

# Basis Point®

## Greystone High Yield Fund

Risk assets recovered in the second quarter despite a number of significant macro uncertainties. Credit generally underperformed equities, which is not uncommon given where we are in the economic cycle. High yield spreads finished the period at approximately 370 basis points,\* while yields finished the quarter at approximately 6.5%.\*

Interest rates moved slightly higher, while credit spreads finished the quarter relatively flat, despite witnessing volatility in the interm. Global trade uncertainty, emerging market distress and an international economic deceleration caused shifts in investor sentiment throughout the quarter. Through all of this, the U.S. economy continued to lead in economic growth, buttressed by a confident consumer, a strong housing market and fiscal stimulus.

The fund took advantage of volatility across the maturity spectrum by adding higher quality corporate bonds, while reducing exposure to lower rated total return positions that have already benefitted from an improving U.S. economy.

The portfolio modestly outperformed over the quarter while benefiting from its exposure to energy as oil prices continued to rise. A defensive duration position was also beneficial.

We continue to believe that we are in the late stages of the economic cycle and are increasingly becoming defensive as a result. We continue to watch our indicators closely for any signs of sustained economic deceleration. While we expect global growth to stabilize, diverging growth prospects between the U.S and the rest of the world remains a concern. We are continuing a slow and steady path of reducing lower quality credit risk as a result while focusing on higher quality, liquid securities.

\*Marret Asset Management Inc.

### Investment Style

Greystone Managed Investments Inc. provides high yield capabilities through a sub-advised relationship with Marret Asset Management (“Marret”).

Marret employs a macro-driven approach with the support of added value at the security level. The macro-based investment philosophy carries an investment strategy that shifts through the three phases of the credit cycle: Bull Phase, Neutral Phase, Bear Phase. The Bull Phase provides the opportunity for highest returns. As the market shifts to the Bear Phase, Marret’s strategy calls for a greater focus on capital preservation.

Credit analysis and security selection seeks to analyze a company’s ability to generate cash in order to meet interest and principal obligations.

Annualized (%)

Figure 1: Historical Performance

| Jun 30, 2018         | QTR        | YTD        | 1 yr       | 3 yrs       | 5 yrs       | 10 yrs     |
|----------------------|------------|------------|------------|-------------|-------------|------------|
| <b>High Yield</b>    | <b>1.1</b> | <b>1.5</b> | <b>3.4</b> | <b>4.3</b>  | <b>5.3</b>  | <b>7.2</b> |
| High Yield Benchmark | 0.7        | -0.3       | 2.5        | 5.8         | 5.8         | 7.0        |
| <i>Difference</i>    | <i>0.4</i> | <i>1.8</i> | <i>0.9</i> | <i>-1.5</i> | <i>-0.5</i> | <i>0.2</i> |

Performance inception is April 1, 2008.

This figure shows the performance of the Greystone High Yield Fund in C\$, including cash; net of custodial fees, audit fees, transfer agent fees and administrative expenses; gross of investment management fees.

Current benchmark is: ML US HY Master II Trust Hedge to CAD 50%, ML CAD and USD HY Canadian Issuers Hedge to CAD 50%

Greystone claims compliance with the Global Investment Performance Standards (GIPS®). A GIPS® compliant presentation is available upon request. Greystone has been independently verified for the period January 1, 2000 to December 31, 2017. The verification report(s) is/are available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS® standards on a firm-wide basis and (2) the firm’s policies and procedures are designed to calculate and present performance in compliance with the GIPS® standards. Verification does not ensure the accuracy of any specific composite.

**Figure 2: Key Portfolio Characteristics**

|                           | Greystone |
|---------------------------|-----------|
| Maturity (yrs)            | 4.3       |
| Modified Duration (yrs)   | 3.5       |
| Yield (%)                 | 5.9       |
| Maturity (%)              | Greystone |
| Short (0-5 yrs)           | 70.2      |
| Mid (5-10 yrs)            | 28.9      |
| Long (+10 yrs)            | 0.9       |
| Credit Quality (%)        | Greystone |
| BBB and above             | 1.3       |
| BB                        | 45.4      |
| B                         | 43.4      |
| Below B                   | 9.9       |
| Not rated                 | 0.0       |
| Sector (%)                | Greystone |
| Automotive                | 3.6       |
| Banking                   | 0.0       |
| Basic Industry            | 10.9      |
| Capital Goods             | 7.7       |
| Consumer Goods            | 4.9       |
| Energy                    | 10.4      |
| Financials                | 1.6       |
| Health Care               | 9.6       |
| Insurance                 | 0.0       |
| Leisure                   | 5.5       |
| Media                     | 14.8      |
| Real Estate               | 4.2       |
| Retail                    | 3.2       |
| Services                  | 0.5       |
| Technology                | 1.3       |
| Telecommunications        | 11.9      |
| Transportation            | 0.0       |
| Utilities                 | 0.0       |
| Cash and Accrued Interest | 9.9       |
| Other                     | 0.0       |

\*50% Merrill Lynch US High Master II Index hedged and 50% Merrill Lynch CAD/USD High Yield.  
June 30, 2018

## Greystone Managed Investments Inc.

With offices in Regina, Winnipeg, Toronto and Hong Kong, Greystone has managed money entrusted to us by our expanding roster of institutional clients since 1988.

We are a private company, majority-owned by our employees – over 95% of eligible employees are shareholders.\* We have in-house expertise in fixed income, Canadian, U.S. and international equities, real estate, mortgages and infrastructure.

### FOR MORE INFORMATION

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\* An eligible employee is defined as contributing one or more years of service to Greystone.

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