



# NIKKO ASSET MANAGEMENT GLOBAL CREDIT

The Nikko AM Global Credit strategy is actively managed using fundamental top-down and bottom-up credit research to create diversified portfolios. The strategy draws on fundamental credit analysis as the primary contributor of returns and complements pure credit selection and credit allocations with other drivers, including currency and interest rates.

## Our Philosophy

The investment team believes Credit is most effectively managed within a global context, allowing fundamental research to determine asset allocation and security selection, tempered by awareness of the asymmetric risks of credit exposures.

## Key Differentiators

- We do not have a home bias; nothing pre-occupies portfolio construction - our well-established fixed income teams in US, Europe, Singapore, Japan and Australia allows the Global Credit team to develop a holistic and balanced view by drawing on local expertise and on-the-ground research of these teams.
- We employ a pragmatic approach and deploy our resources to areas where we see value.
- We are innovative. Credit research and Risk Management are supported by proprietary quantitative models which allow us to focus on alpha generating ideas.
- We are communicative. Regional teams communicate both formally and informally to share information and research. This additional insight allows the team to execute quickly once they have made a decision.



**Insight**



**Collaboration**



**Diversity**

*Positive returns captured through...*

Quality  
Research

Issue Selection

Interest Rate  
Forecasting

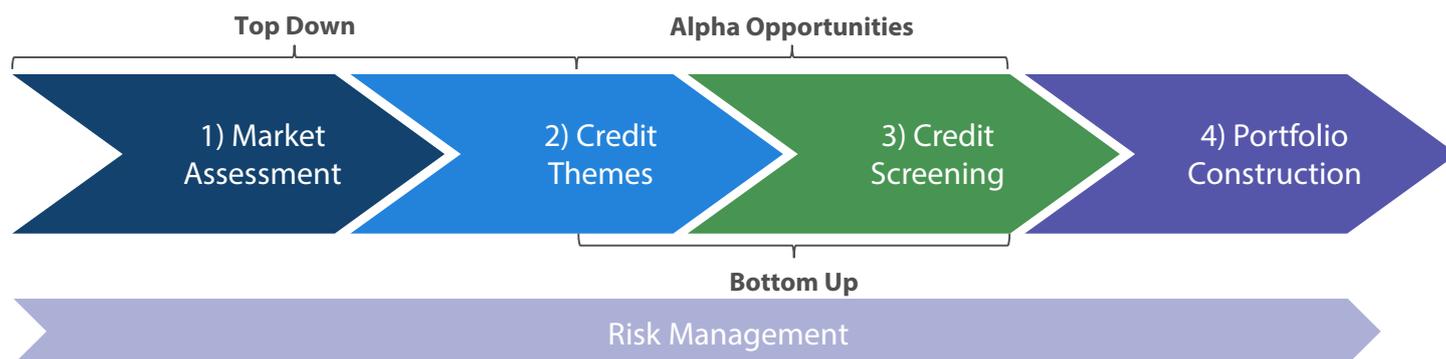
Currency  
Management





## Our Process

The investment process draws upon a global team of research analysts which follow a consistent investment process that incorporates quantitative and qualitative inputs from experienced investment professionals. The process is disciplined and transparent, which engages the team in a collaborative process to generate ideas and construct a high quality Global Credit portfolio.



### Market Assessment:

An initial top-down market assessment is made, based on the analysis by the Global Credit Team. Each global region is assessed on the following factors:

- Macro
- Micro
- Technical
- Valuation

### Credit Themes:

Themes are established after market assessment. Examples of our Current Credit Themes for 2016 are:

- Yield
- Global Opportunities
- Speculated Acquisition Targets
- Supply/Demand Imbalance
- Local Currency Credit Risk

### Credit Screening:

The screening process is conducted by global analysts and is designed to narrow down the investment universe of approximately 1,440 issuers to a pool of opportunities of approximately 400 issuers

### Portfolio Construction:

4 key factors in the portfolio construction process to engineer the Global Credit portfolio are:

- Investment Objective
- Investment Themes
- Investment Restrictions
- Scaling

## Embedded Risk Management

Ongoing risk management is integral to the entire investment process with constant dialogue between our investment and independent risk management teams in ensuring that risks are identified, evaluated, monitored and mitigated. The Global Credit investment management team divides risk into systematic and unsystematic components and both the former and latter are constantly monitored and controlled to keep risk within the strategy at an appropriate level.

Independent to the investment team, Nikko AM Europe's risk management department oversee the strategy and closely monitors market, credit, operational and portfolio management risk and takes appropriate measures to minimise the impact of potential risk. The risk management process starts with Risk Budgeting and the Risk Management Department which conducts independent, detailed analysis of portfolio risk and characteristics, as well as performance attribution and peer group analysis. The risk process consists of risk budgeting and monitoring with clearly detailed escalation procedures at every step.

The Risk Management Department truly understands the investment management process and therefore feedback and a meaningful dialogue between the investment team and risk managers takes place as part of the firm's continuous communication flows.



## Global Credit Strategy

The Nikko AM Global Credit Strategy was launched in August 2016 and is the flagship Global Credit strategy with wide investment powers permitting the Head Portfolio Manager to use discretion, showcasing Nikko AM's broad credit capabilities via a UCITS pooled vehicle. The portfolio is actively managed by Holger Mertens and his team using fundamental top-down and bottom-up credit research to create a diversified portfolio. The strategy aims to achieve a competitive absolute and relative return while managing risk. Key features of the strategy are detailed below:

- Draws on fundamental credit analysis as the primary contributor of returns
- Approach complements pure credit selection with other drivers, including currency and interest rates
- Over a full credit cycle aims to achieve average annual return
- Average number of issues: 70-120
- Target 1.5% p.a. outperformance over the Barclays Global Aggregate Corporate Index
- Target tracking error of 1-3%
- Aims for absolute positive return of 4% p.a. over a longer term horizon
- Maximum high yield exposure of 30%



## Credit Capabilities

The team continually reviews its product line to cater for global demand and has been able to develop new solutions that are focused on higher yielding and higher credit quality solutions that meet client needs for a positive yielding investment.

### Global Credit



**Holger Mertens**  
*Head Portfolio Manager*

#### Credit Markets

- Investing on an opportunistic basis
- Exploiting a broad range of market inefficiencies
- Portfolio flexibility to weather different market conditions

#### Strategies Managed

- Global/European/US Credit
- Global High Yield

*"Building on our strong client relationships and extensive investment skills, the team has been able to tailor specialised investment solutions for our institutional clients"*

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