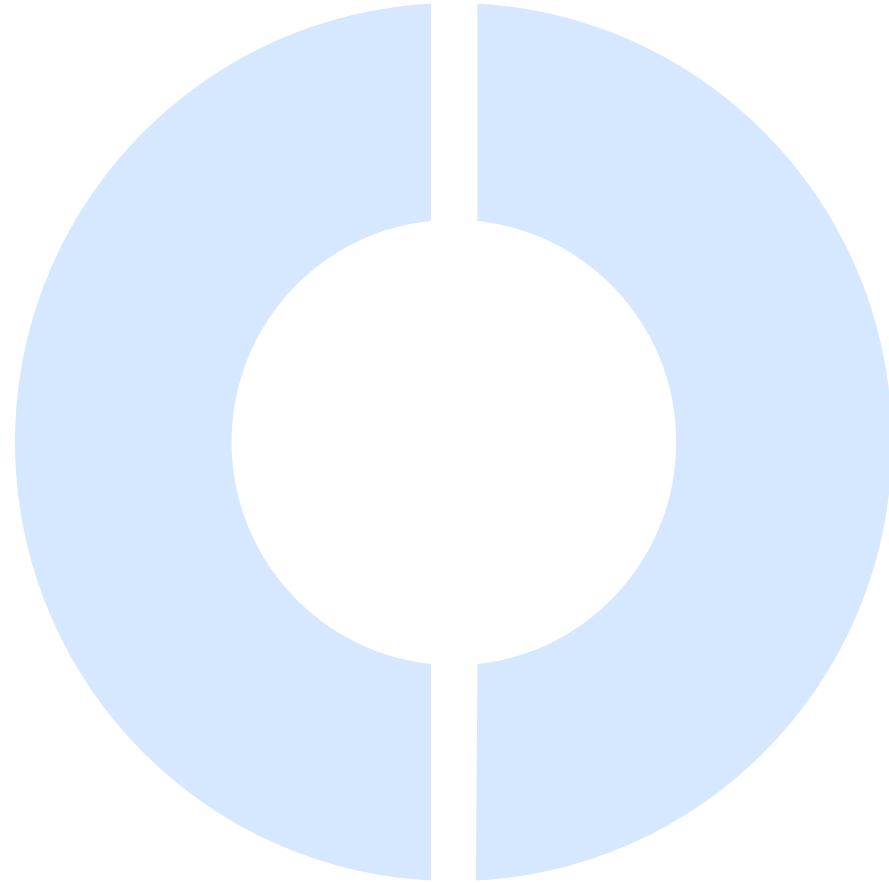
IG USD (bps)



Source: Schroders, ICE Data Indices. Figures showing 10+ (15+ for IG USD) minus 1-5 year index spread. Data as at 29 February 2024. Please see relevant disclaimers on page 71.



**Schroders**

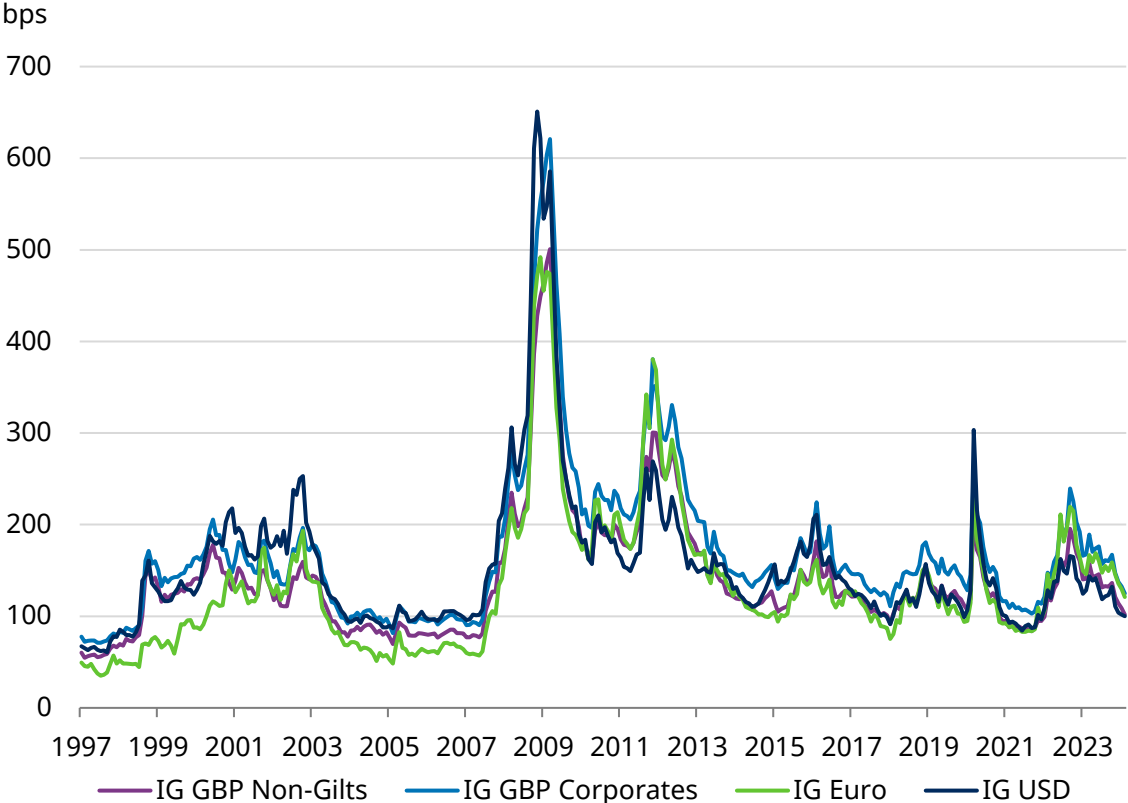


**Corporate credit**  
Valuation

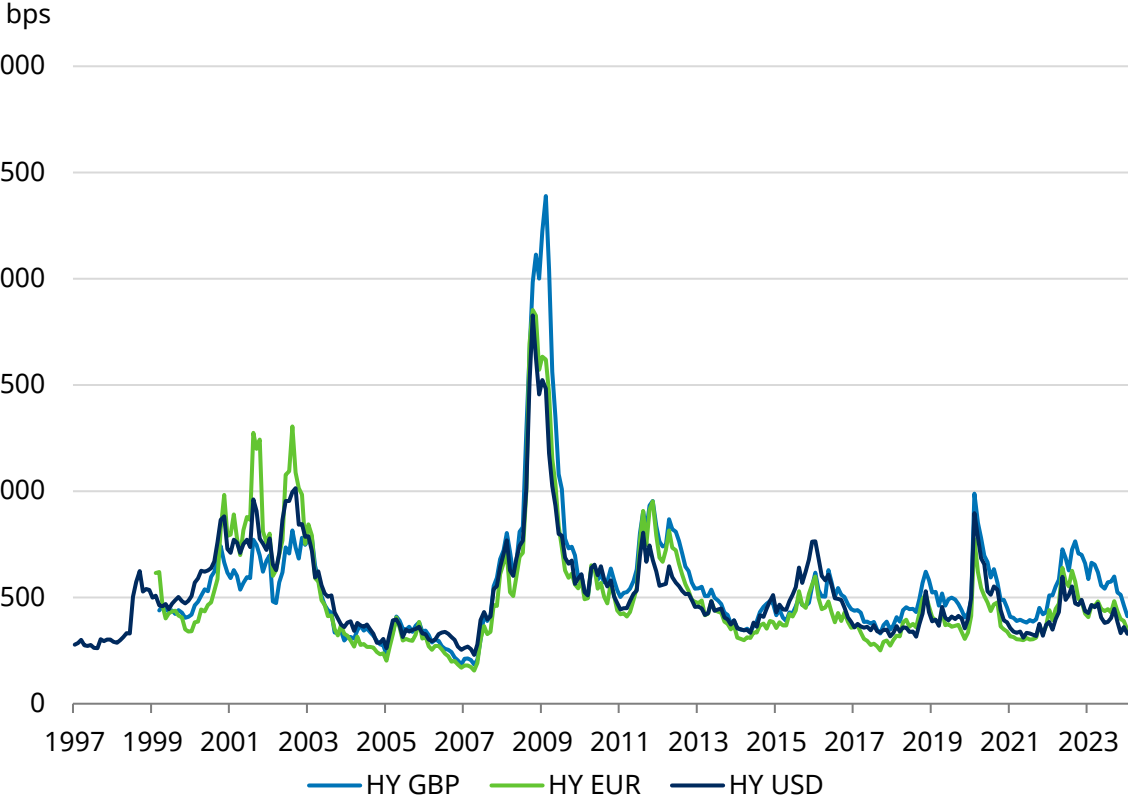
# IG and HY valuation

## Historical ratings-adjusted credit spreads

### IG adjusted spreads



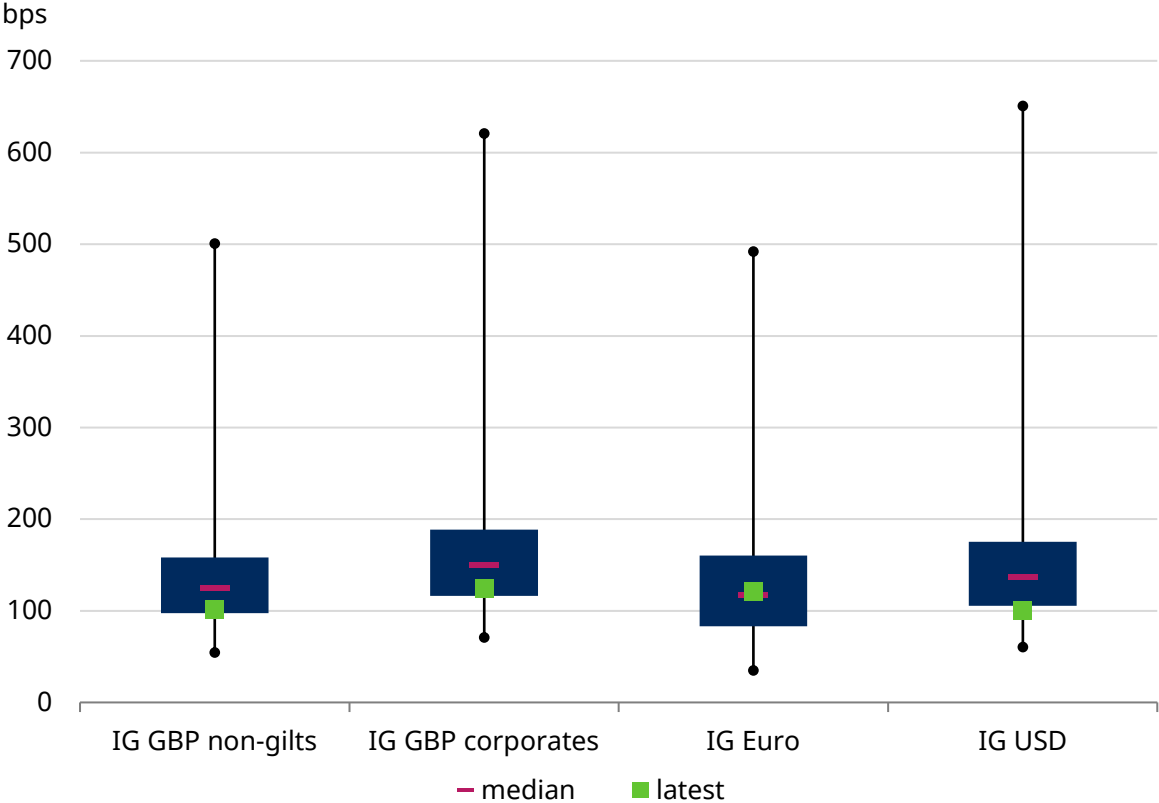
### HY adjusted spreads



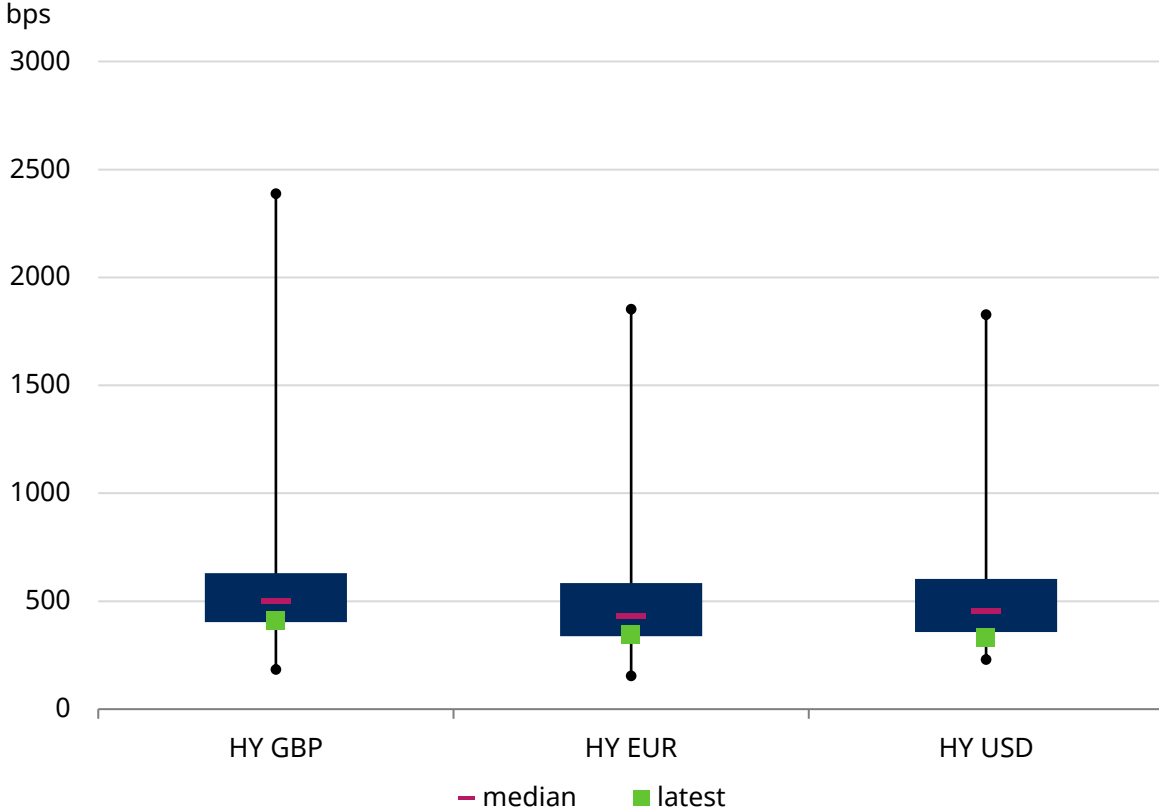
Source: Schroders, LSEG Datastream, ICE Data Indices, J.P. Morgan. Data as at 29 February 2024. Please see relevant disclaimers on page 71. Spreads are adjusted for changes in the distribution of credit ratings within each index over time.

# USD spreads are much tighter relative to history than is the case for EUR spreads

**IG adjusted spreads vs. government bonds<sup>1</sup>**



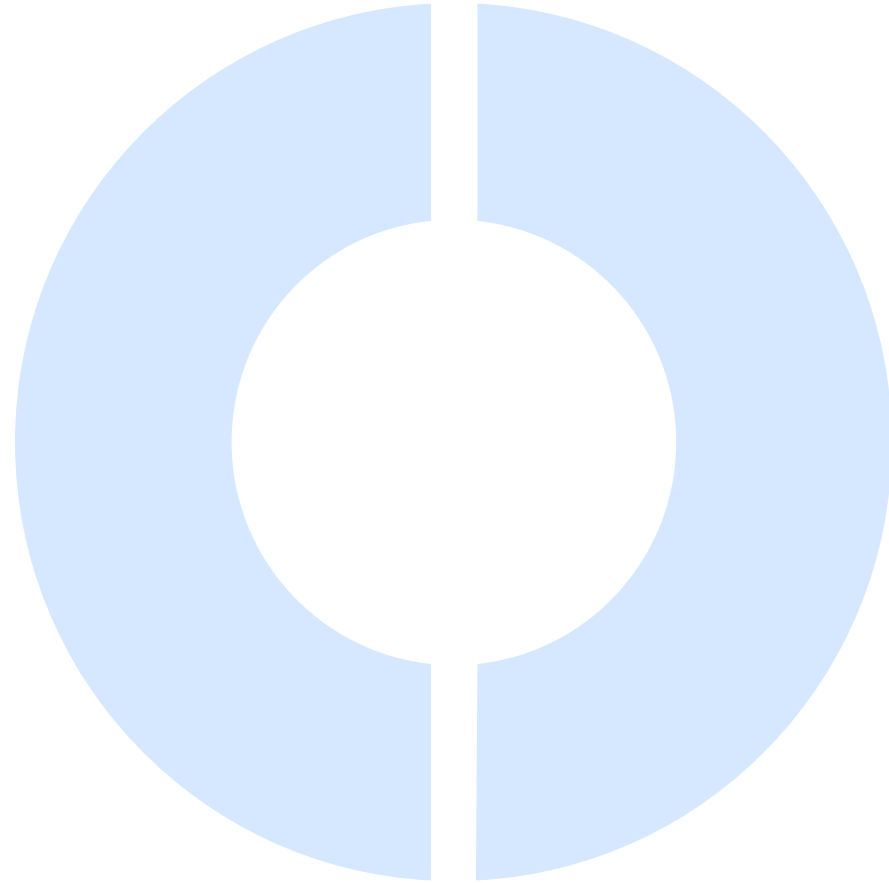
**HY adjusted spreads vs. government bonds<sup>1</sup>**



Source: Schroders, LSEG Datastream, ICE Data Indices, J.P. Morgan. Data as at 29 February 2024. Spreads are adjusted for changes in the distribution of credit ratings within each index over time. Please see relevant disclaimers on page 71.

<sup>1</sup>Percentiles shows where the current spread is relatively to the historical range of spreads, within a range of 0 to 100. The greater the percentile the higher the spread compared to history.

**Schroders**



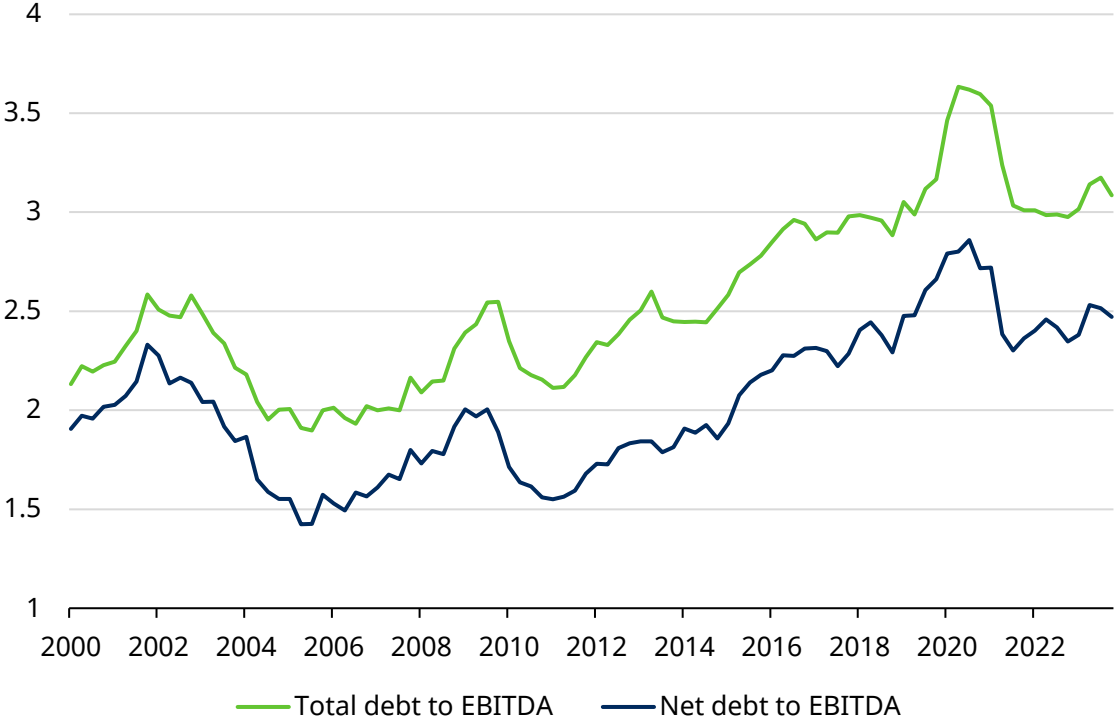
**Corporate credit**  
Fundamentals

# US IG leverage

Leverage broadly stable in recent quarters

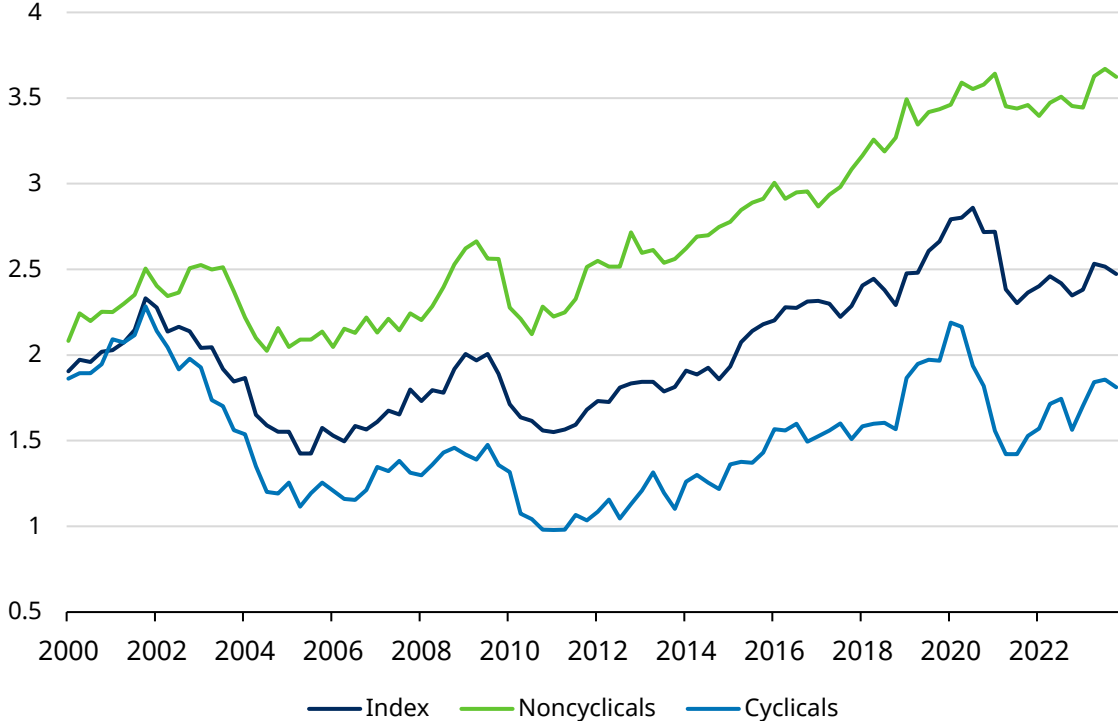
## US IG leverage

Debt to last 12 months EBITDA



## US IG net leverage

Net debt to last 12 months EBITDA



## Net leverage for non-cyclicals is around a record high

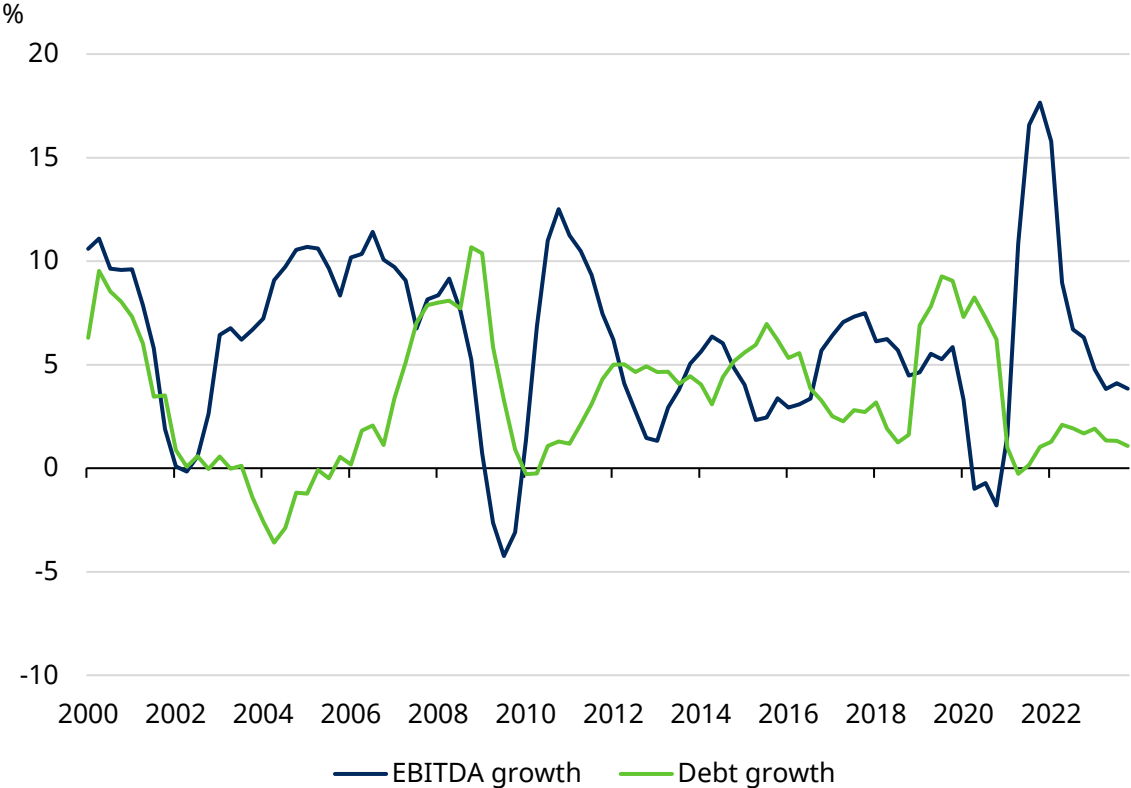
Source: Schroders, Bloomberg. Median issuer ex-Financials. Data as of Q4 2023. Please see relevant disclaimers on page 71.

**Cyclical sectors:** Basic Materials, Consumer Discretionary, Industrials, Technology. **Noncyclical sectors:** Communications, Consumer Staples, Utility, Health Care.

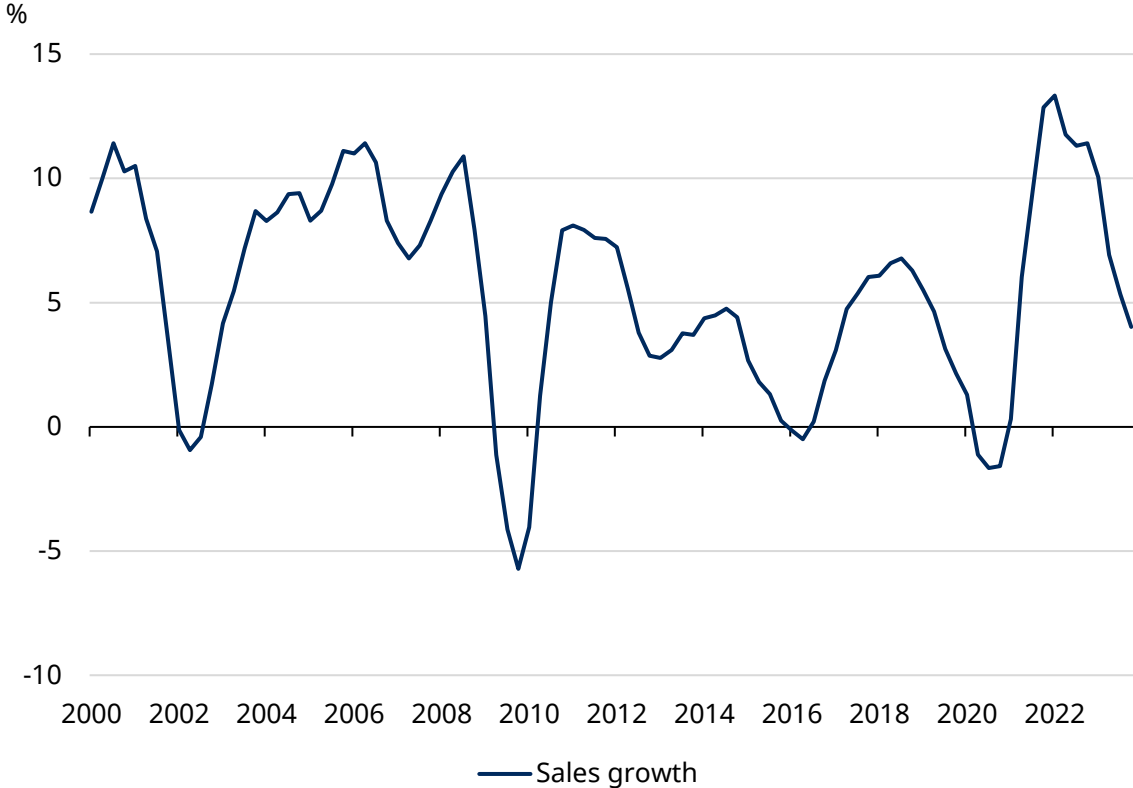
# US IG earnings, sales and debt growth

Earnings and sales growth have slowed to more typical levels

US IG EBITDA and debt growth (last 12 months)



US IG sales growth (last 12 months)



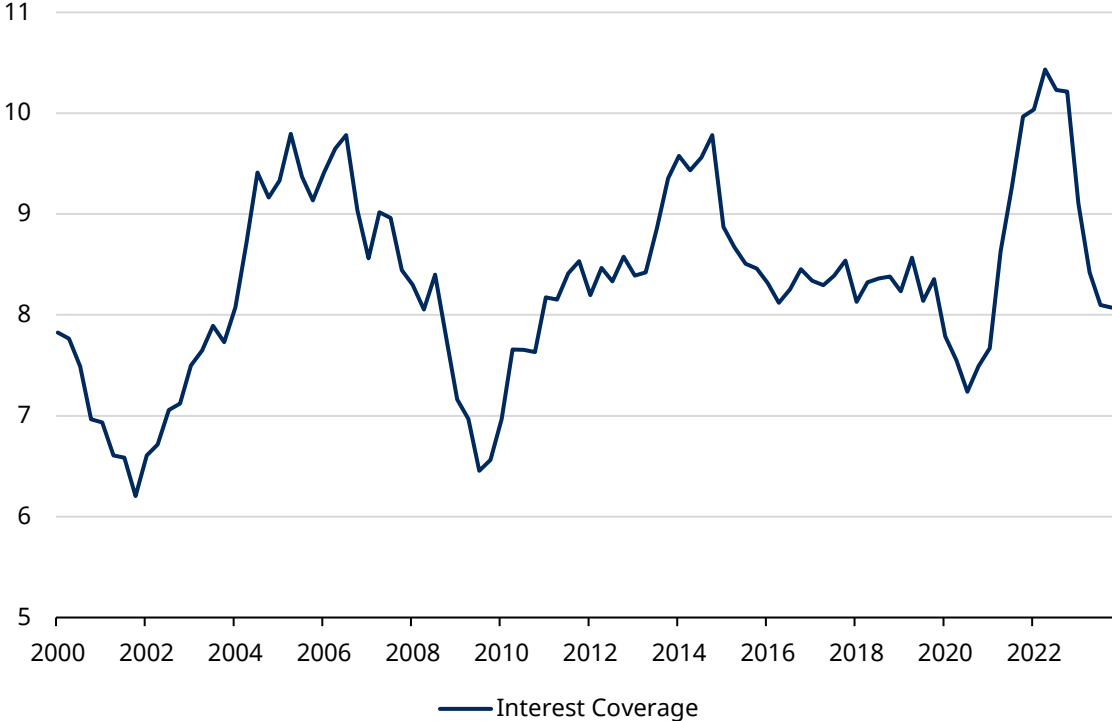
Source: Schroders, Bloomberg. Median issuer ex-Financials. Data as of Q4 2023. Please see relevant disclaimers on page 71.

# US IG interest coverage

Interest coverage has declined towards more typical levels

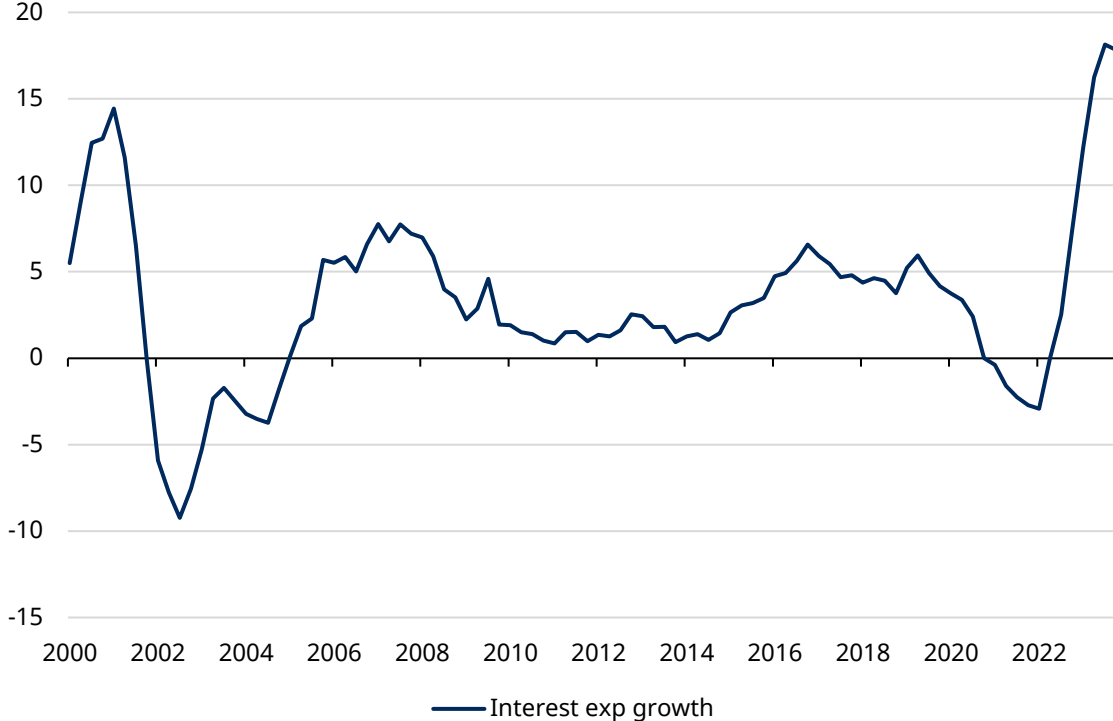
## US IG interest coverage ratio

Last 12 months EBITDA to interest expense



## US IG annual interest expense growth

%



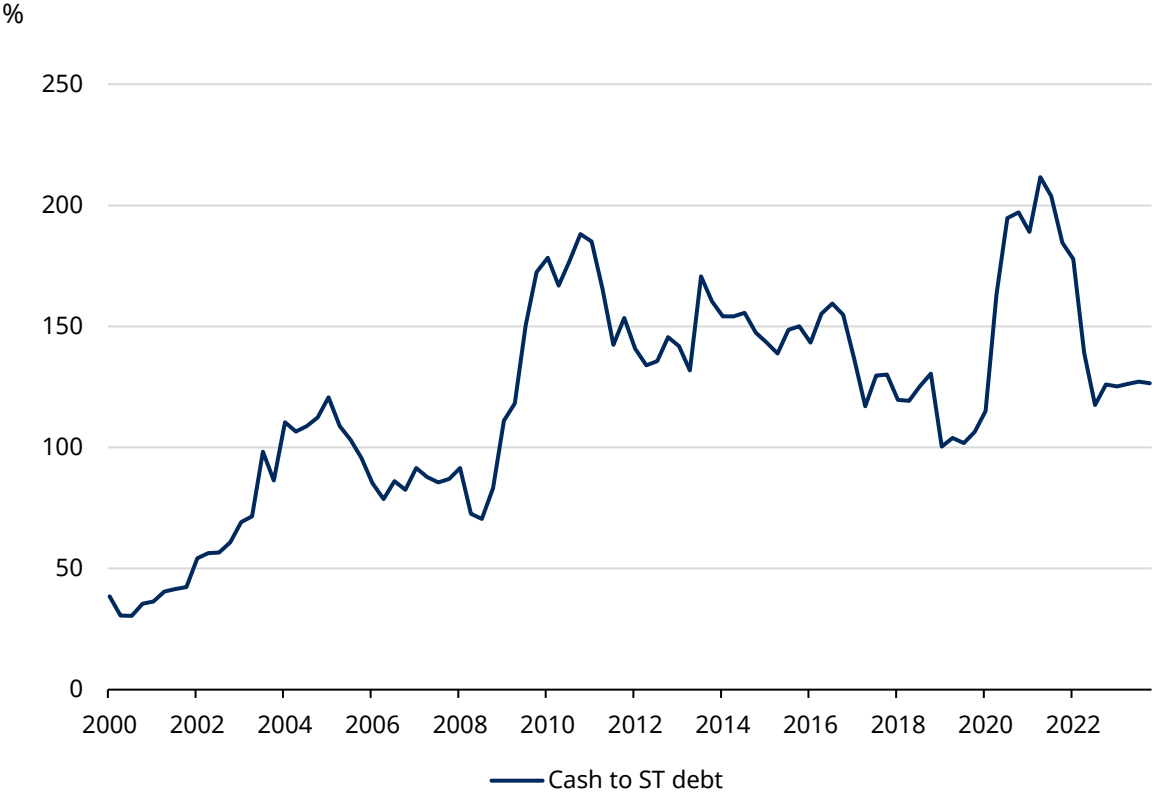
Interest expense growth is the highest in over two decades

Source: Schrodgers, Bloomberg. Median issuer ex-Financials. Data as of Q4 2023. Please see relevant disclaimers on page 71.

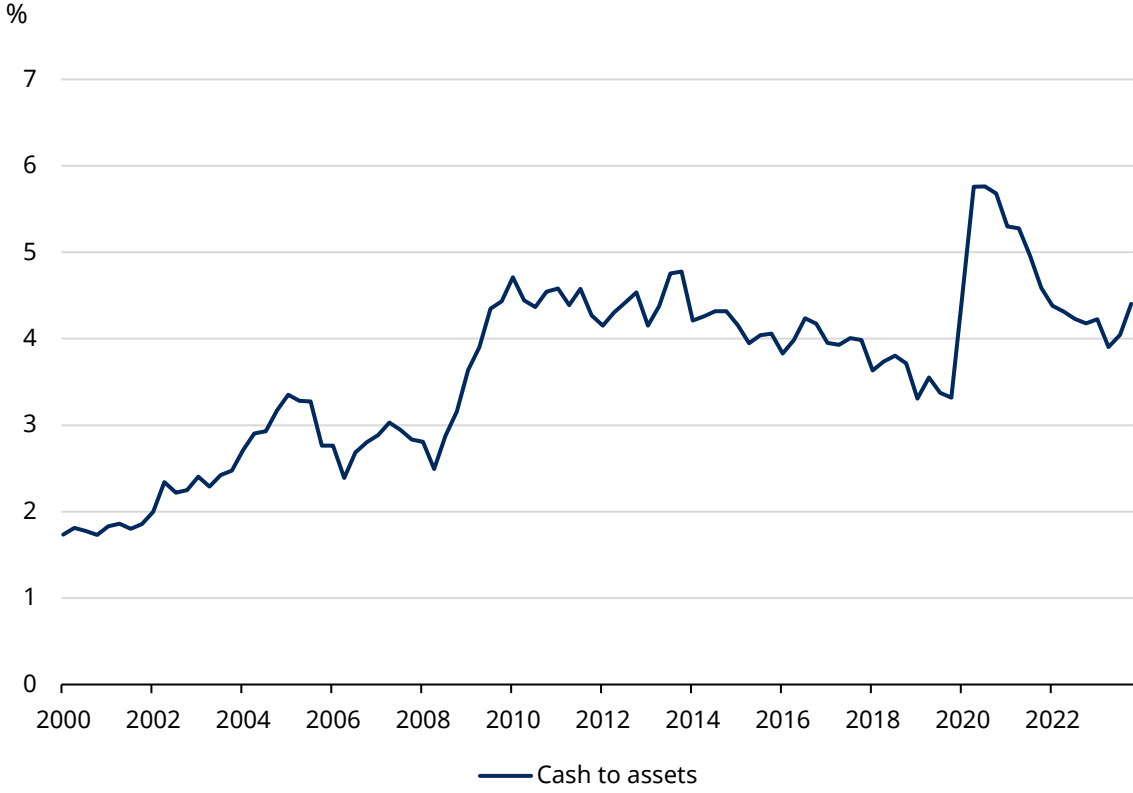
# US IG cash balances

Cash balances broadly stable in recent quarters

## US IG cash to short term debt



## US IG cash to assets



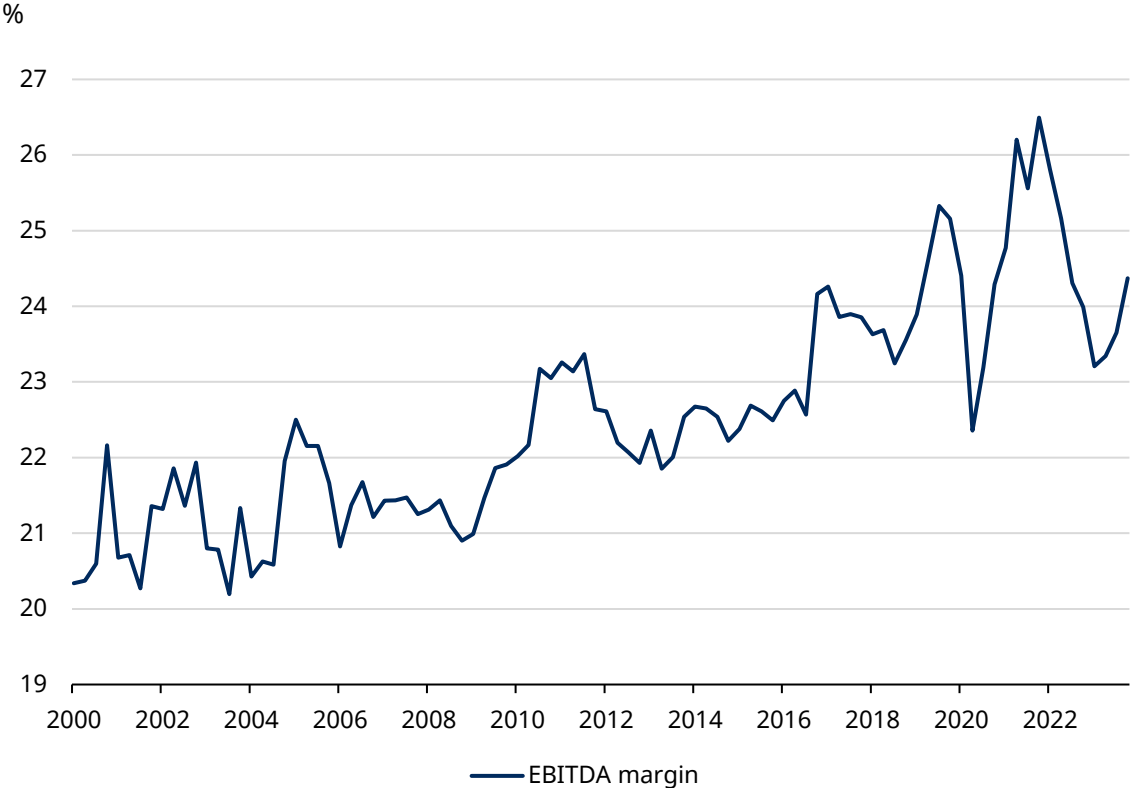
Source: Schroders, Bloomberg. Median issuer ex-Financials. Data as of Q4 2023. Please see relevant disclaimers on page 71.



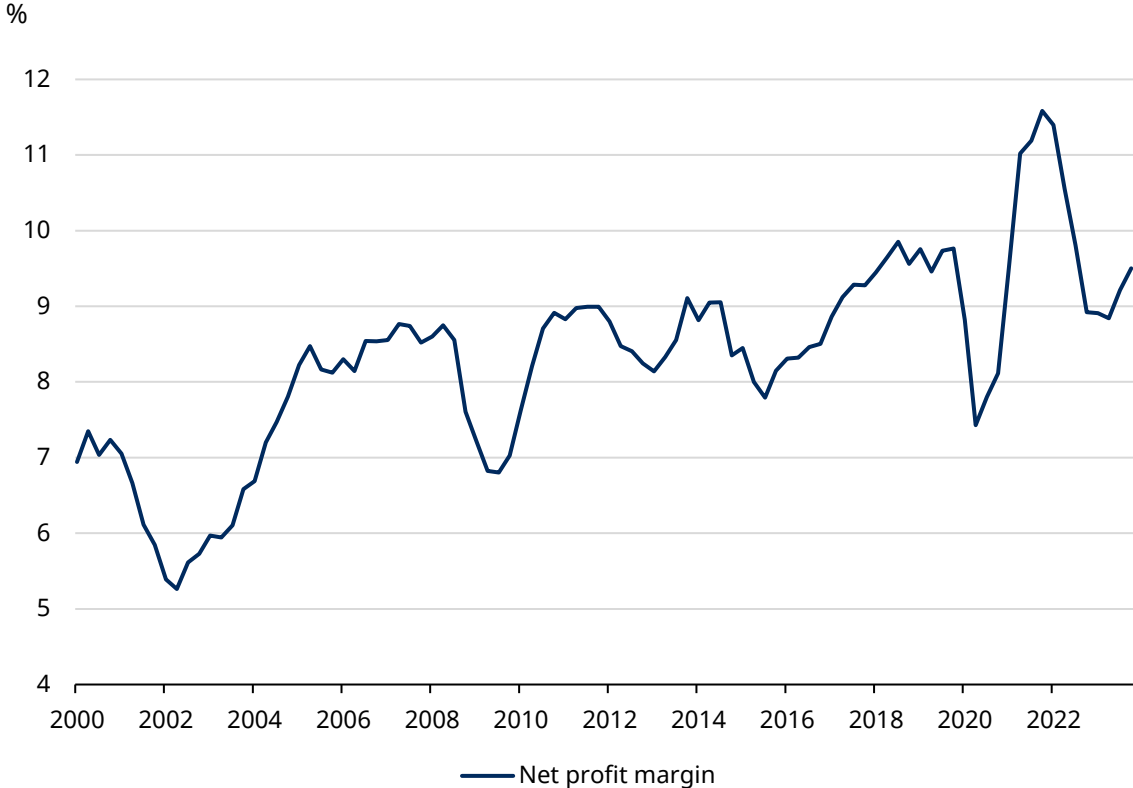
# US IG corporate margins

Margins have ticked-up in recent quarters

## US IG EBITDA margin



## US IG net profit margin



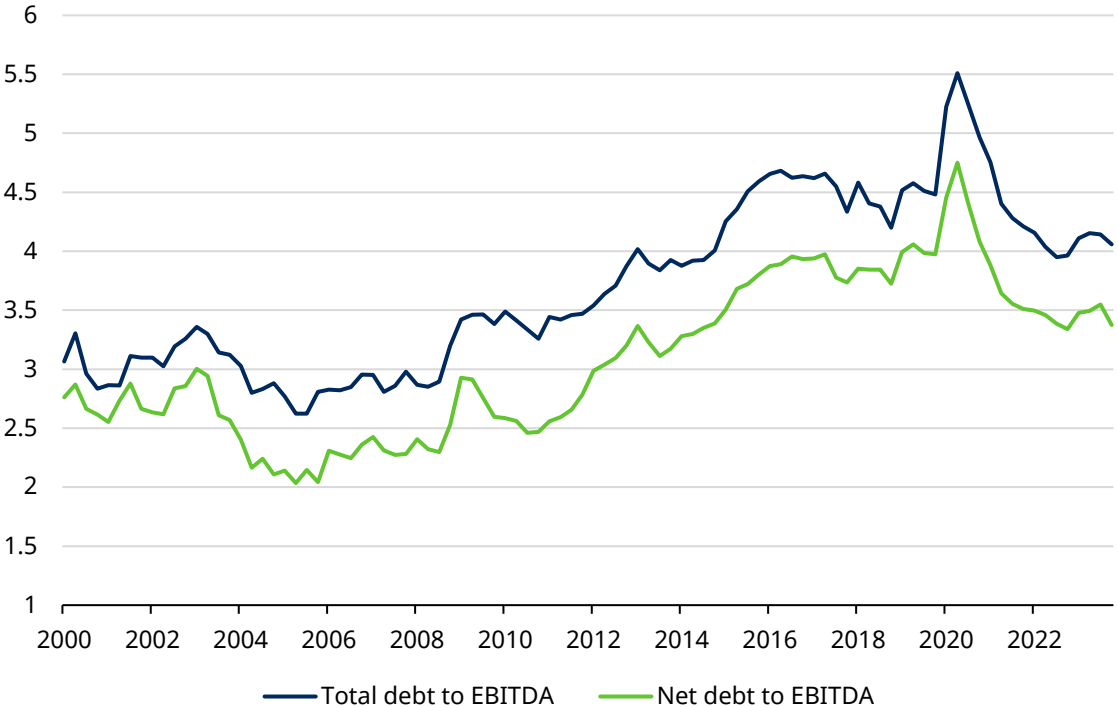
Source: Schroders, Bloomberg. Median issuer ex-Financials. Data as of Q4 2023. Please see relevant disclaimers on page 71.

# US HY leverage

Leverage broadly stable and remains below levels seen in the run up to the pandemic

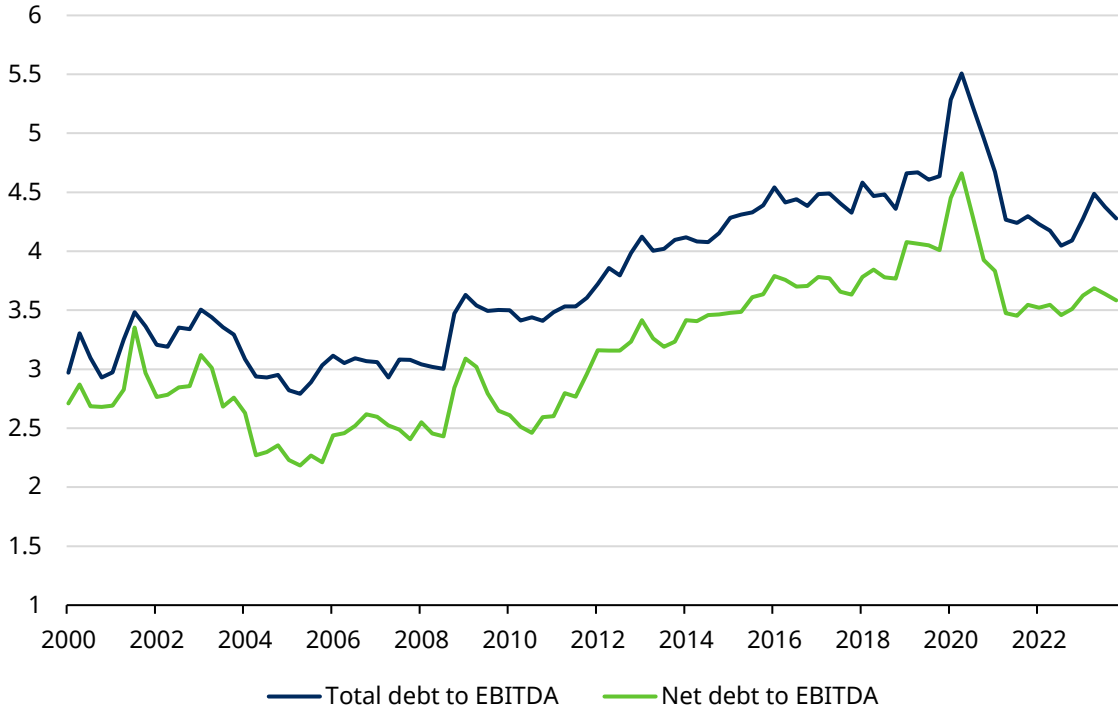
## US HY leverage

Debt to last 12 months EBITDA



## US HY ex-energy leverage

Debt to last 12 months EBITDA

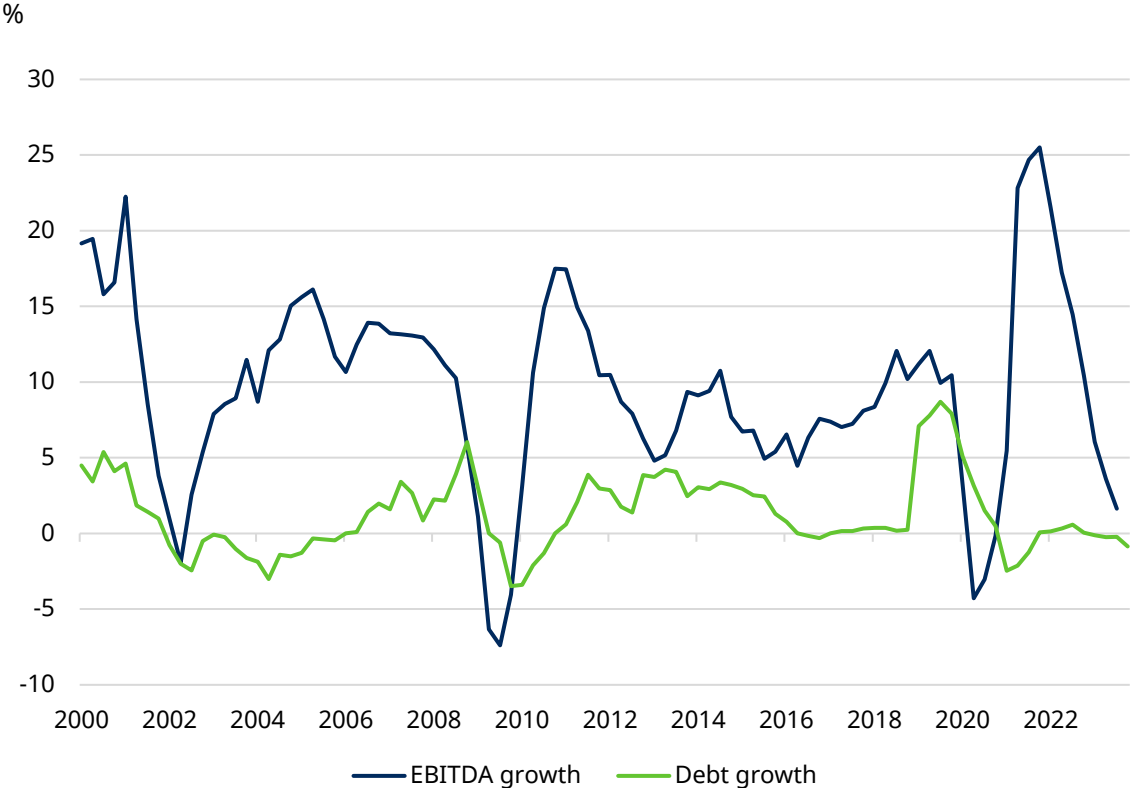


Source: Schroders, Bloomberg. Median issuer ex-Financials. Data as of Q4 2023. Please see relevant disclaimers on page 71.

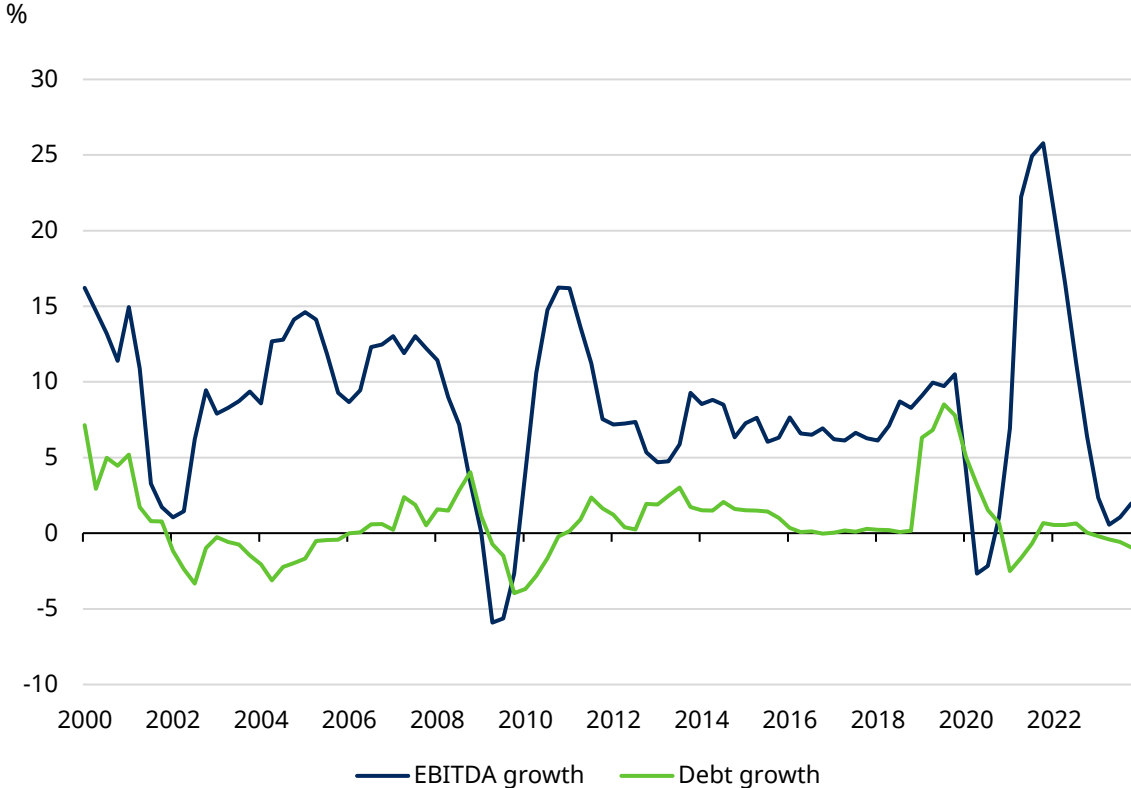
# US HY earnings and debt growth

EBITDA growth has slowed, while debt growth remained close to zero

US HY EBITDA and debt growth (last 12 months)<sup>(1)</sup>



US HY ex-energy EBITDA and debt growth (last 12m)



Source: Schroders, Bloomberg. Median issuer ex-Financials. Data as of Q4 2023. Please see relevant disclaimers on page 71.

(1) EBITDA growth data goes to Q3 2023 due to a potential data discrepancy in Q4 data.

# US HY interest coverage

Interest coverage has declined towards more typical levels

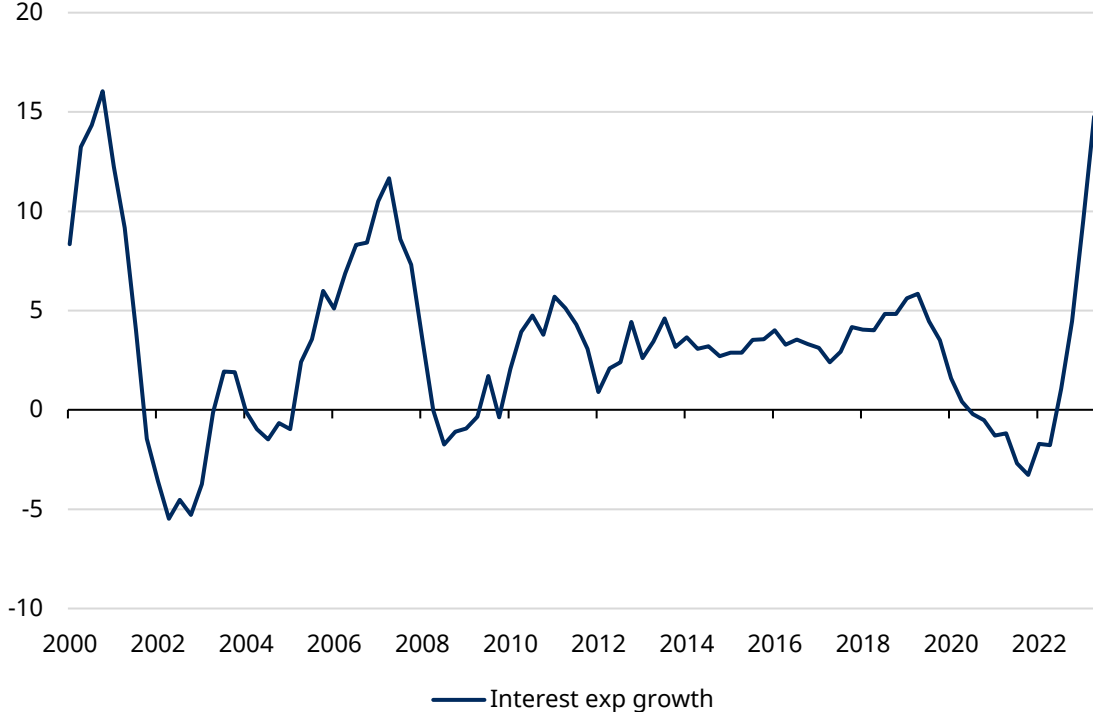
## US HY interest coverage ratio

Last 12 months EBITDA to interest expense



## US HY annual interest expense growth

%



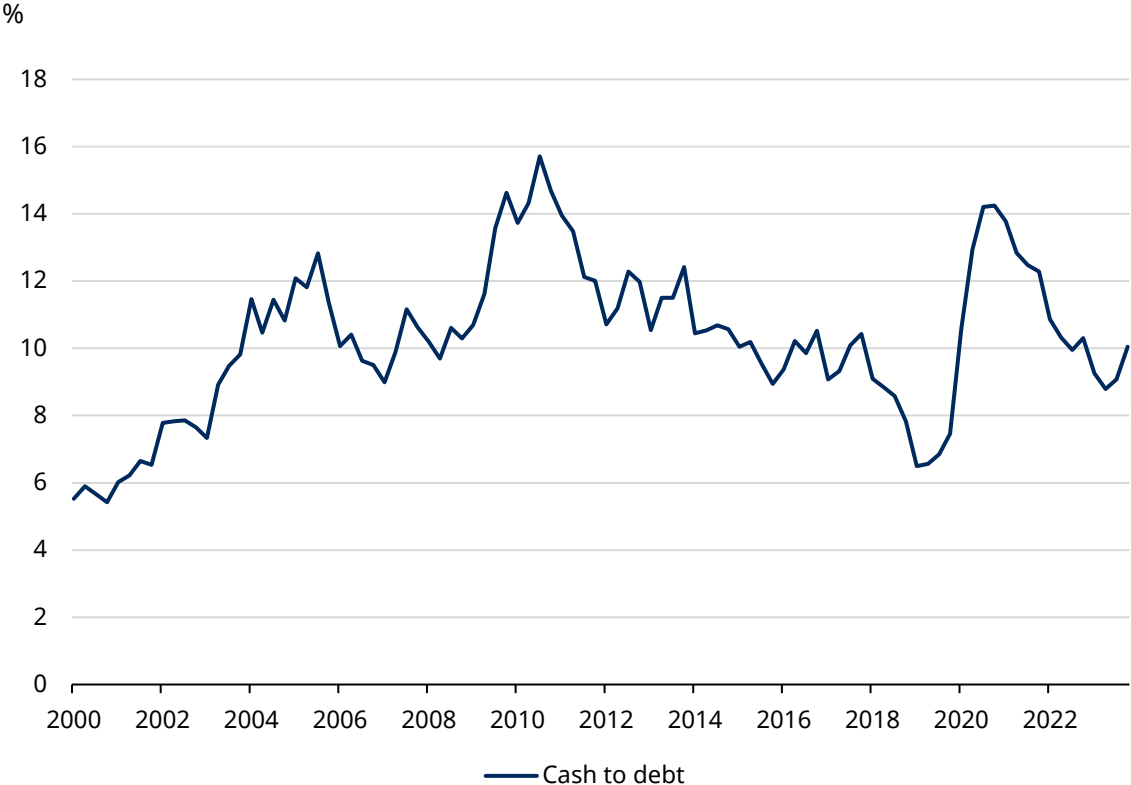
**Interest expense growth is the highest in over two decades**

Source: Schroders, Bloomberg, Median issuer ex-Financials. Data as of Q4 2023. Please see relevant disclaimers on page 71.

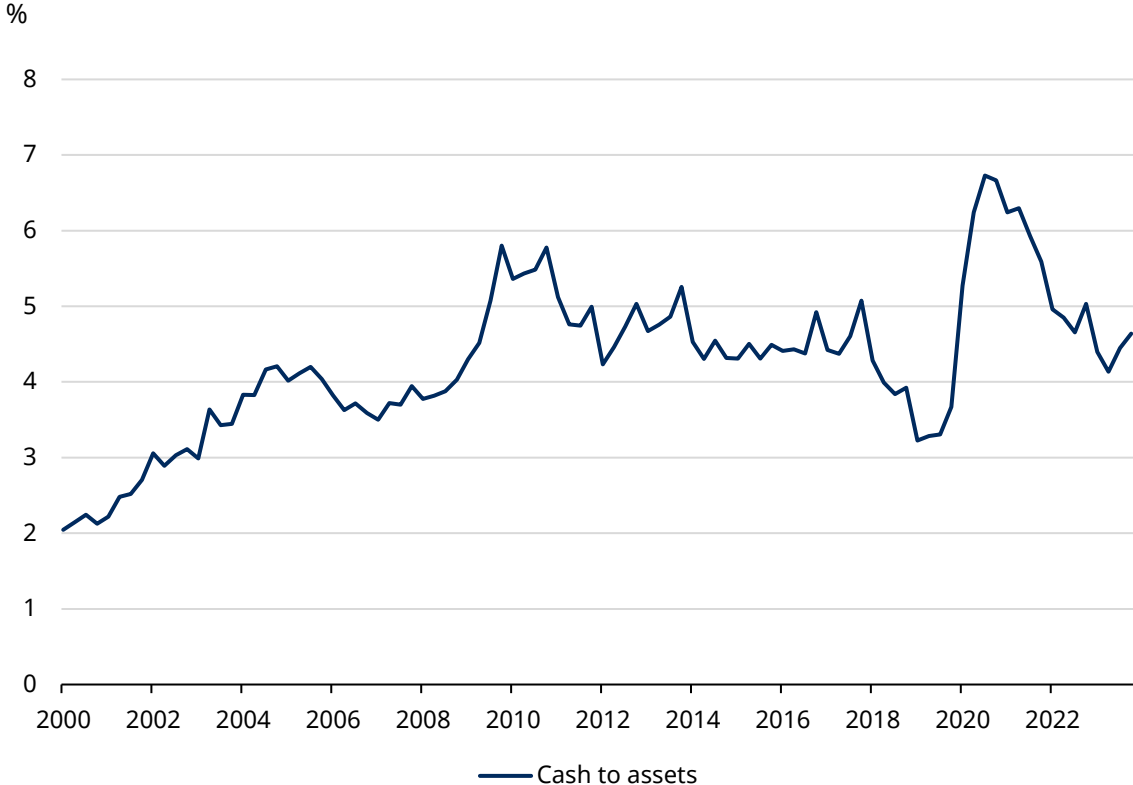
# US HY cash levels

Cash balances ticked up in recent quarters, and are around long-run average levels

## US HY cash to debt



## US HY cash to assets

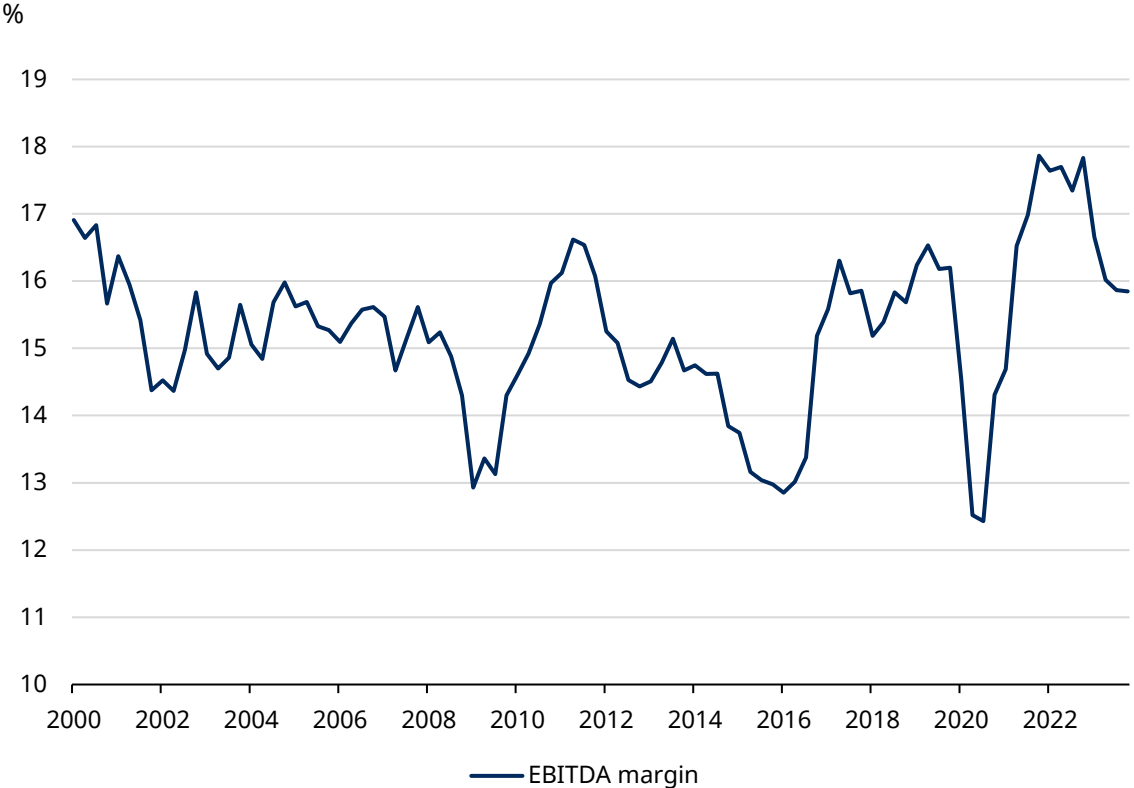


Source: Schroders, Bloomberg. Median issuer ex-Financials. Data as of Q4 2023. Please see relevant disclaimers on page 71.

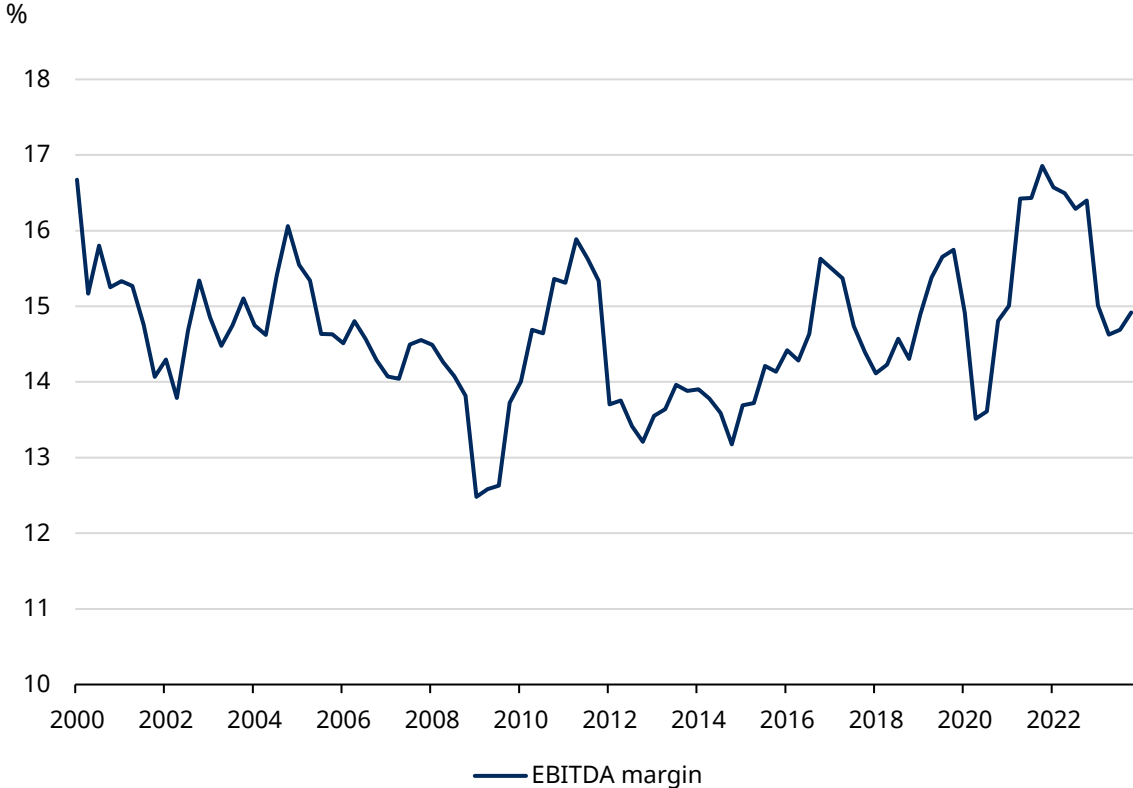
# US HY corporate margins

EBITDA margins broadly stable in recent quarters

### US HY EBITDA margin



### US HY ex-energy EBITDA margin



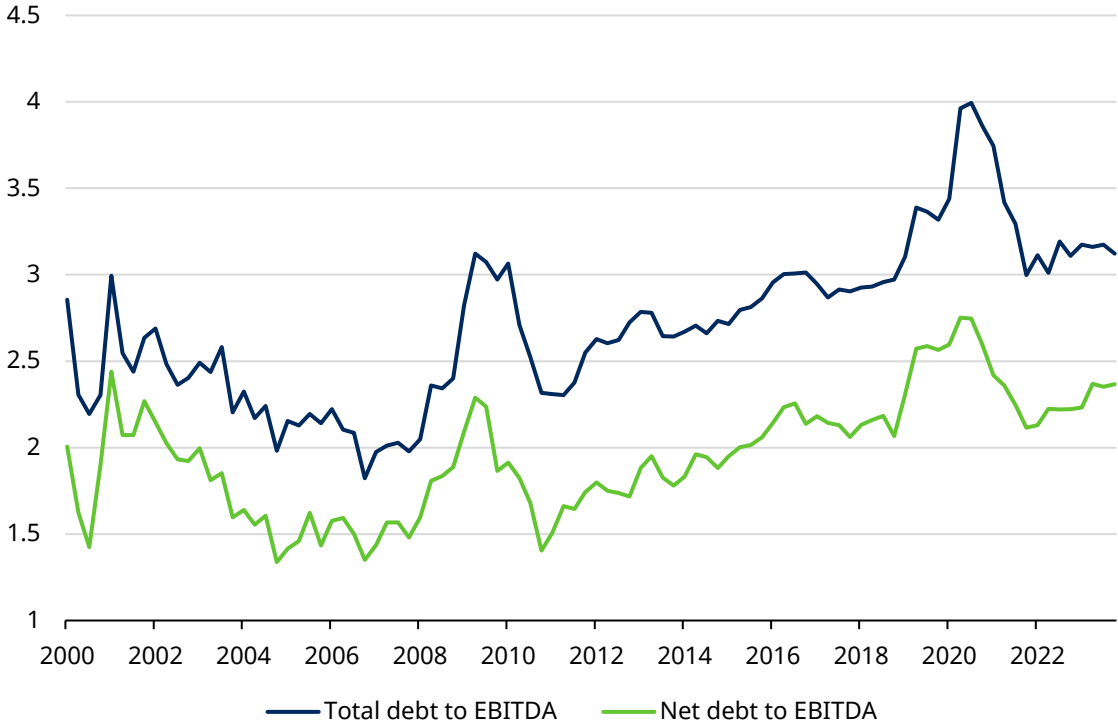
Source: Schroders, Bloomberg. Median issuer ex-Financials. Data as of Q4 2023. Please see relevant disclaimers on page 71.

# Euro IG leverage, earnings and debt growth

Leverage has been broadly stable in recent quarters

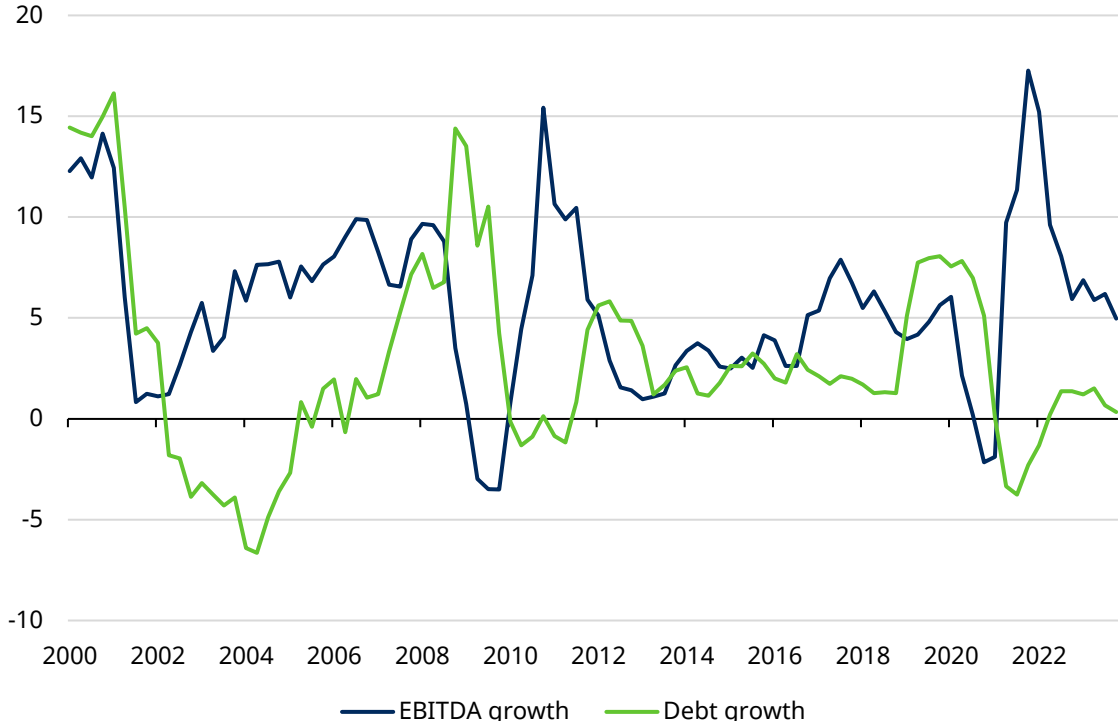
## Euro IG leverage

Debt to last 12 months EBITDA



## Euro IG EBITDA and debt growth (last 12 months)

%



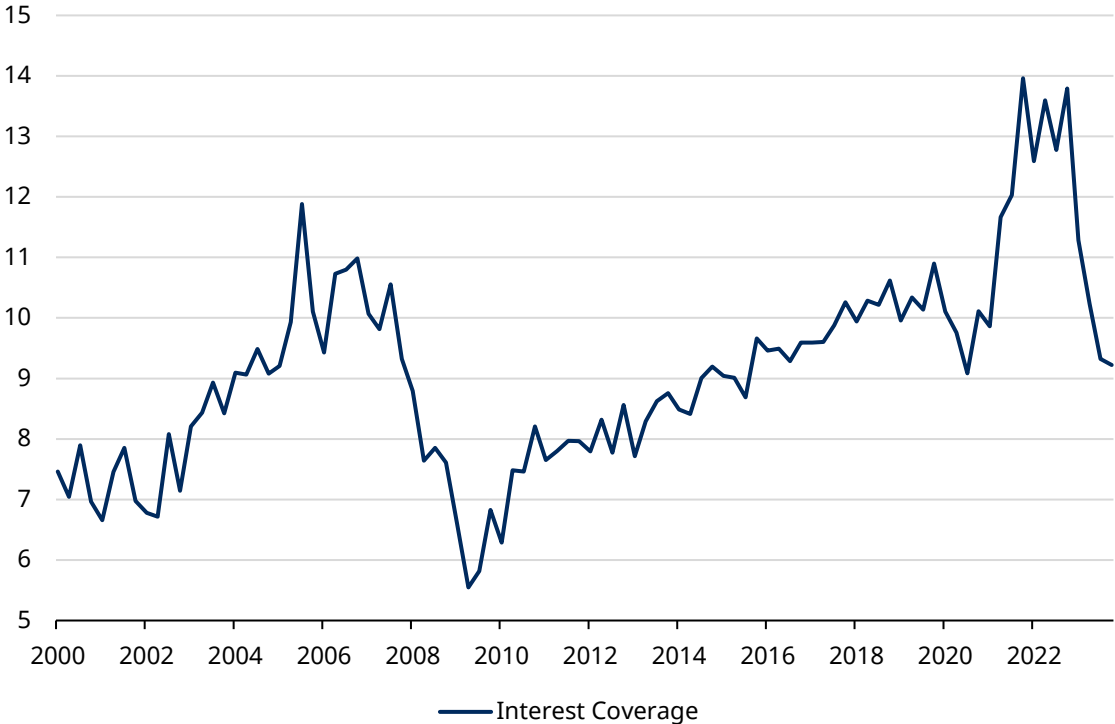
Source: Schroders, Bloomberg. Median issuer ex-Financials. Data as of Q4 2023. Please see relevant disclaimers on page 71.

# Euro IG interest coverage

Interest coverage has declined to pre-covid levels

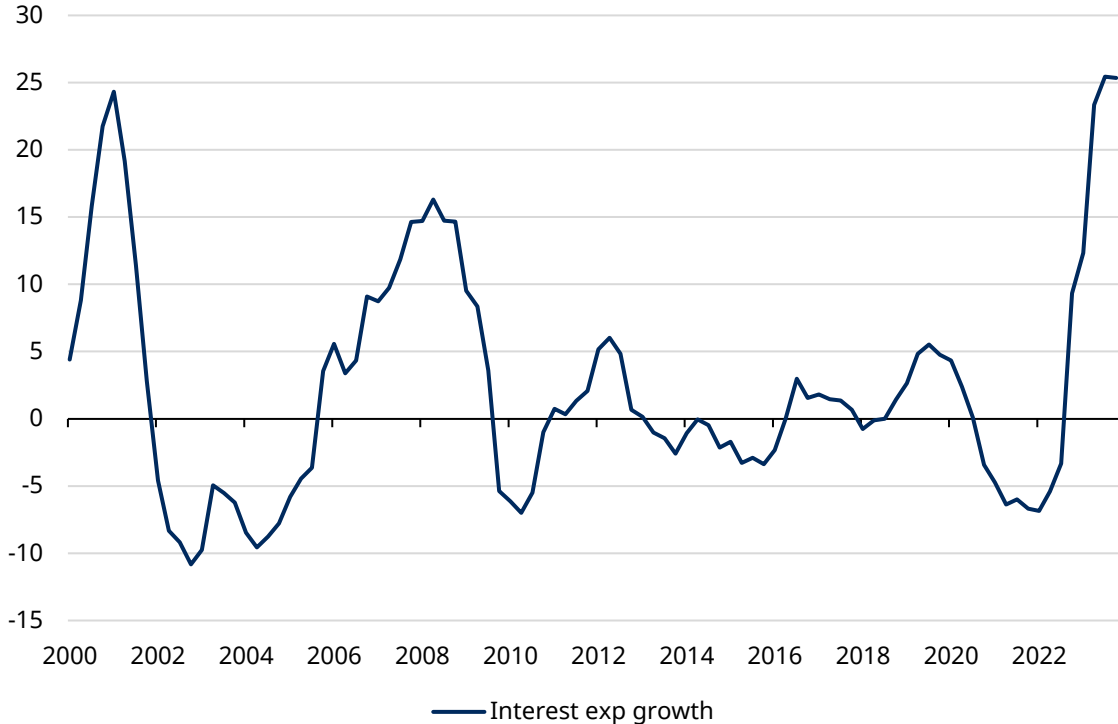
## Euro IG interest coverage ratio

Last 12 months EBITDA to interest expense



## Euro IG annual interest expense growth

%



**Interest expense growth is the highest in over two decades**

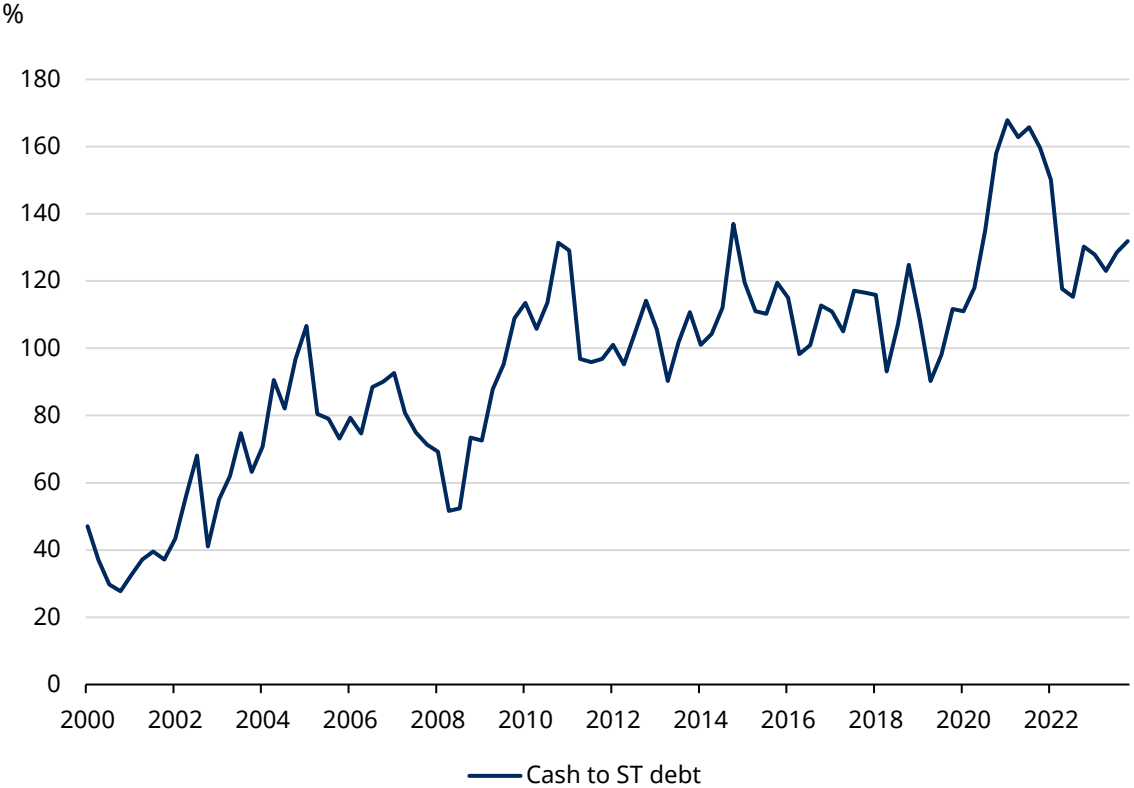
Source: Schroders, Bloomberg. Median issuer ex-Financials. Data as of Q4 2023. Please see relevant disclaimers on page 71.



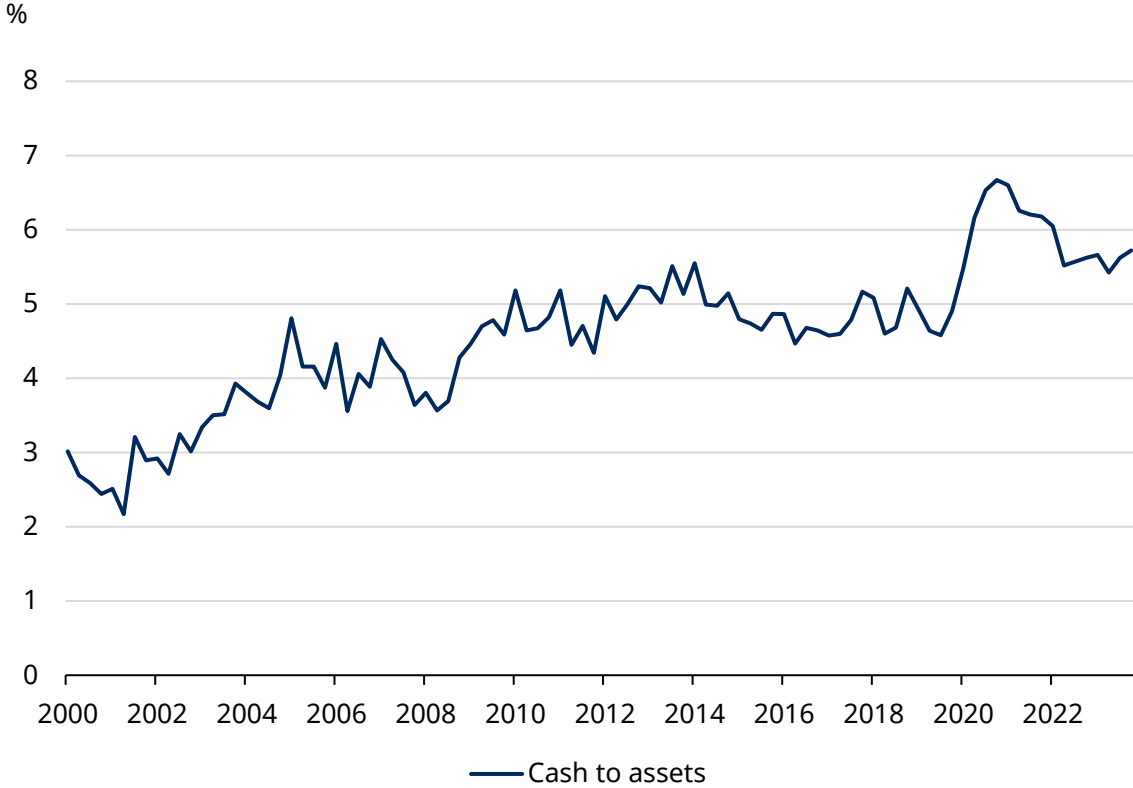
# Euro IG cash levels

Cash levels have fallen from peaks but remain above pre-covid levels

### Euro IG cash to short term debt



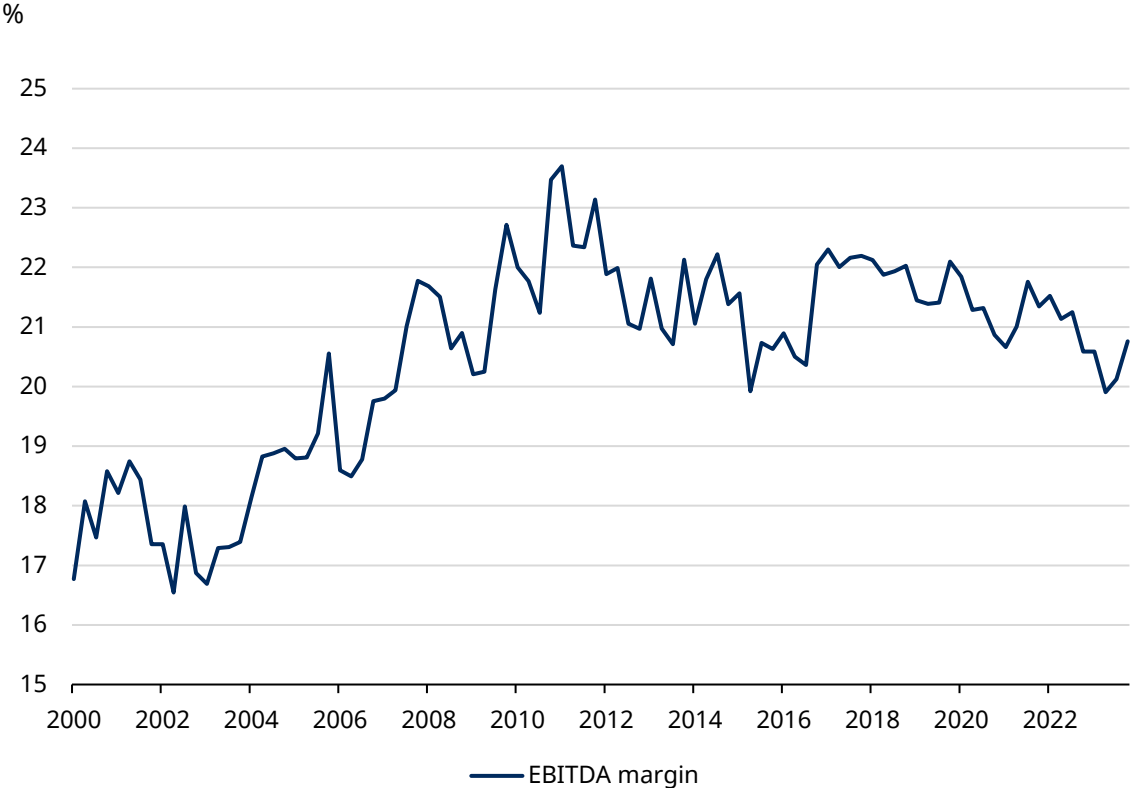
### Euro IG cash to assets



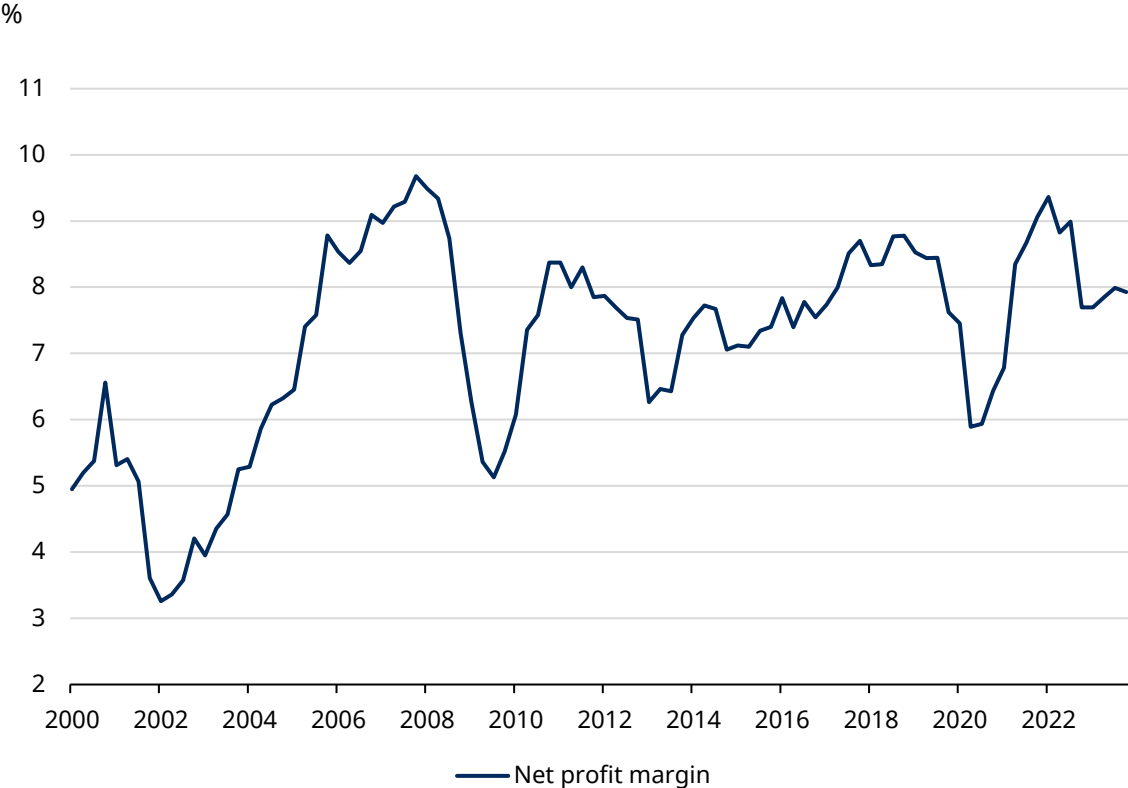
Source: Schroders, Bloomberg. Median issuer ex-Financials. Data as of Q4 2023. Please see relevant disclaimers on page 71.

# Euro IG corporate margins

## Euro IG EBITDA margin



## Euro IG net profit margin



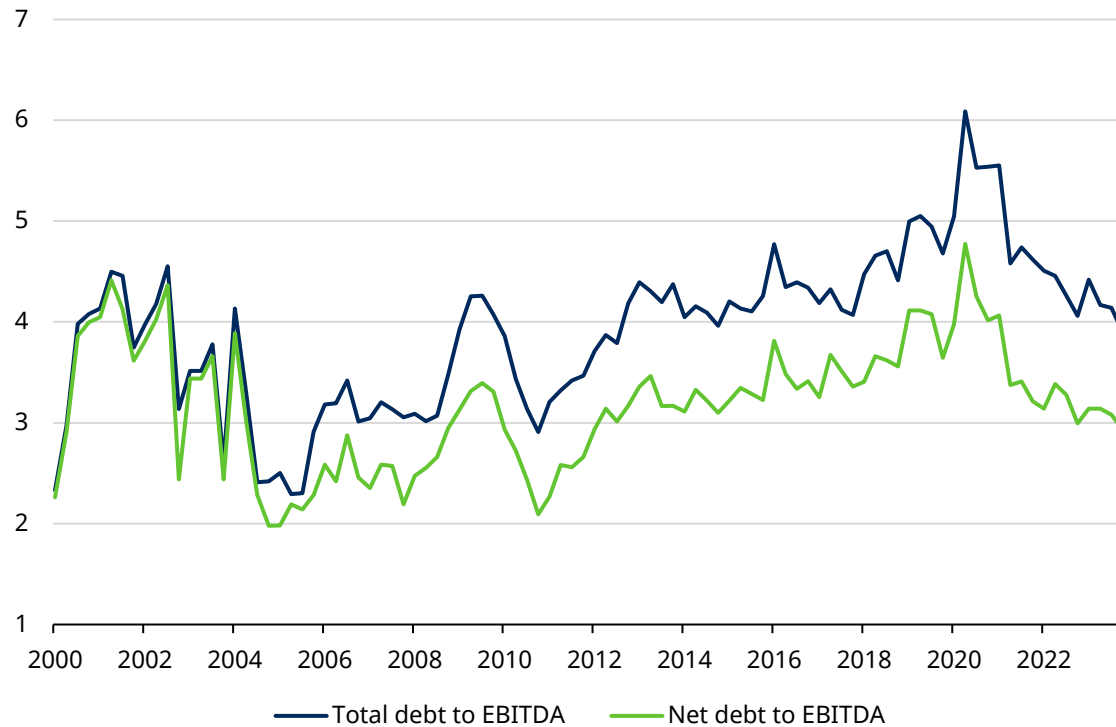
Source: Schroders, Bloomberg. Median issuer ex-Financials. Data as of Q4 2023. Please see relevant disclaimers on page 71.

# Euro HY leverage

Leverage around lowest levels in over a decade

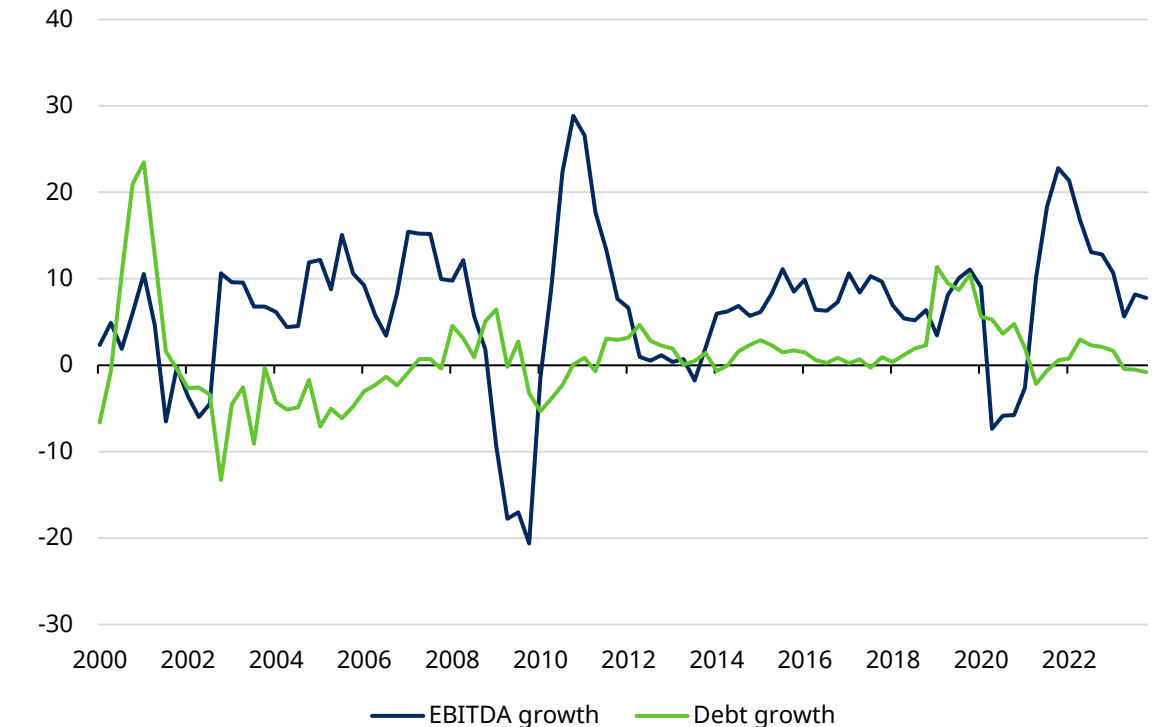
## Euro HY leverage

Debt to last 12 months EBITDA



## Euro HY EBITDA and debt growth (last 12 months)

%



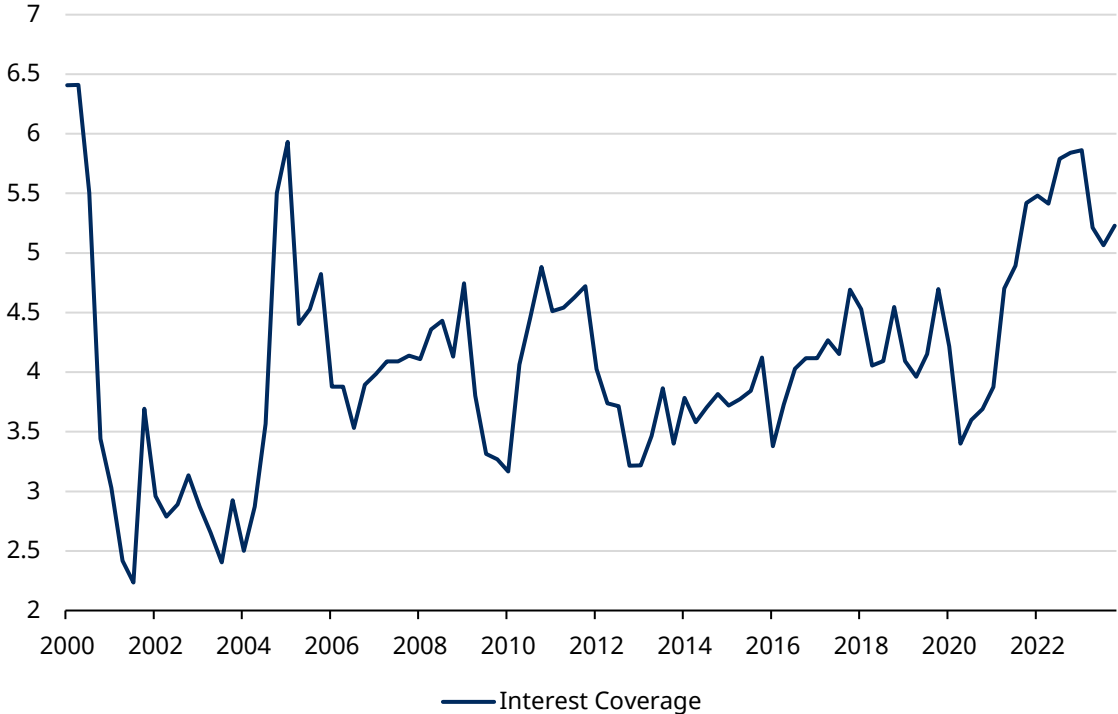
Source: Schrodgers, Bloomberg. Median issuer ex-Financials. Data as of Q4 2023. Please see relevant disclaimers on page 71.

# Euro HY interest coverage

Interest coverage has declined but remains elevated

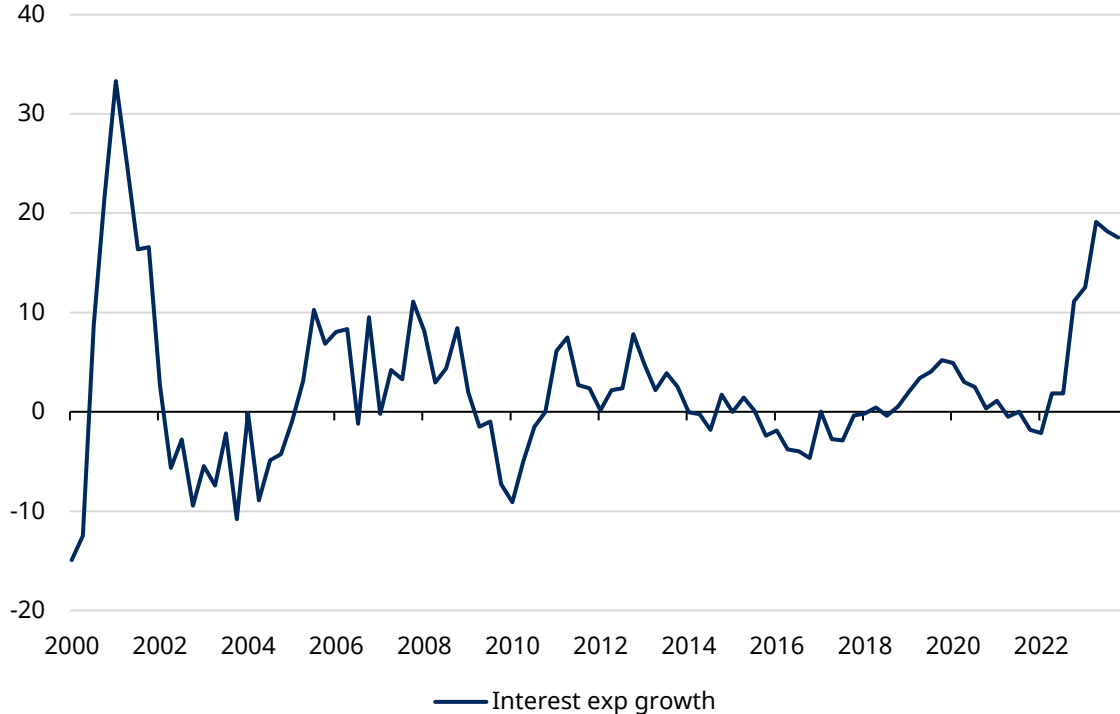
## Euro HY interest coverage ratio

Last 12 months EBITDA to interest expense



## Euro HY annual interest expense growth

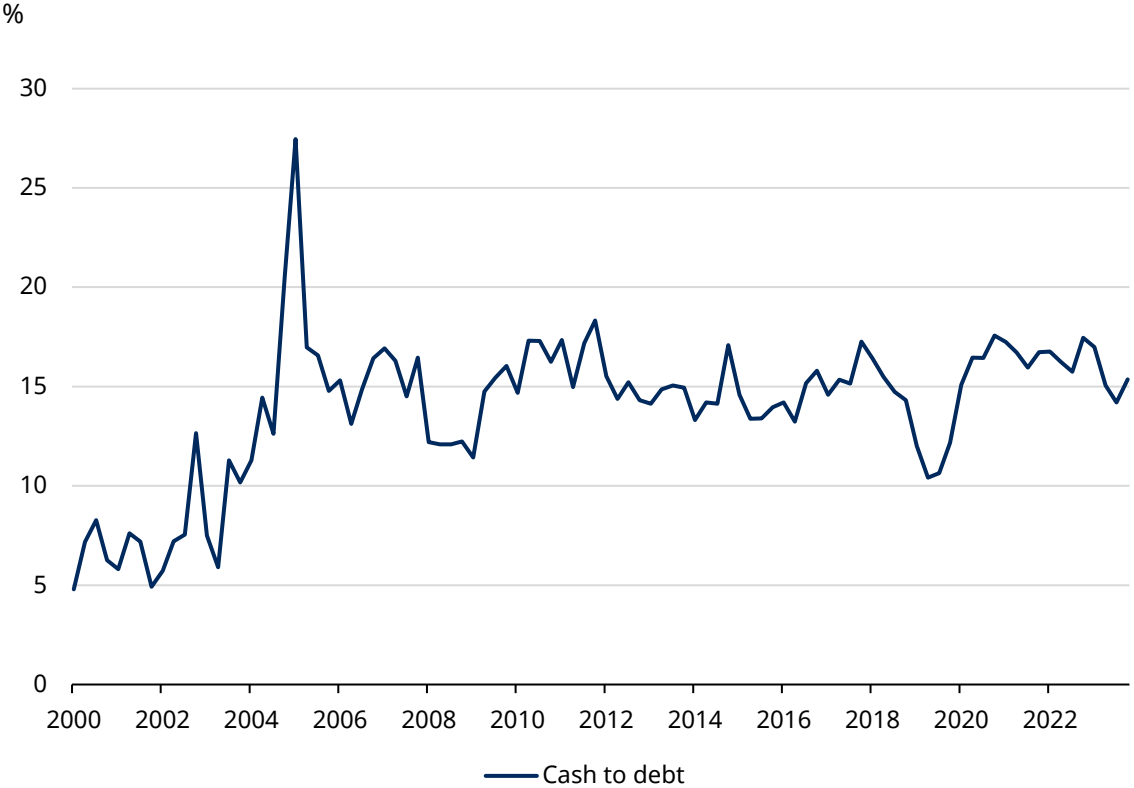
%



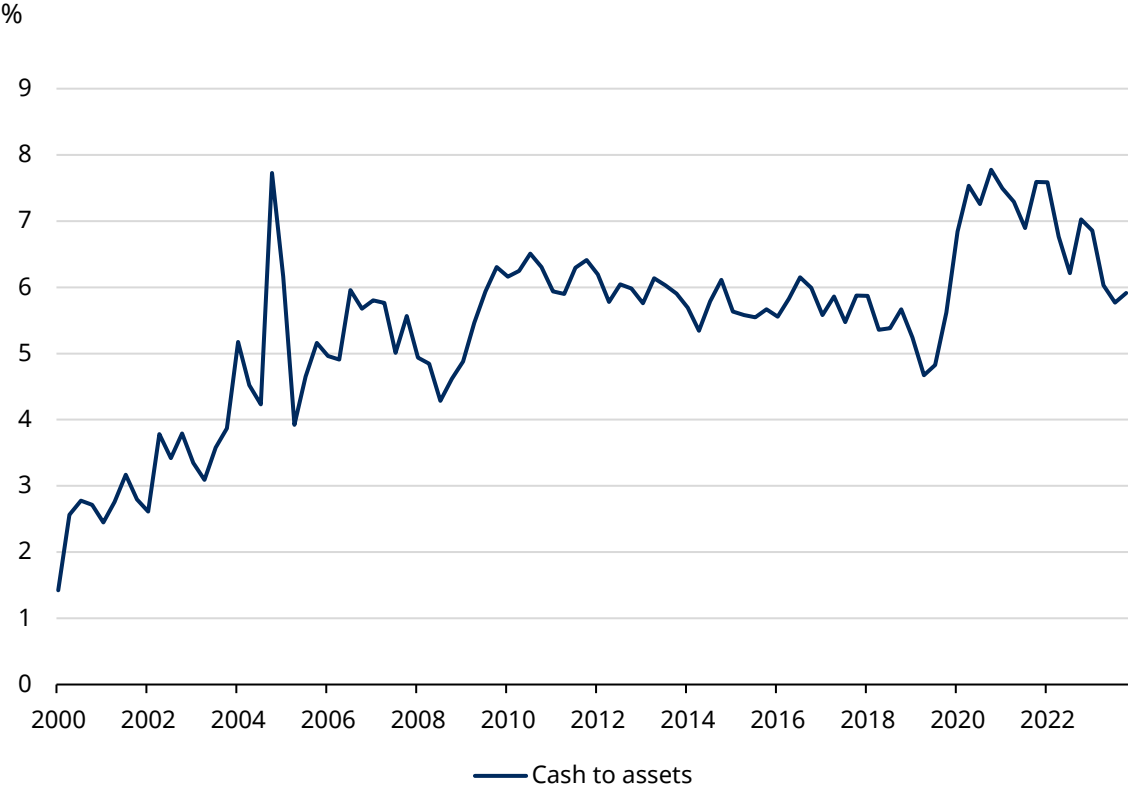
Source: Schroders, Bloomberg, Median issuer ex-Financials. Data as of Q4 2023. Please see relevant disclaimers on page 71.

# Euro HY cash levels

## Euro HY cash to debt



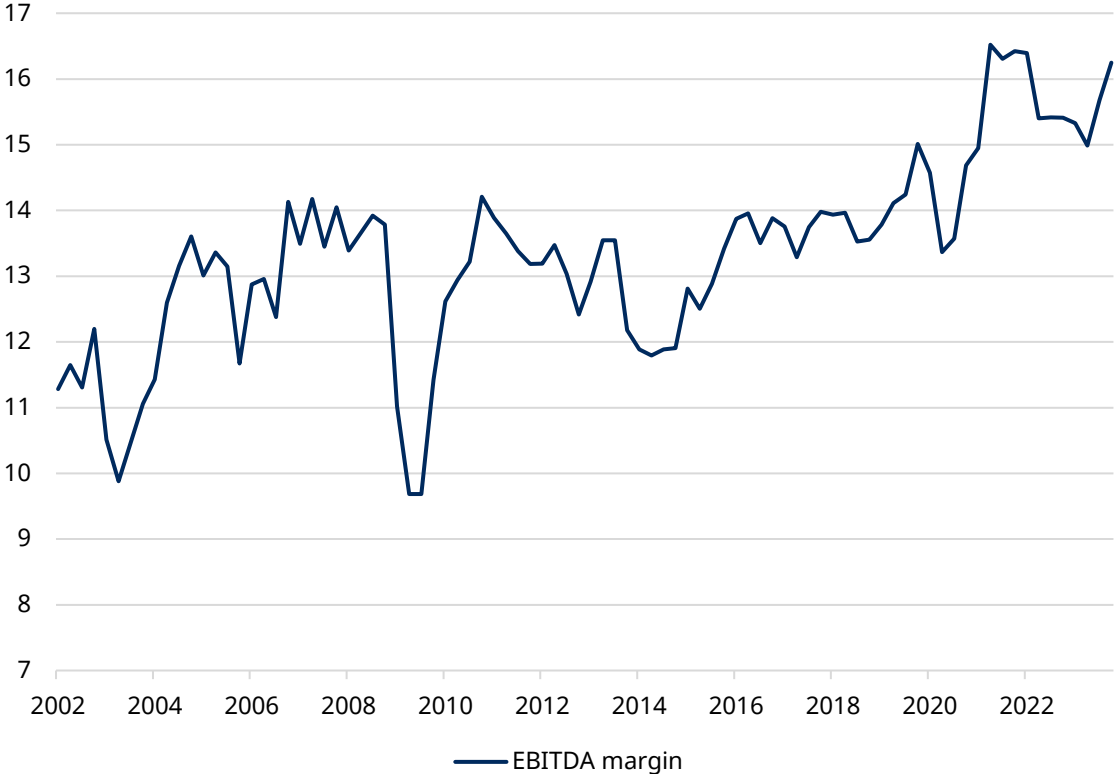
## Euro HY cash to assets



Source: Schroders, Bloomberg. Median issuer ex-Financials. Data as of Q4 2023. Please see relevant disclaimers on page 71.

# Euro HY corporate margins

## Euro HY EBITDA margin



Source: Schroders, Bloomberg. Median issuer ex-Financials. Data as of Q4 2023. Please see relevant disclaimers on page 71.

**Schroders**

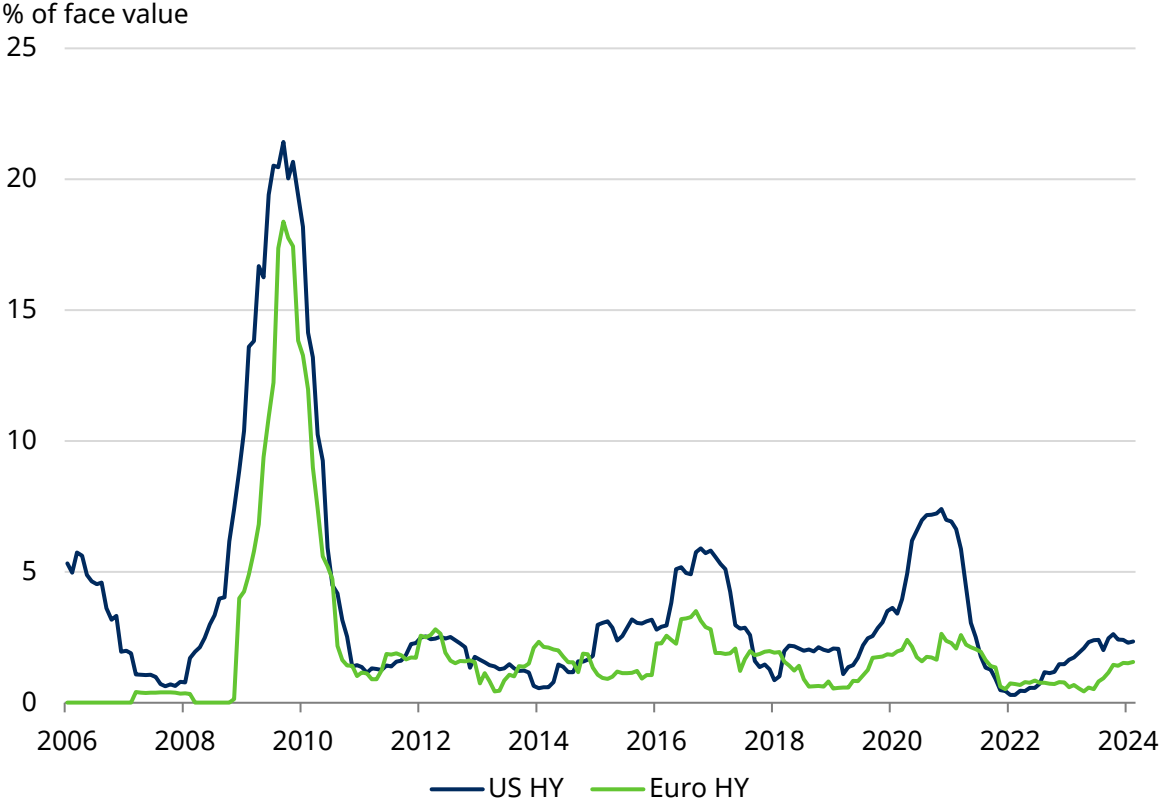


**Corporate credit**

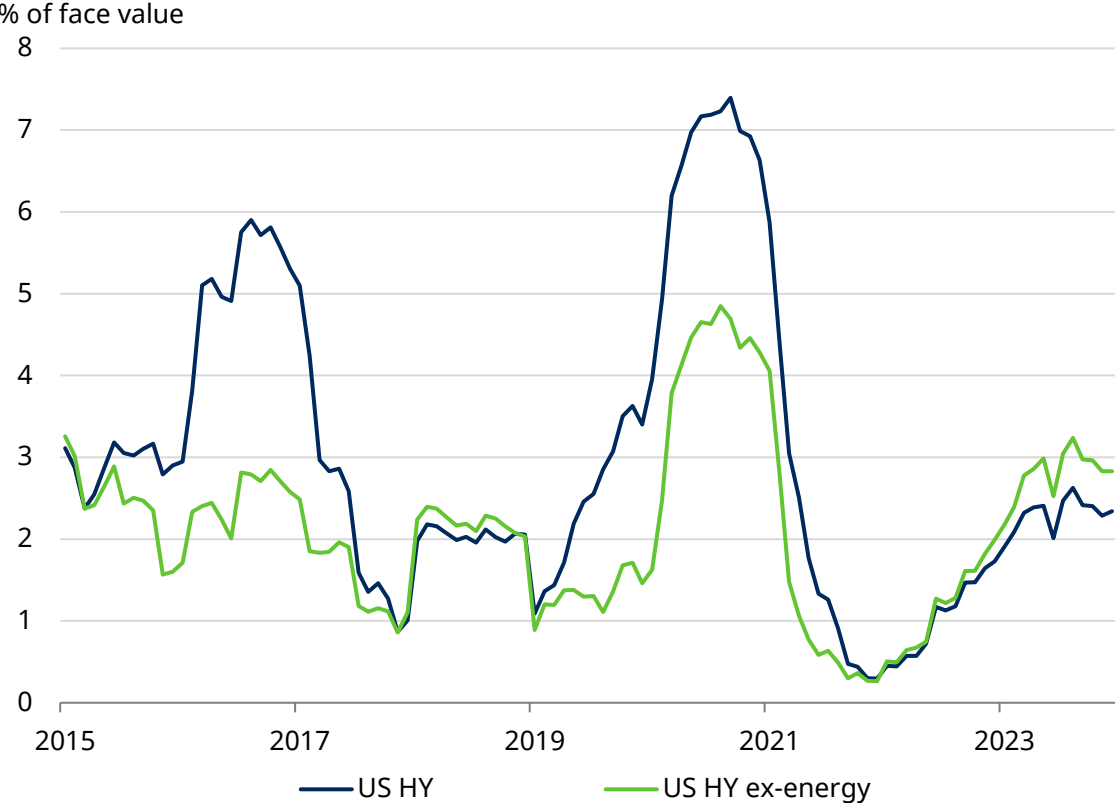
Technicals

# HY default rates have picked up from very low levels

## HY par default rate (last twelve months)



## US HY par default rate (last twelve months)



## HY default rates are around long-run average (median) levels

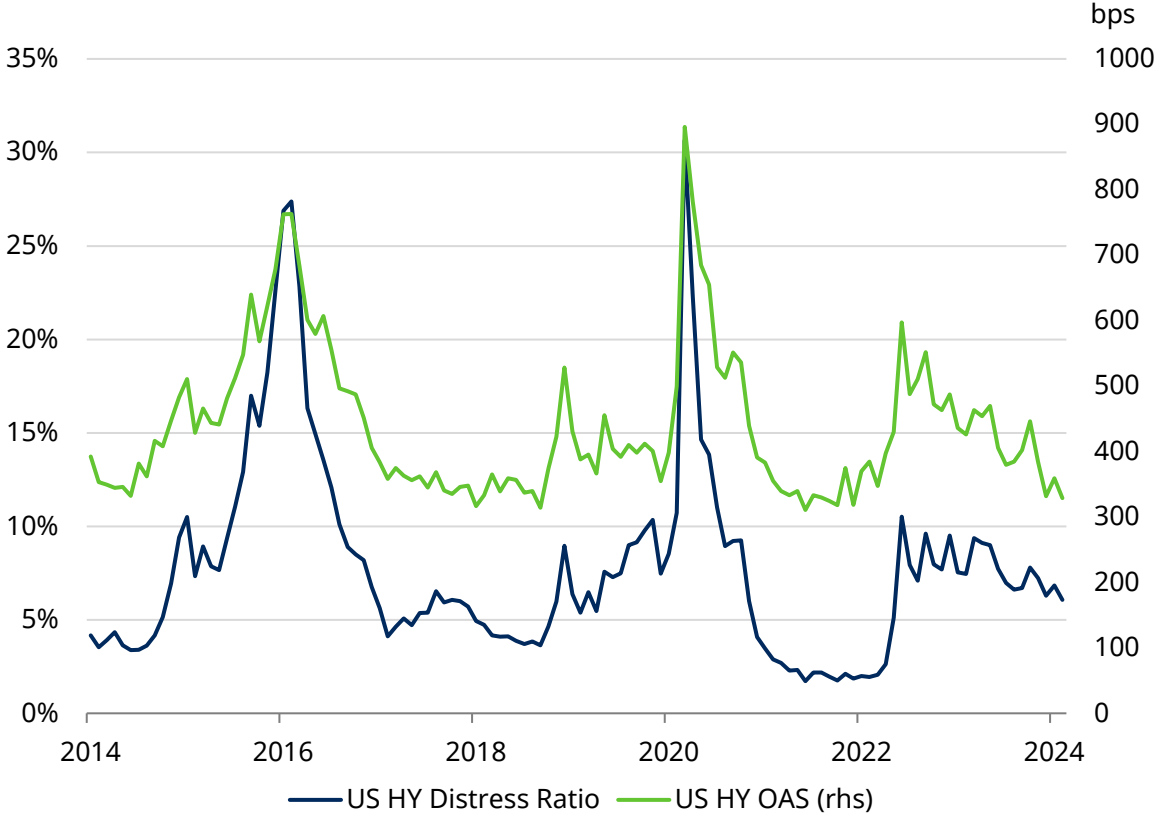
Source: Schroders, BofA Global Research. Data as at 29 February 2024. Please see relevant disclaimers on page 71.



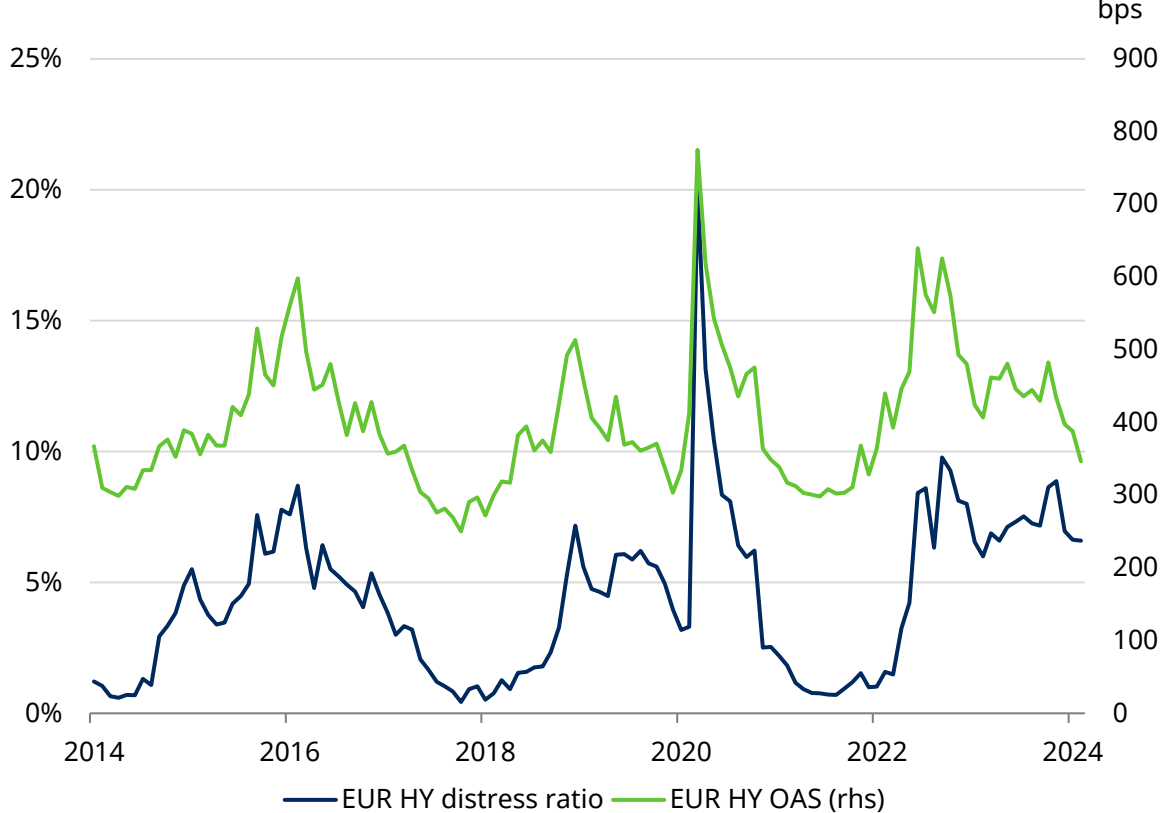
# HY distress ratios still elevated, although have edged down

Higher distress is usually a harbinger of defaults

### US HY distress ratio<sup>1</sup>



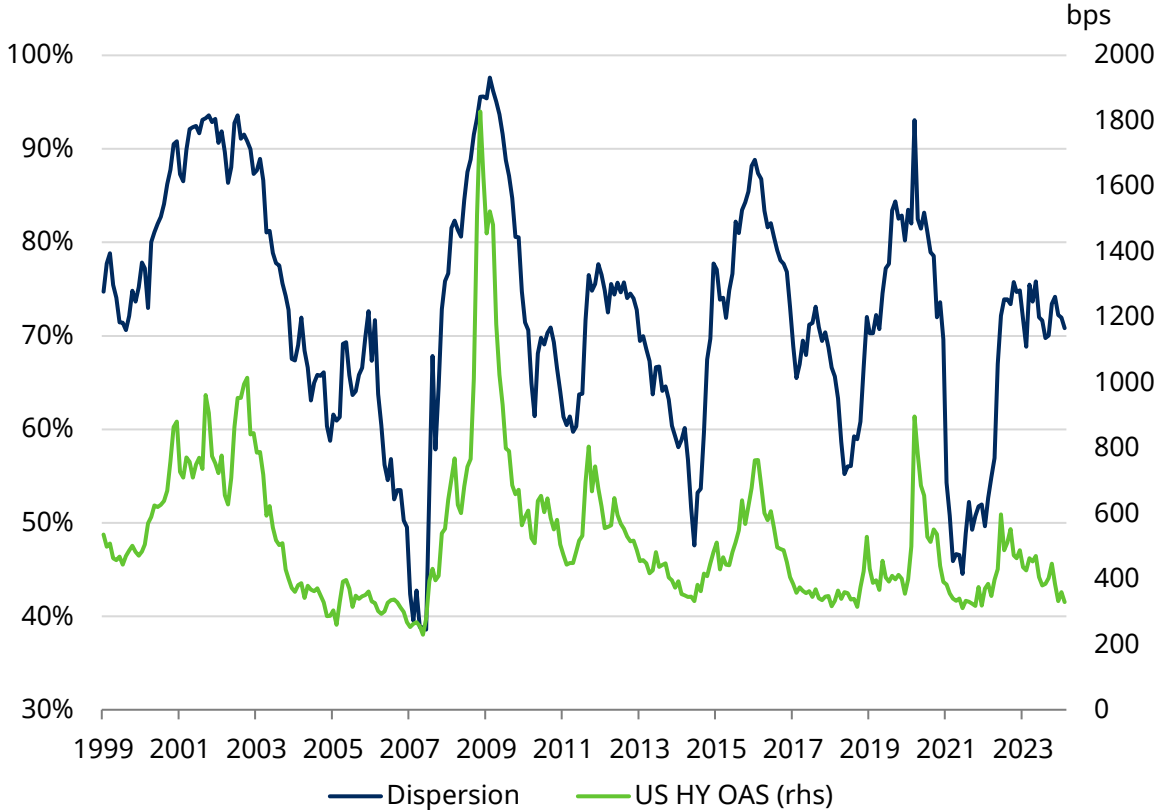
### Euro HY distress ratio<sup>1</sup>



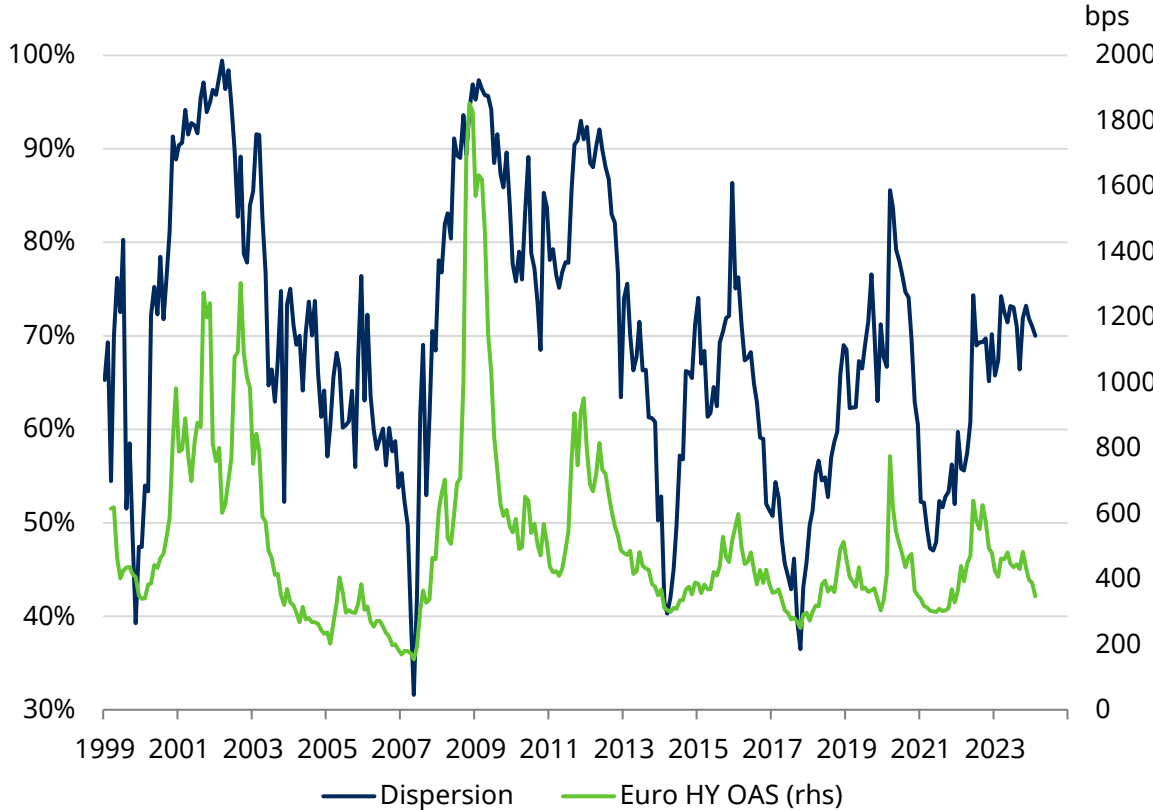
Source: Schroders, BofA Global Research. Data as at 29 February 2024. <sup>1</sup>HY distress is defined as percentage of issues in the index trading with spreads > 1,000bp. Please see relevant disclaimers on page 71.

# HY spread dispersion

## US HY dispersion<sup>1</sup> vs US HY spread



## Euro HY dispersion<sup>1</sup> vs Euro HY spread



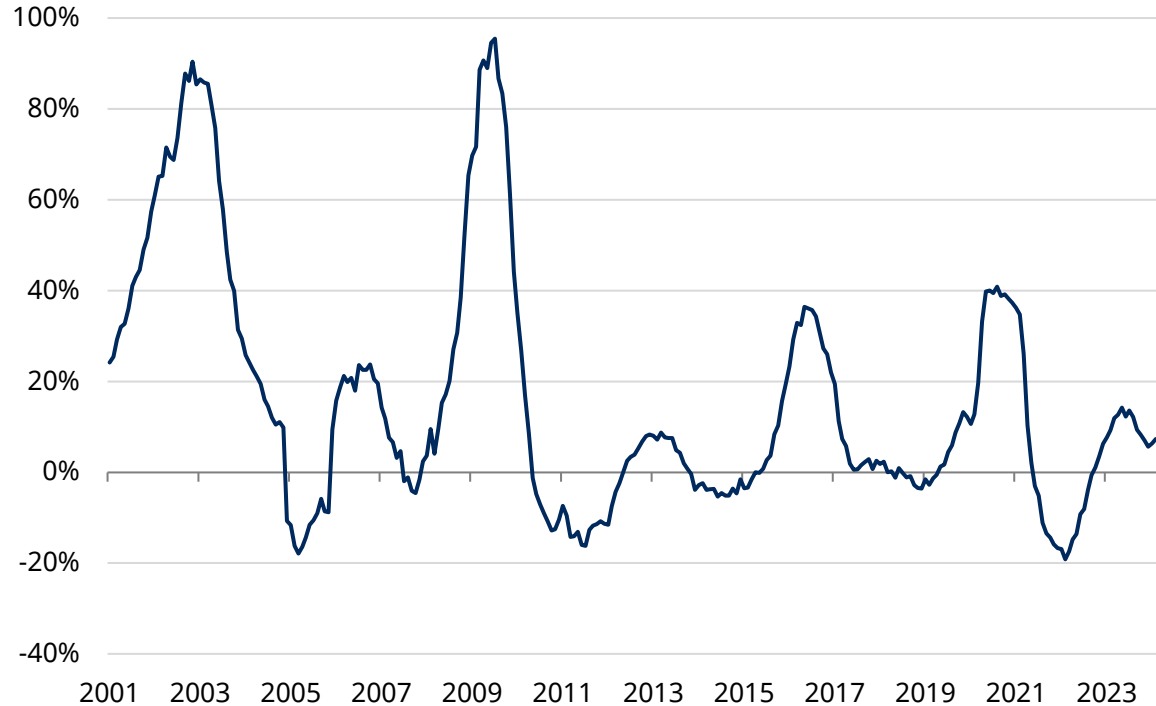
Source: Schroders, BofA Global Research. Data as at 29 February 2024. <sup>1</sup> Proportion of face value in index marked outside +/-100bps of overall index level. Please see relevant disclaimers on page 71.

# US HY ratings migration (net downgrades)

Within HY, downgrades had been outpacing upgrades over the last 12 months

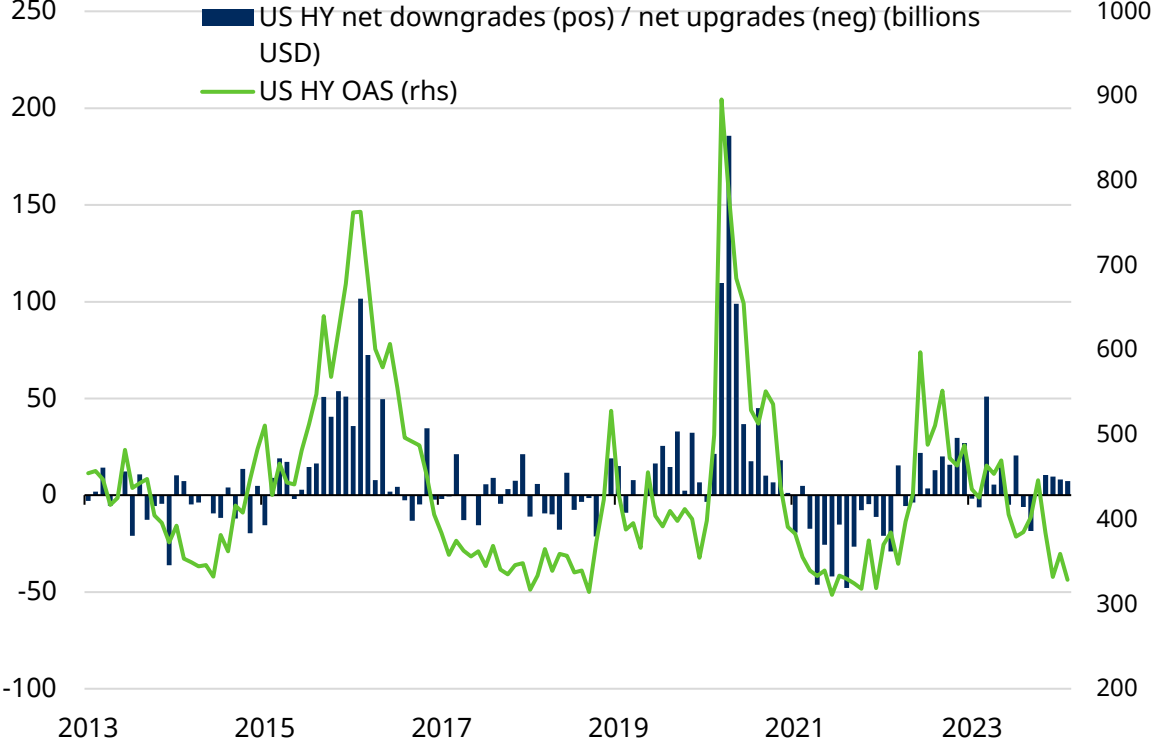
## US HY net downgrades<sup>1</sup>

Percentage of the HY index, last 12 months



## US HY monthly net downgrades

Billions USD



Source: BofA Global Research, LSEG Datastream. Data as at 29 February 2024. Please see relevant disclaimers on page 71.

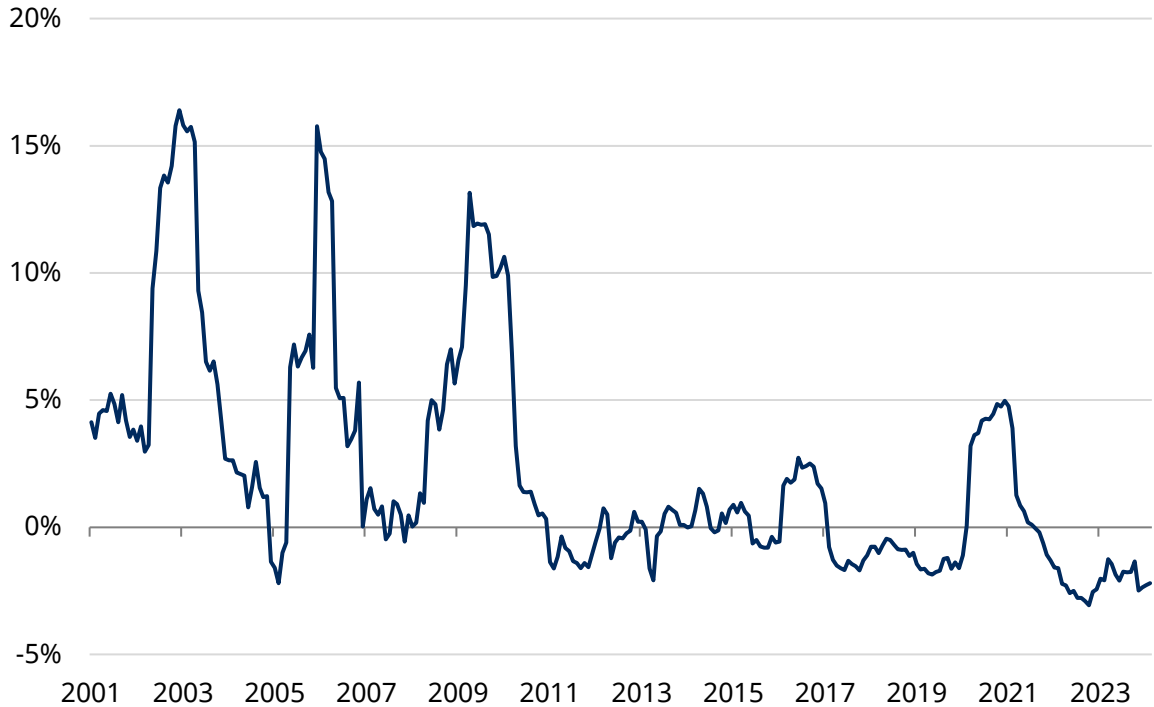
<sup>1</sup>Face value of downgraded HY bonds minus face value of upgraded bonds divided by face value of the index. Excludes upgrades from HY to IG.

# US IG fallen angels/rising stars

Rising stars have been outpacing falling angels over the past couple of years

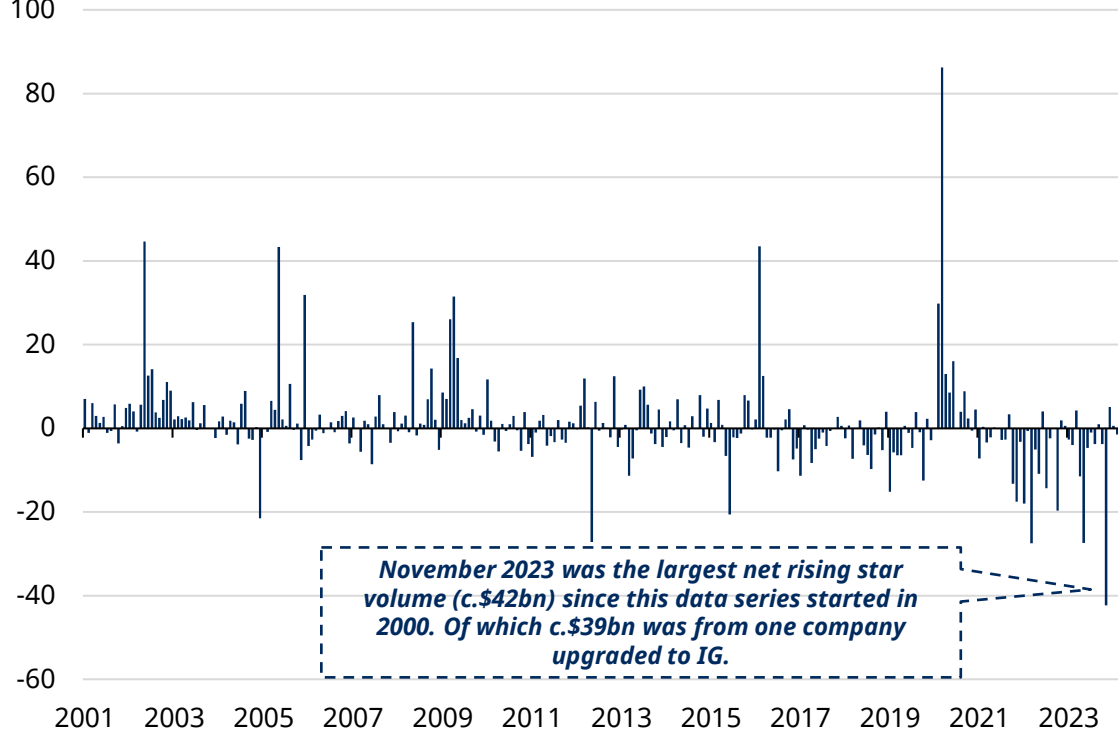
## US IG net fallen angels<sup>1</sup>

Percentage of the BBB index, last 12 months



## US IG monthly net fallen angels

Billions USD

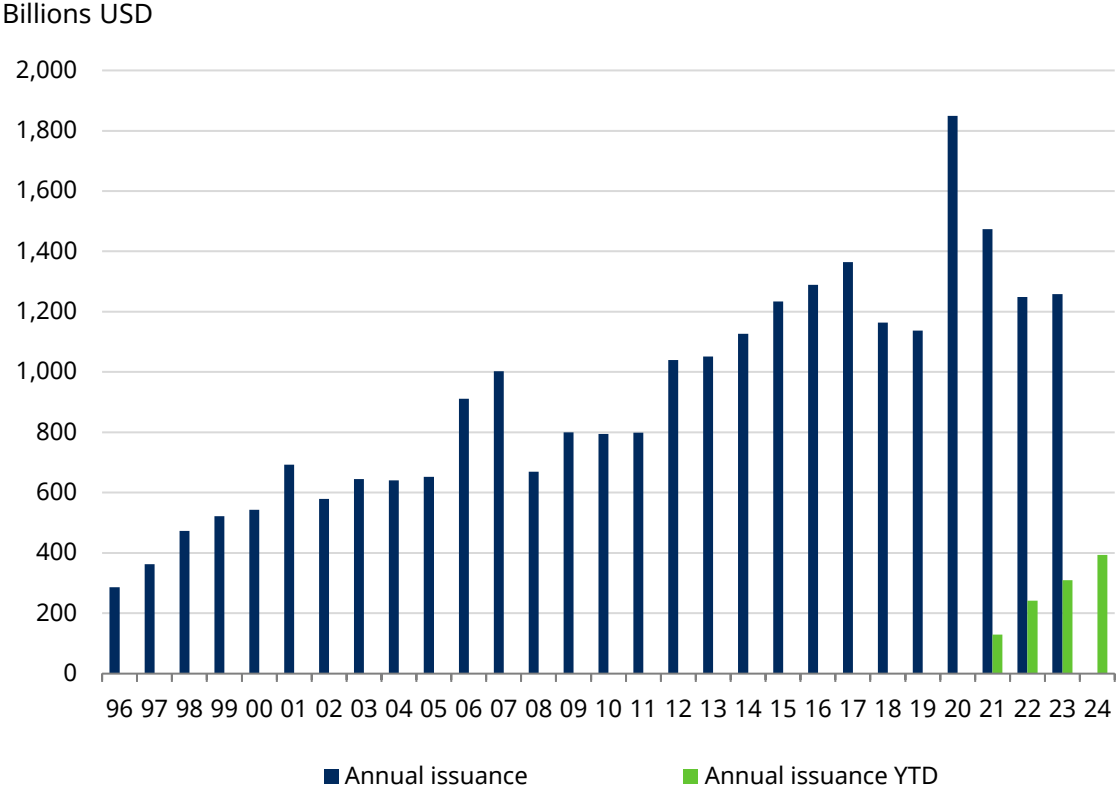


**Over the last couple of years stronger HY issuers have been upgraded to IG at a faster rate than weaker IG issuers are downgraded to HY**

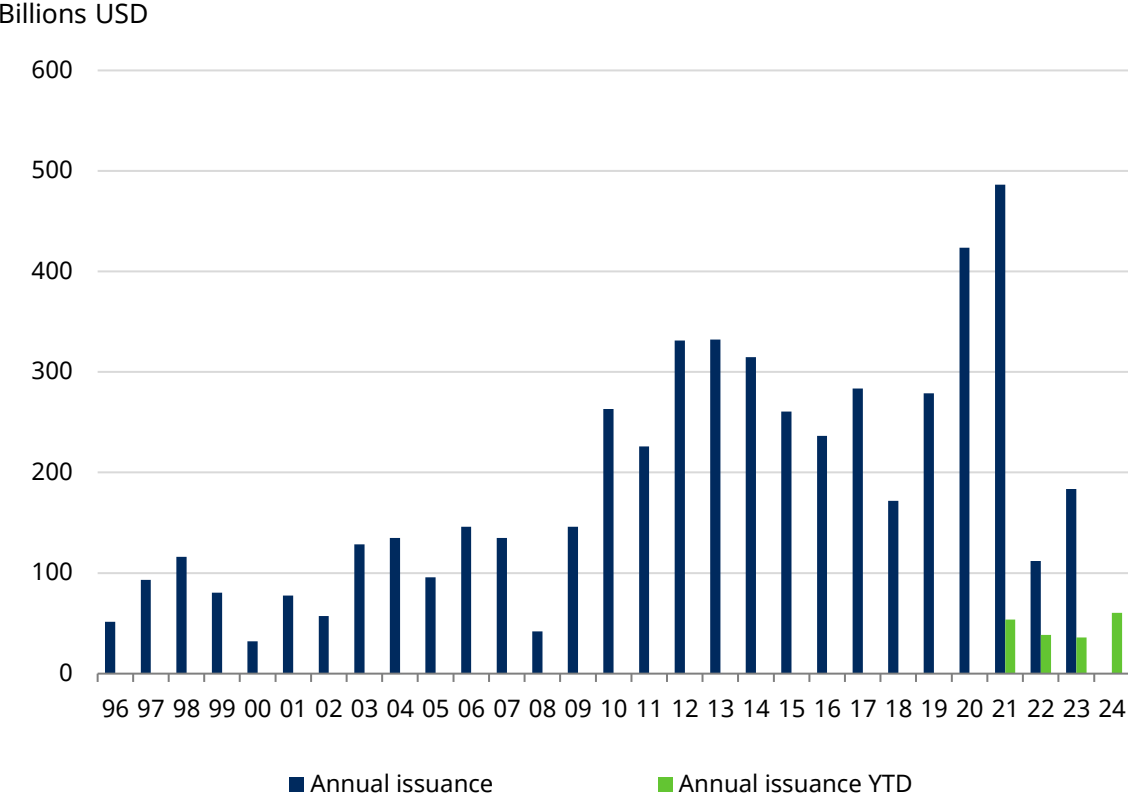
Source: BofA Global Research. Data as at 29 February 2024. Please see relevant disclaimers on page 71.  
<sup>1</sup>Face value of downgrades from IG to HY minus face value of upgrades from HY to IG, divided by face value of the BBB index

# Strong start to 2024 for primary issuance, particularly in IG

## US IG gross issuance



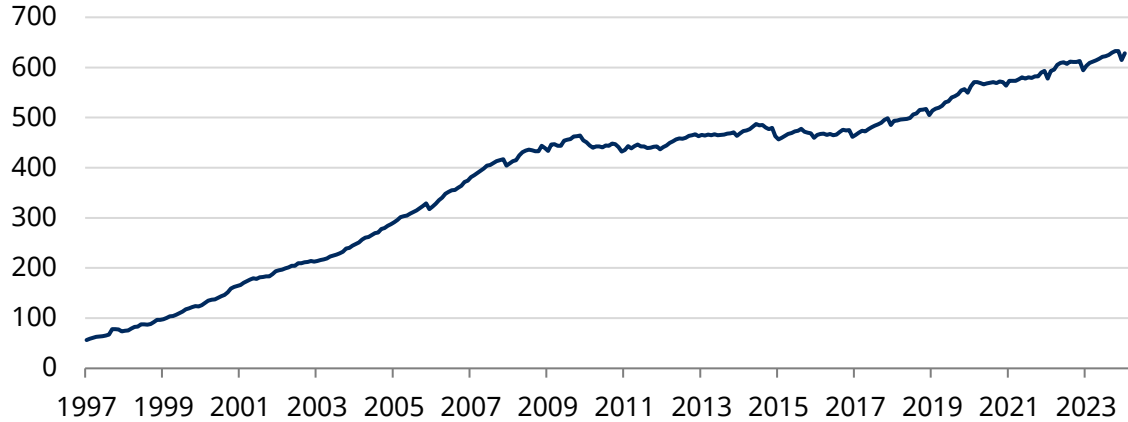
## US HY gross issuance



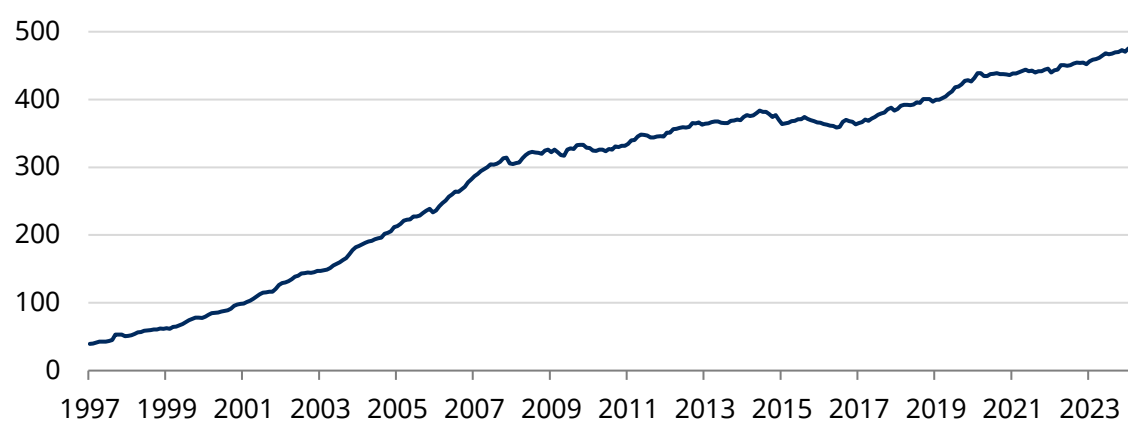
Source: Sifma. Data as at 29 February 2024. Please see relevant disclaimers on page 71.

# IG bonds outstanding

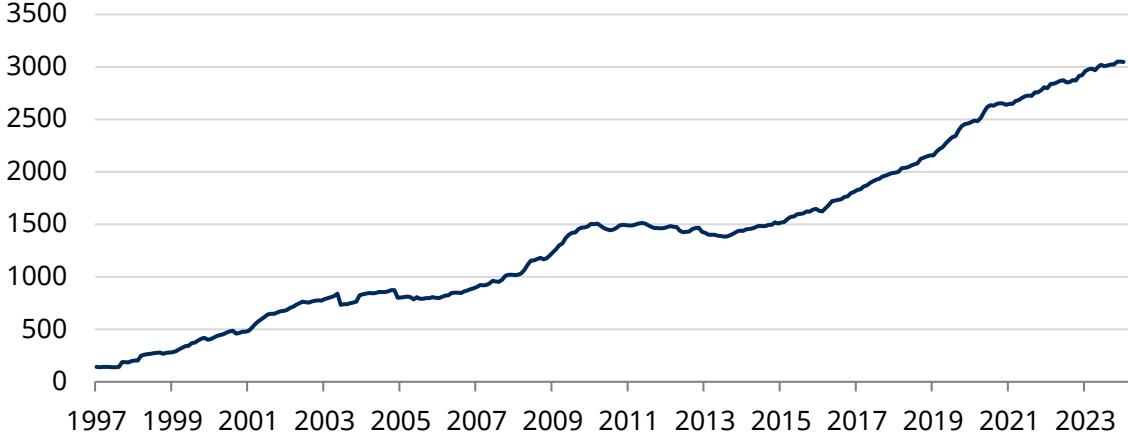
IG GBP non-gilts amount outstanding (bn GBP)



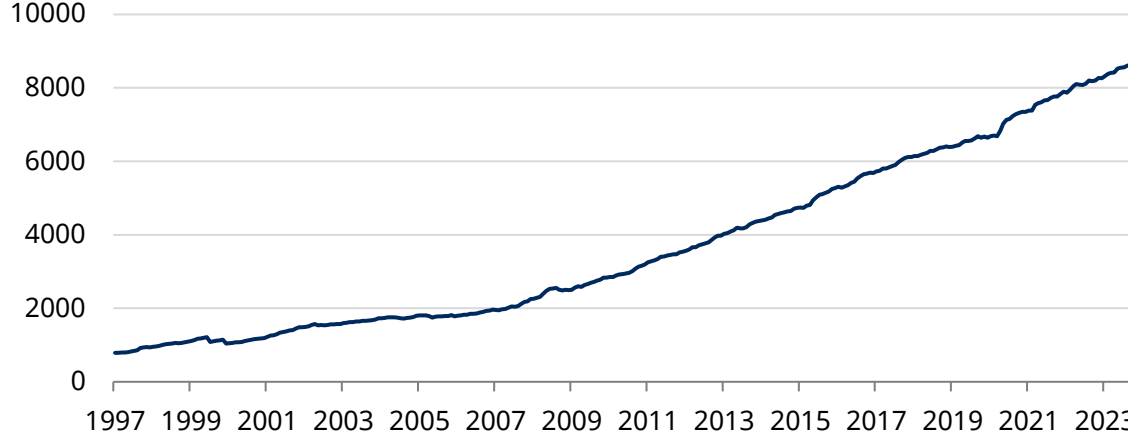
IG GBP corporates amount outstanding (bn GBP)



IG EUR amount outstanding (bn EUR)



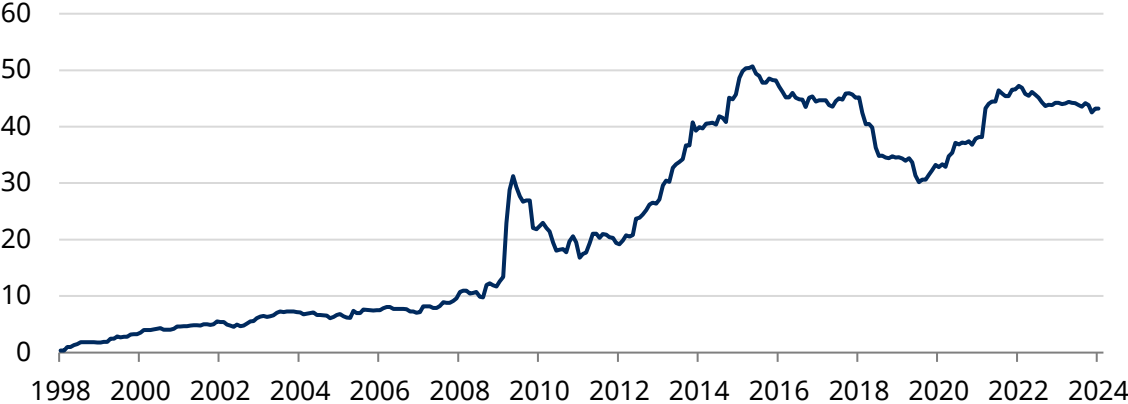
IG USD amount outstanding (bn USD)



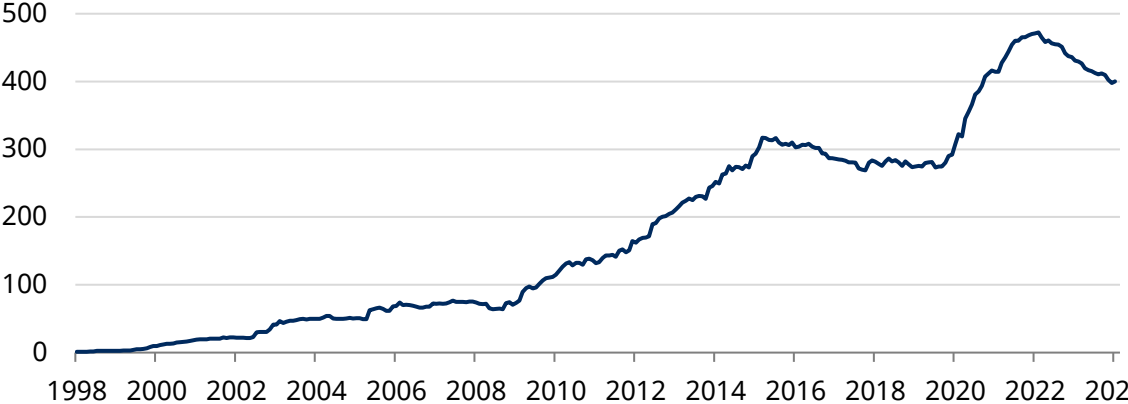
Source: Schroders, ICE Data Indices. Data as at 29 February 2024. Charts show face value of bond outstanding within relevant indices. Please see relevant disclaimers on page 71.

# HY bonds outstanding

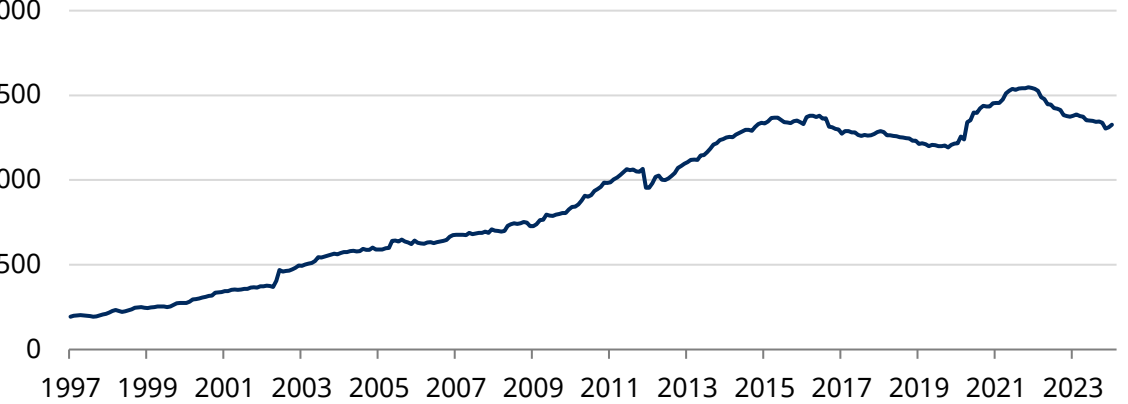
HY GBP amount outstanding (bn GBP)



HY EUR amount outstanding (bn EUR)



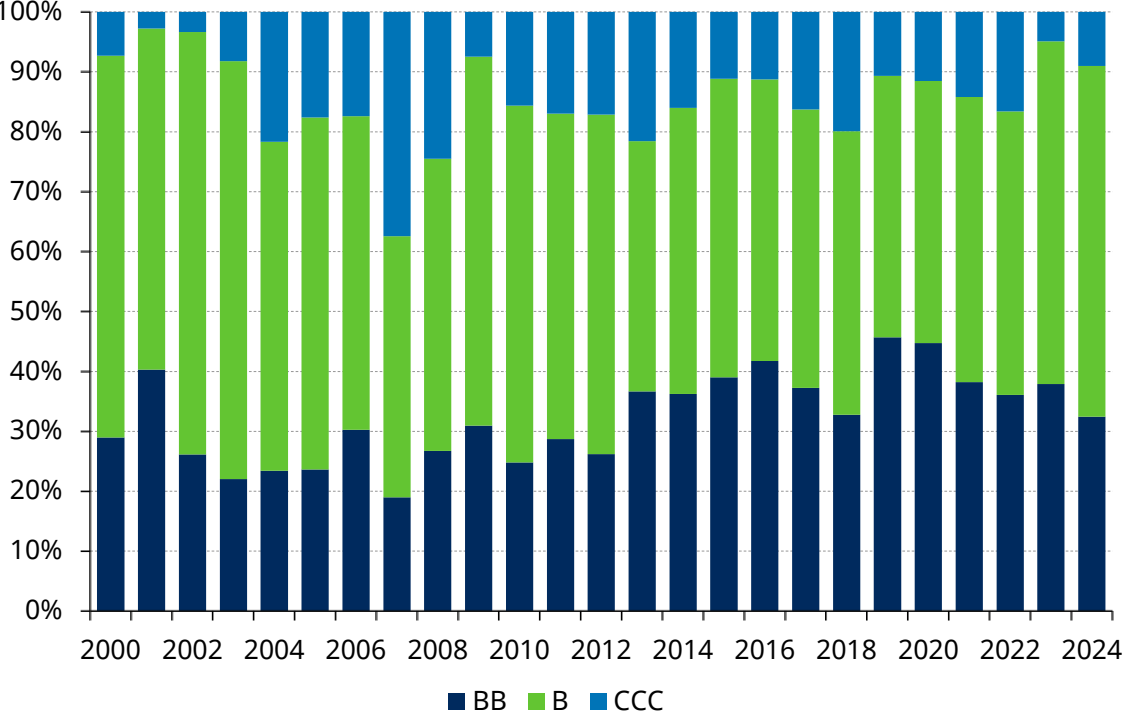
HY USD amount outstanding (bn USD)



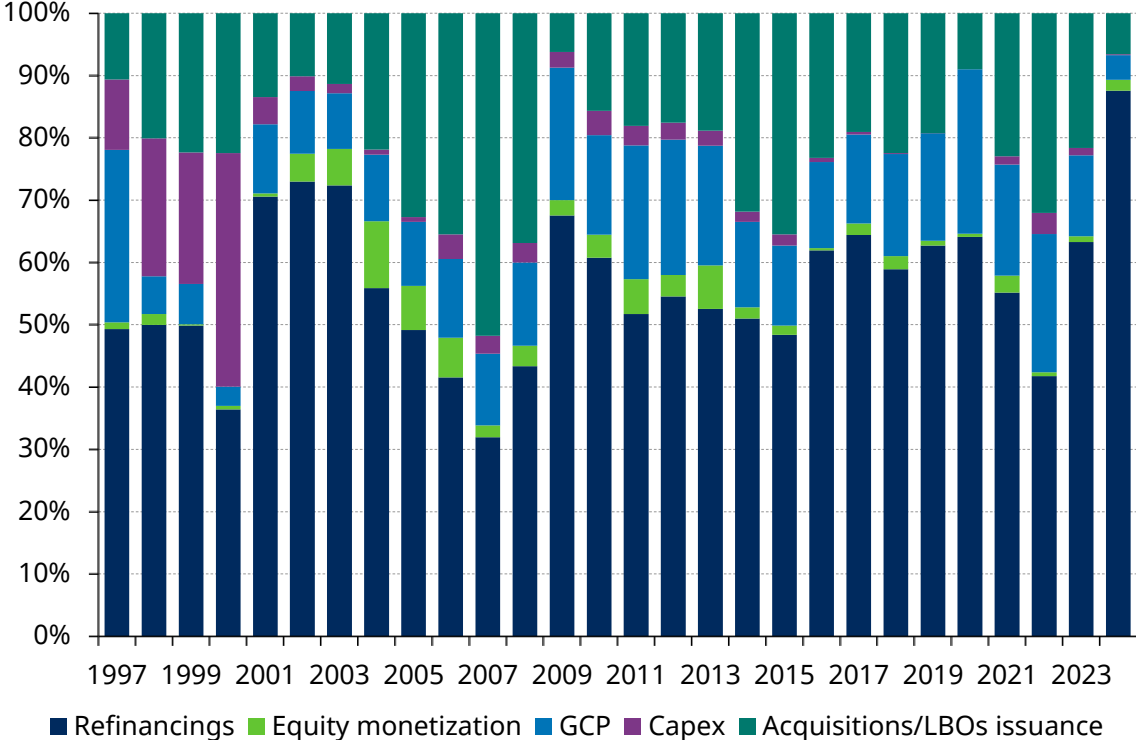
Source: Schroders, ICE Data Indices. Data as at 29 February 2024. Charts show face value of bond outstanding within relevant indices. Please see relevant disclaimers on page 71.

# USD HY bond issuance details

Issuance by rating (percentage of issuance)<sup>(1)</sup>



Issuance by use of proceeds<sup>(2)</sup>



Source: Schroders, BofA Global Research. Data as at 29 February 2024. Please see relevant disclaimers on page 71.

(1) 2024 is year to date as at 29 February 2024.

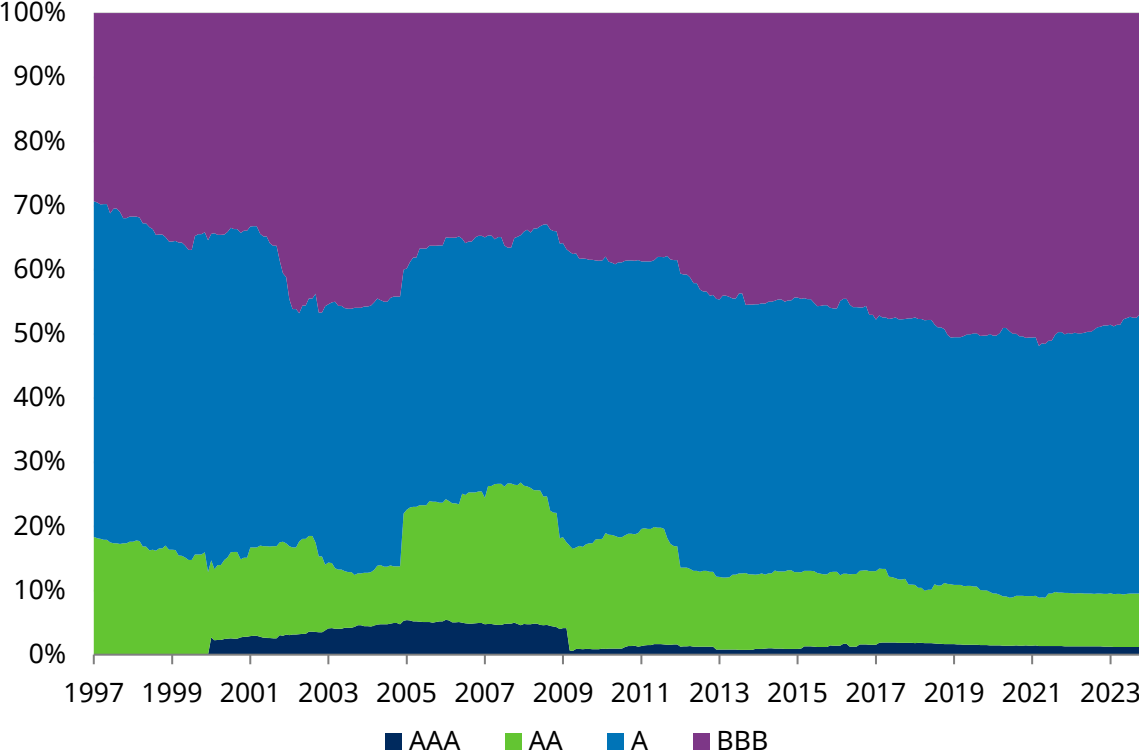
(2) GCP is General Corporate Purposes; Equity monetization includes dividends and share repurchases. 2024 is year to date.



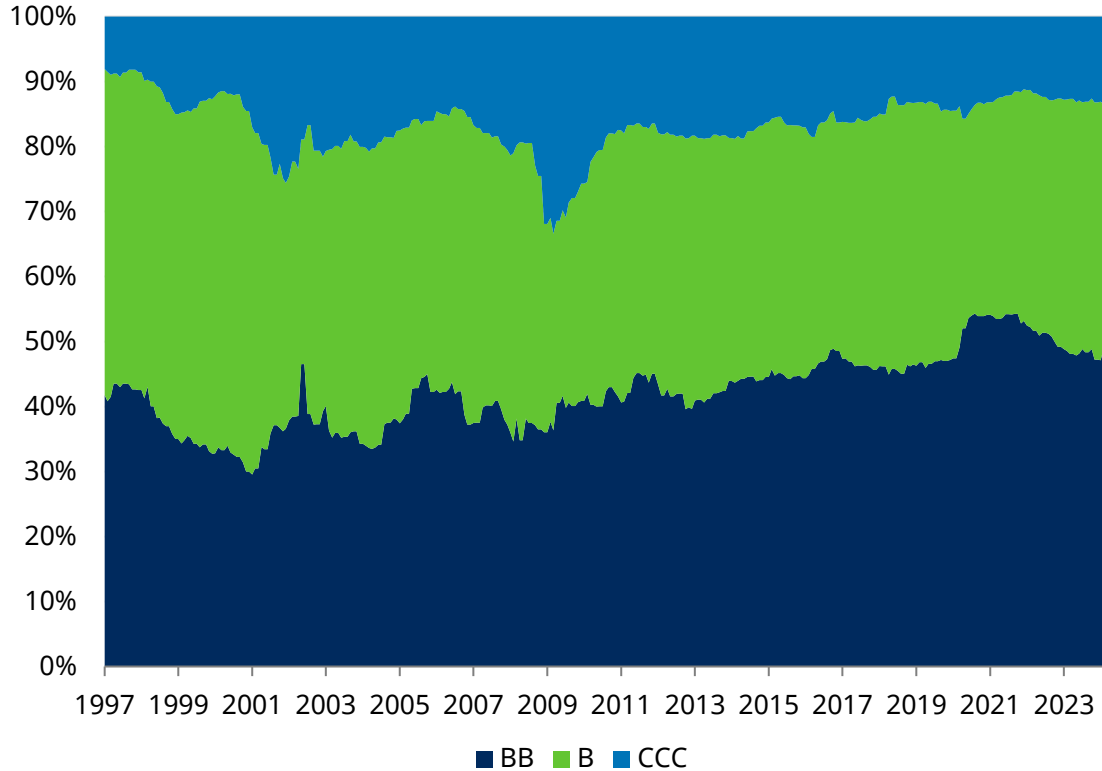
# US dollar credit historical ratings split

Significant changes in credit quality over time

## US IG ratings split



## US HY ratings split

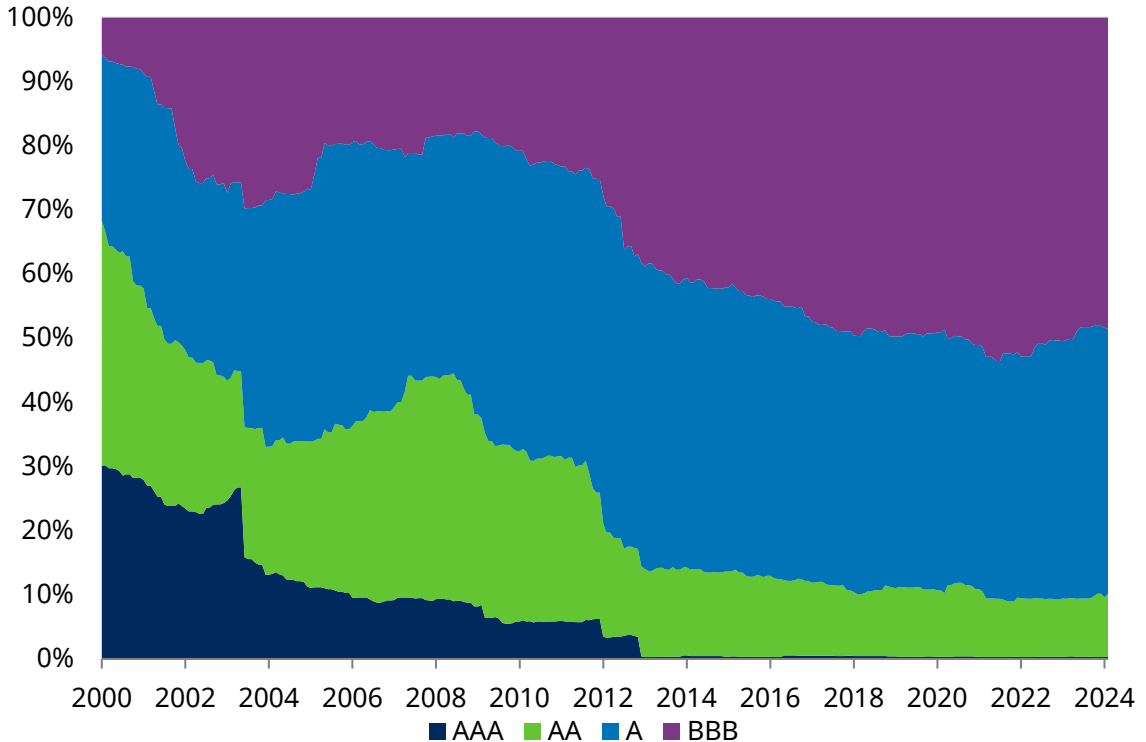


Source: Schroders, LSEG Datastream. Data as at 29 February 2024. Please see relevant disclaimers on page 71.

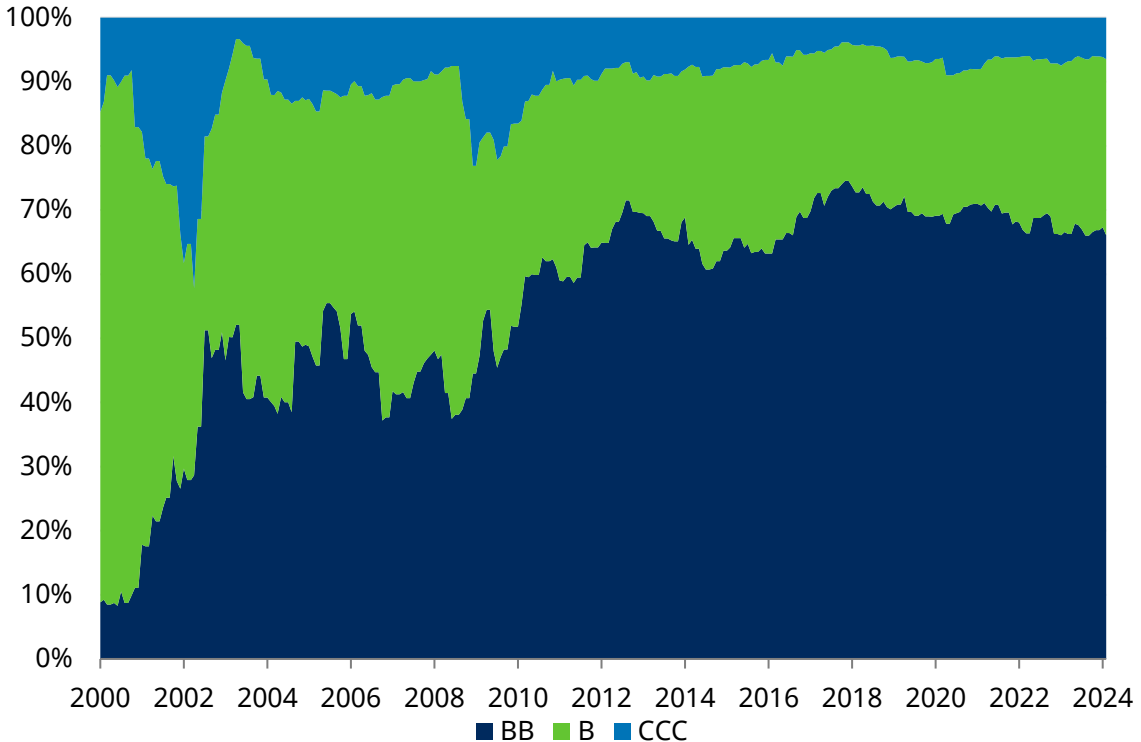
# Euro credit historical ratings split

Significant changes in credit quality over time

### Euro IG ratings split



### Euro HY ratings split

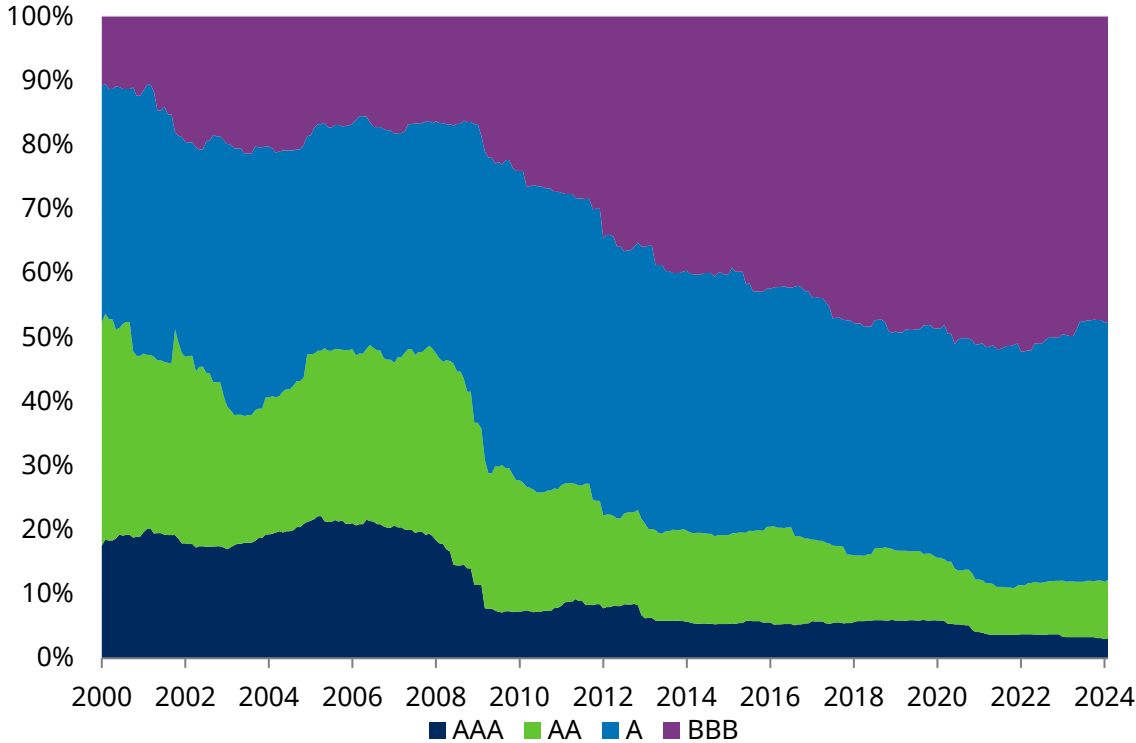


Source: Schroders, LSEG Datastream. Data as at 29 February 2024. Please see relevant disclaimers on page 71.

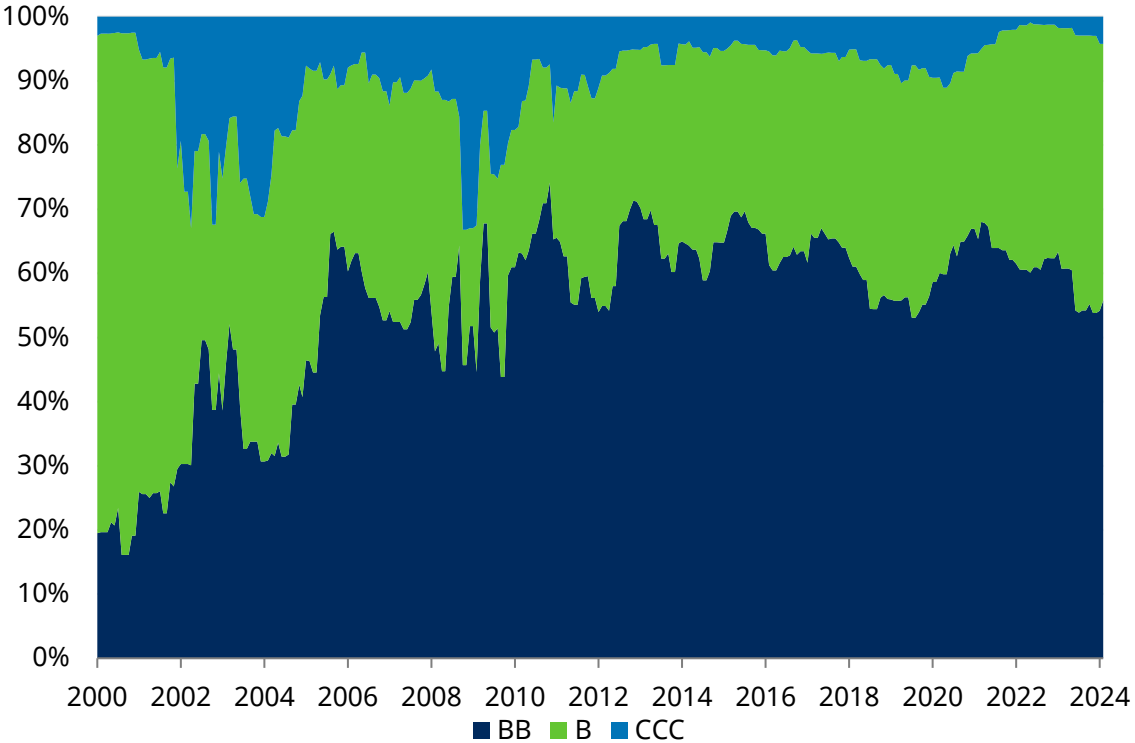
# Sterling credit historical ratings split

Significant changes in credit quality over time

### GBP IG ratings split

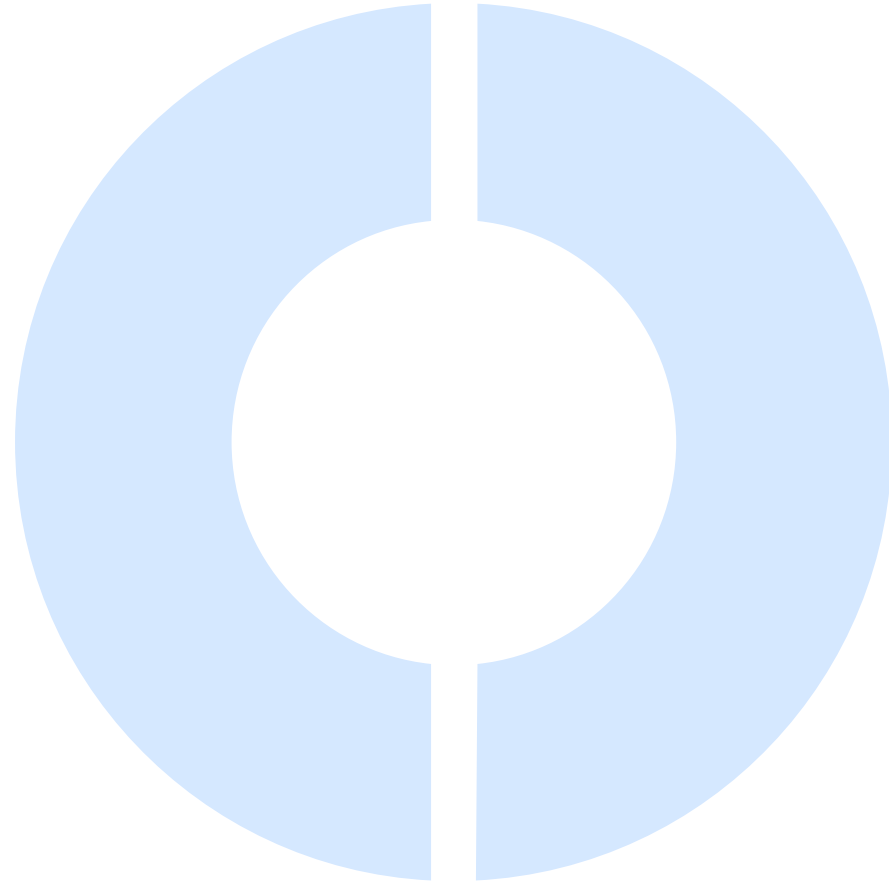


### GBP HY ratings split



Source: Schroders, LSEG Datastream. Data as at 29 February 2024. Please see relevant disclaimers on page 71.

**Schroders**

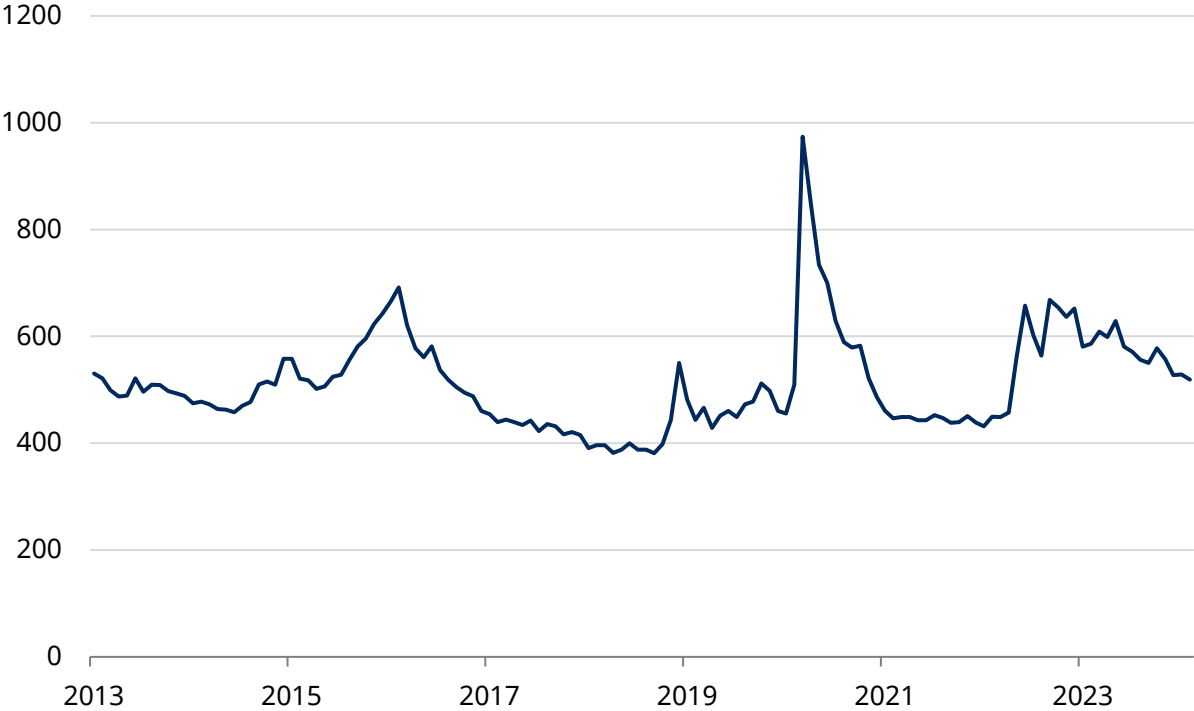


**Appendix: Alternatives**

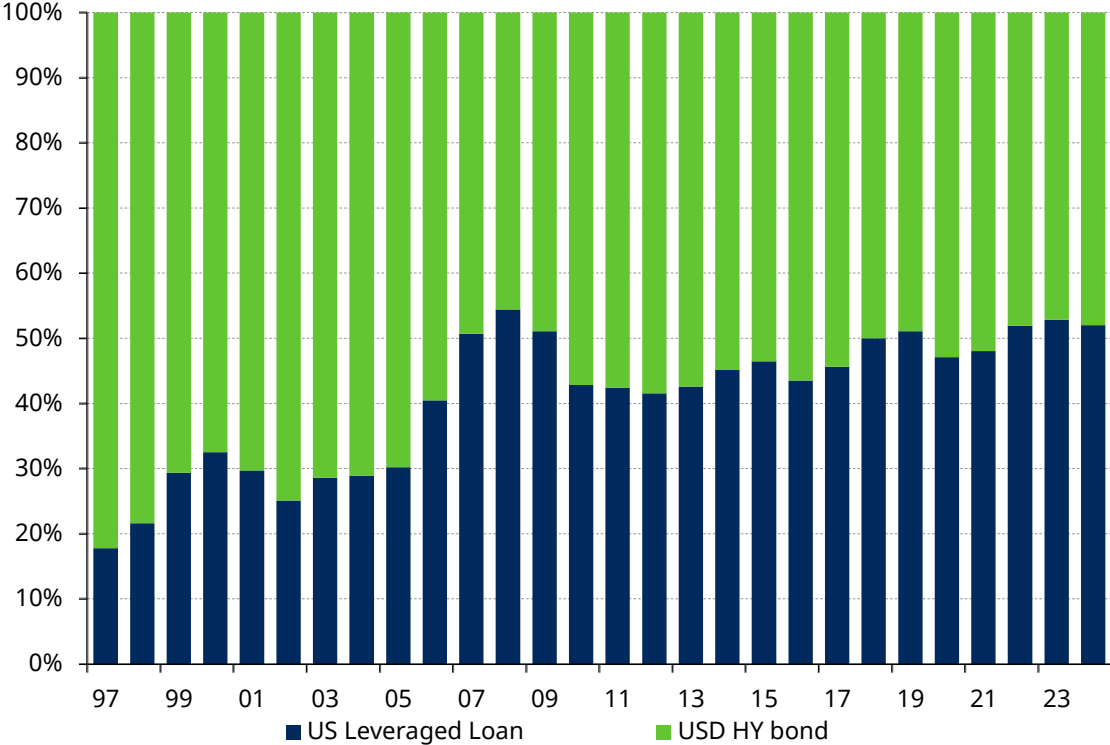
# US leveraged loans

## US leveraged loan discount margin (3-year life)

Spread, bps



## Loans and bonds as a percentage of US high yield market (Face Value)<sup>(1)</sup>



Source: Schroders, BofA Global Research, Credit Suisse. Data as at 29 February 2024. Please see relevant disclaimers on page 71.

(1) 2024 is year to date numbers as at 29 February 2024.

# List of indices

- **IG GBP non-gilts** - The ICE Data Indices Sterling Non-Gilt Index
- **IG GBP corporates** - The ICE Data Indices Sterling Corporate & Collateralized Index
- **IG Euro** - The ICE Data Indices Euro Corporate Index
- **IG USD** - The ICE Data Indices US Corporate Index
  
- **HY GBP** - The ICE Data Indices Sterling High Yield Index
- **HY Euro** - The ICE Data Indices Euro High Yield Index
- **HY USD** - The ICE Data Indices US High Yield Index
  
- **Hard EMD** - The JPM EMBI Global Diversified Index
- **Local EMD** - The JPM GBI-EM GLOBAL Divers Index
- **Corp. EMD** - The JPM CEMBI Broad Diversified Index
  
- **US leveraged Loan** - Credit Suisse Leveraged Loans Index
- **EUR leveraged Loan** - Credit Suisse Leveraged Loans Index

# Relevant Disclosures

- **All investments involve risk including the loss of principal.** The information presented is current as of the date of this publication.
- The views and opinions shared are those of the authors of this publication and are subject to change due to market and other conditions. The opinions stated may include some forward looking views. We believe that we are basing our expectations and beliefs on reasonable assumptions within the bounds of what we currently know. However, there is no guarantee that they will be realized.
- The value of any debt instrument may decline as a result of a number of factors, including interest rate risk, credit risk, inflation/deflation risk, government securities risk, foreign investment risk, currency risk, derivatives risk, leverage risk and liquidity risk. Foreign debt instruments involves special risks including among others, risks related to political or economic instability, foreign currency (such as exchange, valuation, and fluctuation) risk, market entry or exit restrictions, illiquidity and taxation. These risks exist to a greater extent in emerging markets than in developed markets.
- Any analysis or illustration of trends whether current or historical should not be solely relied upon to predict future events or results. Trends may not continue or lead to favorable investment conditions.
- This publication is intended to be for information purposes only and it is not intended as promotional material in any respect. The material is not intended as an offer or solicitation for the purchase or sale of any investment service or financial instrument. The material is not intended to provide, and should not be relied on for, accounting, legal or tax advice, or investment recommendations. Information herein is believed to be reliable but Schroder Investment Management North America Inc. does not warrant its completeness or accuracy. **See “Important Information” slide for additional disclosures.**

# Important information (1 of 4)

**Marketing material for professional clients only. It is not to be provided to retail clients.**

The views and opinions contained herein are those of the authors as at the date of publication and are subject to change due to market and other conditions. Such views and opinions may not necessarily represent those expressed or reflected in other Schroders communications, strategies or funds.

This presentation is intended to be for information purposes only. The material is not intended as an offer or solicitation for the purchase or sale of any financial instrument or security or to adopt any investment strategy. The information provided is not intended to constitute investment advice, an investment recommendation or investment research and does not take into account specific circumstances of any recipient. The material is not intended to provide, and should not be relied on for, accounting, legal or tax advice. Any references to securities, sectors, regions and/or countries are for illustrative purposes only.

Information herein is believed to be reliable but Schroders does not represent or warrant its completeness or accuracy. No responsibility or liability is accepted by Schroders, its officers, employees or agents for errors of fact or opinion or for any loss arising from use of all or any part of the information in this document. No reliance should be placed on the views and information in the document when taking individual investment and/or strategic decisions. Schroders has no obligation to notify any recipient should any information contained herein change or subsequently become inaccurate. Unless otherwise authorised by Schroders, any reproduction of all or part of the information in this document is prohibited.

Any data contained in this document have been obtained from sources we consider to be reliable. Schroders has not independently verified or validated such data and they should be independently verified before further publication or use. Schroders does not represent or warrant the accuracy or completeness of any such data.

All investing involves risk including the possible loss of principal.

This material has not been reviewed by the regulators.

Exchange rate changes may cause the value of any overseas investments to rise or fall. Past Performance is not a guide to future performance and may not be repeated. This document may contain “forward-looking” information, such as forecasts or projections. Please note that any such information is not a guarantee of any future performance and there is no assurance that any forecast or projection will be realised. For your security, communications may be taped or monitored.

Third party data is owned or licensed by the data provider and may not be reproduced or extracted and used for any other purpose without the data provider's consent. Third party data is provided without any warranties of any kind. The data provider and issuer of the document shall have no liability in connection with the third party data. The Prospectus and/or [www.schroders.com](http://www.schroders.com) contains additional disclaimers which apply to the third party data.

The forecasts stated in this presentation are the result of statistical modelling, based on a number of assumptions. Forecasts are subject to a high level of uncertainty regarding future economic and market factors that may affect actual future performance. The forecasts are provided to you for information purposes as at today's date. Our assumptions may change materially with changes in underlying assumptions that may occur, among other things, as economic and market conditions change. We assume no obligation to provide you with updates or changes to this data as assumptions, economic and market conditions, models or other matters change.



# Important information (2 of 4)

**For readers/viewers in Argentina:** Schroder Investment Management S.A., Ing. Enrique Butty 220, Piso 12, C1001AFB - Buenos Aires, Argentina. Registered/Company Number 15. Registered as Distributor of Investment Funds with the CNV (Comisión Nacional de Valores). Nota para los lectores en Argentina: Schroder Investment Management S.A., Ing. Enrique. Butty 220, Piso 12, C1001AFB - Buenos Aires, Argentina. Inscripto en el Registro de Agentes de Colocación y Distribución de PIC de FCI de la Comisión Nacional de Valores con el número 15.

**For readers/viewers in Australia:** Issued by Schroder Investment Management Australia Limited Level 20, Angel Place, 123 Pitt Street, Sydney NSW 2000 Australia ABN 22 000 443 274, AFSL 226473. It is intended for professional investors and financial advisers only and is not suitable for retail clients.

**For readers/viewers in Bahrain:** The material has not been approved by the Central Bank of Bahrain which takes no responsibility for its contents. No offer to the public to purchase funds will be made in the Kingdom of Bahrain and this invite is intended to be read by the addressee only and must not be passed to, issued to, or shown to the public generally.

**For readers/viewers in Brazil:** Schroder Investment Management Brasil Ltda., Rua Joaquim Floriano, 100 – cj. 142 Itaim Bibi, São Paulo, 04534-000 Brasil. Registered/Company Number 92.886.662/0001-29. Authorised as an asset manager by the Securities and Exchange Commission of Brazil/Comissão de Valores Mobiliários (“CVM”) according to the Declaratory Act number 6816. This document is intended for professional investors only as defined by the CVM rules which can be accessed from their website [www.cvm.gov.br](http://www.cvm.gov.br).

**For readers/viewers in Canada:** Schroder Investment Management North America Inc., 7 Bryant Park, New York, NY 10018-3706. NRD Number 12130. Registered as a Portfolio Manager with the Ontario Securities Commission, Alberta Securities Commission, the British Columbia Securities Commission, the Manitoba Securities Commission, the Nova Scotia Securities Commission, the Saskatchewan Securities Commission and the (Quebec) Autorité des marchés financiers.”

**For readers/viewers in the People’s Republic of China:** Issued by Schroder Investment Management (Shanghai) Co., Ltd. Unit 33T52A, 33F Shanghai World Financial Center, 100 Century Avenue, Pudong New Area, Shanghai, China, AMAC registration NO. P1066560. Regulated by Asset Management Association of China (“AMAC”) This material has not been reviewed by the AMAC.

**For readers/viewers in the European Union/European Economic Area:** Schrodgers will be a data controller in respect of your personal data. For information on how Schrodgers might process your personal data, please view our Privacy Policy available at [www.schrodgers.com/en/privacy-policy](http://www.schrodgers.com/en/privacy-policy) or on request should you not have access to this webpage. Issued by Schroder Investment Management (Europe) S.A., 5, rue Höhenhof, L-1736 Senningerberg, Luxembourg. Registered No. B 37.799.

**For readers/viewers in Hong Kong S.A.R.:** This document is intended to be for information purposes only and it is not intended as promotional material in any respect. This document is intended for professional investors only as defined by Securities and Futures Ordinance (“SFO”) (and any rules made thereunder) or as otherwise permitted under the Hong Kong laws. Issued by Schroder Investment Management (Hong Kong) Limited. Level 33, Two Pacific Place, 88 Queensway, Hong Kong. This material has not been reviewed by the Securities and Futures Commission of Hong Kong.

**For readers/viewers in Indonesia:** This document is intended to be for information purposes only and it is not intended as promotional material in any respect. This document is intended for professional investors only as defined by the Indonesian Financial Services Authority (“OJK”). Issued by PT Schroder Investment Management Indonesia Indonesia Stock Exchange Building Tower 1, 30th Floor, Jalan Jend. Sudirman Kav 52-53 Jakarta 12190 Indonesia PT Schroder Investment Management Indonesia is licensed as an Investment Manager and regulated by the OJK. This material has not been reviewed by the OJK.

# Important information (3 of 4)

**For readers/viewers in Israel:** Note regarding the Marketing material for Qualified Clients and Sophisticated Investors only. This communication has been prepared by certain personnel of Schroder Investment Management (Europe) S.A (Registered No. B 37.799) or its subsidiaries or affiliates (collectively, 'SIM'). Such personnel are not licensed nor insured under the Regulation of Investment Advice, Investment Marketing and Investment Portfolio Management Law, 1995 (the 'Investment Advice Law'). This communication is directed at persons (i) who are Sophisticated Investors as listed in the First Schedule of the Israel Securities Law (ii) Qualified Clients ('Lakoach Kashir') as such term is defined in the Investment Advice Law; and (iii) other persons to whom it may otherwise lawfully be communicated. No other person should act on the contents or access the products or transactions discussed in this communication. In particular, this communication is not intended for retail clients and SIM will not make such products or transactions available to retail clients.

**For readers/viewers in Japan:** Issued by Schroder Investment Management (Japan) Limited 21st Floor, Marunouchi Trust Tower Main, 1-8-3 Marunouchi, Chiyoda-Ku, Tokyo 100-0005, Japan Registered as a Financial Instruments Business Operator regulated by the Financial Services Agency of Japan ("FSA"). Kanto Local Finance Bureau (FIBO) No. 90 This material has not been reviewed by the FSA.

**For readers/viewers in Kuwait:** This invite is not for general circulation to the public in Kuwait. No Schrodgers' products have been licensed for offering in Kuwait by the Kuwait Capital Markets Authority or any other relevant Kuwaiti government agency. Any offering of Schrodgers products in Kuwait could be only on the basis of a private placement or public offering is, therefore, restricted in accordance with Law No. 7 of 2010 and the bylaws thereto (as amended). No private or public offering of Schrodgers' products is being made in Kuwait, and no agreement relating to the sale of Schrodgers' products will be concluded in Kuwait. No marketing or solicitation or inducement activities are being used to offer or market products in Kuwait.

**For readers/viewers in Malaysia:** This presentation has not been approved by the Securities Commission Malaysia which takes no responsibility for its contents. No offer to the public to purchase any fund will be made in Malaysia and this presentation is intended to be read for information only and must not be passed to, issued to, or shown to the public generally. Schroder Investment Management (Singapore) Ltd does not have any intention to solicit you for any investment or subscription in any fund and any such solicitation or marketing will be made by an entity permitted by applicable laws and regulations.

**For readers/viewers in Oman:** The information contained in this material neither constitutes a public offer of securities in the Sultanate of Oman as contemplated by the Commercial Companies Law of Oman (Royal Decree 4/74) or the Capital Market Law of Oman (Royal Decree 80/98), nor does it constitute an offer to sell, or the solicitation of any offer to buy Non-Omani securities in the Sultanate of Oman as contemplated by Article 139 of the Executive Regulations to the Capital Market Law (issued by Decision No.1/2009). Additionally, this private placement memorandum is not intended to lead to the conclusion of any contract of whatsoever nature within the territory of the Sultanate of Oman.

**For readers/viewers in Qatar:** The invite does not constitute an offer to the public and is for the use only of the named addressee and should not be given or shown to any other person (other than employees, agents or consultants in connection with the addressee's consideration thereof). No transaction will be concluded in your jurisdiction and any inquiries regarding the presentations should be made to SIM Ltd, UK.

**For readers/viewers in Saudi Arabia:** Schroder's products may only be offered and sold in the Kingdom of Saudi Arabia in accordance with Article 4 of the Investment Funds Regulations issued on December 24, 2006 (the "Regulations"). Article 4(b)[(1)/(4)]\* of the Regulations states that, if investment fund units are offered to [certain persons specified in the Regulations/no more than 200 offerees in the Kingdom of Saudi Arabia]\* and the minimum amount payable per offeree is not less than Saudi Riyals 1 million or an equivalent amount in another currency, such offer of investment fund units shall be deemed a private placement for purposes of the Regulations. Investors are informed that Article 4(g) of the Regulations places restrictions on secondary market activity with respect to such investment fund units.

**For readers/viewers in Singapore:** This presentation is intended to be for information purposes only and it is not intended as promotional material in any respect. This document is intended for professional investors only as defined by Securities and Futures Act to mean for Accredited and or Institutional Clients only, where appropriate. Issued by Schroder Investment Management (Singapore) Ltd (Co. Reg. No. 199201080H) 138 Market Street #23-01 CapitaGreen, Singapore 048946. This document has not been reviewed by the Monetary Authority of Singapore.

# Important information (4 of 4)

**For readers/viewers in South Korea:** Issued by Schroders Korea Limited 26th Floor, 136, Sejong-daero, (Taeyyeongno 1-ga, Seoul Finance Center), Jung-gu, Seoul 100-768, South Korea . Registered and regulated by Financial Supervisory Service of Korea ("FSS") This material has not been reviewed by the FSS.

**For readers/viewers in Switzerland:** For readers/viewers in Switzerland: Marketing material for professional clients and qualified investors only. This document has been issued by Schroder Investment Management (Switzerland) AG, Central 2, CH-8001 Zurich, Switzerland a fund management company authorised and supervised by the Swiss Financial Market Supervisory Authority FINMA, Laupenstrasse 27, CH-3003 Bern

**For readers/viewers in Taiwan:** Issued by Schroder Investment Management (Taiwan) Limited 9F., No. 108, Sec. 5, Xinyi Road, Xinyi District, Taipei 11047, Taiwan. Tel +886 2 2722-1868 Schroder Investment Management (Taiwan) Limited is independently operated. This material has not been reviewed by the regulators.

**For readers/viewers in Thailand:** This presentation has not been approved by the Securities and Exchange Commission which takes no responsibility for its contents. No offer to the public to purchase any fund will be made in Thailand and this presentation is intended to be read for information only for professional investors as defined by regulations and it is not intended as promotion material in any respect. It must not be passed to, issued to, or shown to the public generally. Schroder Investment Management (Singapore) Ltd does not have any intention to solicit you for any investment or subscription in any fund and any such solicitation or marketing will be made by an entity permitted by applicable laws and regulations.

**For readers/viewers in the United Arab Emirates:** Schroder Investment Management Limited, located in Office 506, Level 5, Precinct Building 5, Dubai International Financial Centre, PO Box 506612 Dubai, United Arab Emirates. Regulated by the Dubai Financial Services Authority. This document is not subject to any form of approval by the DFSA. Accordingly, the DFSA has not approved any associated documents nor taken any steps to verify the information and has no responsibility for it. This document is intended to be for information purposes only and it is not intended as promotional material in any respect. This document is intended for professional investors only as defined by the DFSA rules which can be accessed from their website [www.dfsa.ae](http://www.dfsa.ae).

**For readers/viewers in the United Kingdom:** Schroders will be a data controller in respect of your personal data. For information on how Schroders might process your personal data, please view our Privacy Policy available at [www.schroders.com/en/privacy-policy](http://www.schroders.com/en/privacy-policy) or on request should you not have access to this webpage. Issued by Schroder Investment Management Limited, 1 London Wall Place, London EC2Y 5AU. Registered Number 1893220 England. Authorised and regulated by the Financial Conduct Authority.

**For readers/viewers in the United States:** For financial professionals and consultant only. Schroder Investment Management North America Inc., 7 Bryant Park, New York NY 10018-3706. CRD Number 105820. Registered as an investment adviser with the US Securities and Exchange Commission.