



# Fixed Income Investing

Consistently searching  
for the most compelling  
opportunities

FOR PROFESSIONAL INVESTORS ONLY



Your success. Our priority.

## About Columbia Threadneedle Investments

Investors around the world rely on  
Columbia Threadneedle Investments to manage their money.

All our clients have needs, hopes and dreams bound up with their money,  
and our job is to do everything we can to help achieve them.

To all our clients, we have one message:  
**Your success is our priority.**

# The global fixed income marketplace

Fixed income securities now amount to a vast global marketplace that provides a variety of important benefits to investors.



## The benefits of investing

We live in a world of rapidly-changing financial market dynamics. Evolving economic expectations and interest rate assumptions combine with an unfolding geopolitical backdrop to lend support to the idea of investing in a well-diversified portfolio.

Fixed income can be mixed with riskier asset classes such as equities to help generate superior risk-adjusted returns. Meanwhile, against a background of ageing populations in many developed markets, the demand for income continues to exert its influence as a powerful and positive force. This will continue to provide support for fixed income as an asset class going forward.

Across the range of fixed income markets can be found a wide array of risk and return characteristics. The attraction of each area can change as economic and credit cycles progress. Managers that pursue a flexible and dynamic allocation approach can seize investment opportunities as they arise, while minimising downside risks.

### Reasons to invest in fixed income

1. Potential for consistent, attractive income
2. Diversification benefits to asset allocators
3. Active managers well-placed to add value

## Why Columbia Threadneedle Investments for fixed income?

Columbia Threadneedle Investments is a global fixed income manager with a strong credit heritage. We aim to deliver consistent, sustainable returns for our clients via a full range of fixed income solutions.

**€165bn**  
GLOBAL  
FIXED INCOME  
AUM



**150**  
FIXED INCOME  
INVESTMENT  
PROFESSIONALS



**20 YEARS**  
OF EXPERIENCE  
ON AVERAGE



**39**  
★★★★ AND  
★★★★★  
FIXED INCOME  
MORNINGSTAR-  
RATED FUNDS

Source: Columbia Threadneedle Investments. AUM and personnel data as at 30 September 2020. Morningstar ratings\* as of 30 September 2020. Past performance does not guarantee future results.

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### Sized for success

In today's ever-changing market environment, having the right partner to help you meet your fixed income goals is essential. At Columbia Threadneedle Investments, we have the resources and discipline to help you meet these objectives and deliver the consistent, sustainable results you require.

Our 150-strong global Fixed Income team is split between research, portfolio management and support teams, as well as a dedicated trading function. With this scale of resources managing €165 billion in assets, we have the global presence to conduct thorough analysis of bond issuers yet retain the ability to deliver returns from security selection.



**“We don’t follow  
the crowd.  
We focus on  
identifying changes  
in key catalysts  
and risks.”**

– **KIRK MOORE**  
Head of Global  
Fixed Income Research

## At the heart of our fixed income capability is a substantial global research platform

Our global fixed income research team is resourced to provide a balance between detailed due diligence of issuers and a clear vision of market and sector trends. Credit selection is key, with our research experts conducting proprietary, bottom-up company analysis and sharing insights to achieve better outcomes for our clients.

We also benefit from being part of a leading global asset manager. By sharing knowledge and rigorously debating insights with colleagues across asset classes and geographies we improve our understanding of the environment impacting fixed income markets.

The strength and depth of our research base helps us to understand the changing fixed income landscape. Portfolio managers follow a flexible approach to portfolio construction, combining top-down and bottom-up analysis to enable us to respond to challenges posed by structural changes in demographics, globalisation and geopolitics, as well as the evolution of the credit cycle.



Our global team of dedicated sector analysts ensures focus and highly specialised expertise.

Non-rotational sector coverage means analysts gain a thorough understanding of their industry and the investment opportunities available.

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A highly rewarding analyst career path drives deep sector specialisation and has meant stability within teams.

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A collaborative, interactive environment between analysts and portfolio managers ensures the best investment ideas are incorporated into portfolios.



## Our approach to risk

Aiming for the highest level of income today is a mistake if it jeopardises total return tomorrow. Our portfolio managers aim to maximise return per unit of risk, pursuing income within a total return framework to deliver consistent returns for our clients.

We focus on identifying changes in key catalysts and risks. Our proprietary risk rating system enables analysts to efficiently communicate an issuer's risk profile and supports rigorous relative value debates that help portfolio managers to determine their final portfolio positions.

Columbia Threadneedle's independent investment oversight process ensures accountability and facilitates continuous improvement, while maintaining portfolio manager autonomy.

We believe this disciplined process contributes towards our ability to deliver sustainable returns.

## Our proprietary risk rating system – balancing risk and reward\*

Risk 1	Risk 2	Risk 3	Risk 4
<b>High-level interpretation</b>			
<ul style="list-style-type: none"> <li>■ Solid credit quality</li> <li>■ Minimal risk of credit deterioration</li> </ul>	<ul style="list-style-type: none"> <li>■ Good credit quality</li> <li>■ Moderate risk of credit deterioration</li> </ul>	<ul style="list-style-type: none"> <li>■ Transitory credit quality</li> <li>■ Deterioration or improvement likely</li> </ul>	<ul style="list-style-type: none"> <li>■ Weak credit quality</li> <li>■ Having or highly likely to achieve credit quality characteristics consistent with a below-investment grade credit profile (stable or deteriorating)</li> </ul>
<b>Possible credit characteristics</b>			
<ul style="list-style-type: none"> <li>■ Stable free cash flow</li> <li>■ Industry leader</li> <li>■ Defendable niche player</li> <li>■ Ample cash flow relative to leverage</li> <li>■ Stable regulatory or industry environment</li> </ul>	<ul style="list-style-type: none"> <li>■ Adequate free cash flow</li> <li>■ Defendable market position</li> <li>■ Expectation of adequate free cash flow to leverage</li> <li>■ Stable regulatory or industry environment</li> </ul>	<ul style="list-style-type: none"> <li>■ Quality of free cash flow uncertain</li> <li>■ Free cash flow to leverage currently not appropriate</li> <li>■ Significant possibility of negative event risks</li> <li>■ Uncertain market position</li> <li>■ Uncertain regulatory or industry environment</li> </ul>	<ul style="list-style-type: none"> <li>■ Poor quality or lack of free cash flow</li> <li>■ High leverage relative to free cash flow</li> <li>■ Extraordinary measures needed to maintain credit quality</li> <li>■ Limited or uncertain liquidity</li> <li>■ Difficult regulatory or industry environment</li> </ul>

\*Risk rating system example shown for investment grade credit portfolios.



## A responsible investor

Responsible investment (RI) principles are embedded within Columbia Threadneedle's mainstream investment process and the firm has developed proprietary tools that provide a robust RI framework and better analysis for portfolio managers. Across all asset classes, Columbia Threadneedle manages €28 billion in funds or client accounts with a RI mandate, €15 billion of which is in fixed income strategies.\*

Columbia Threadneedle is a pioneer in impact investing and has been a leading advocate in the development of the burgeoning green and social bond markets. We launched the UK's first mainstream, daily liquid social bond strategy in 2014, followed by US and European social bond strategies.

Translating the United Nations Sustainable Development Goals (SDGs) to investment opportunities in our social bond strategies provides a compelling means to contribute to sustainable development, while aiming to achieve positive financial returns.

\*Source: Columbia Threadneedle Investments. AUM as of 30 September 2020.



“In a market currently dominated by exclusion-based products focused on negative screening, our social bond strategies are based on a markedly different approach to social investment – the principle of positive inclusion.”

– SIMON BOND  
Director RI Portfolio Management

## A pioneer in social bond investing

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### In the United Kingdom

- > Positive social outcomes chiefly in the UK
- > Partnership with Big Issue Invest



### In Europe

- > Positive social outcomes chiefly in Europe
- > Partnership with social experts INCO



### In the United States

- > Positive social outcomes chiefly in the US
- > Reporting in partnership with Sustainalytics

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### Social bond highlights

1. The UK's first daily liquid social bond strategy
  2. Over €600 million in social bond strategies
  3. Social alpha without sacrificing financial returns
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### Specific roles of fixed income in a client portfolio

1. Income generation
2. Diversification/downside protection
3. Total return

### Our capabilities have evolved to provide flexible solutions for different client needs

We offer a full range of fixed income solutions, working with clients to provide global, multi-sector, customised solutions providing diversification, income, total return and capital preservation, as well as liability-driven investment solutions for insurers and pensions funds.

By moving along the risk/reward spectrum we can access opportunities that are less correlated and have historically offered relatively higher returns. We cover traditional asset classes of investment grade credit, high yield credit and government bonds, as well as more specialist areas including emerging market debt, securitised debt, social bonds and Shariah-compliant capabilities.

We offer a diverse range of fixed income capabilities



To find out more visit

**columbiathreadneedle.com**



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