


# BlackRock Global Funds - US Dollar High Yield Bond Fund D2 USD

LU0552552704

**Morningstar Analyst Rating**  
 **Bronze**  
 16 Oct 2018  
 00:00, UTC-0500

**Morningstar Category**  
 USD High Yield Bond

**Category Index**  
 BBgBarc US Corporate High Yield TR  
 USD

**Total Assets**  
 2,203.60  
 Mil USD

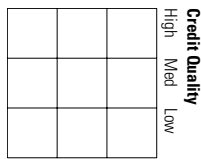
**Current Yield %**  
 6.32

**Inception Date**  
 10/11/10

**Domicile/  
 Currency**  
 LUX/USD

**Morningstar Rating**  
 ★★ ★★

## Fixed Income Style








Ltd Mod Ext  
**Interest Rate Sensitivity**

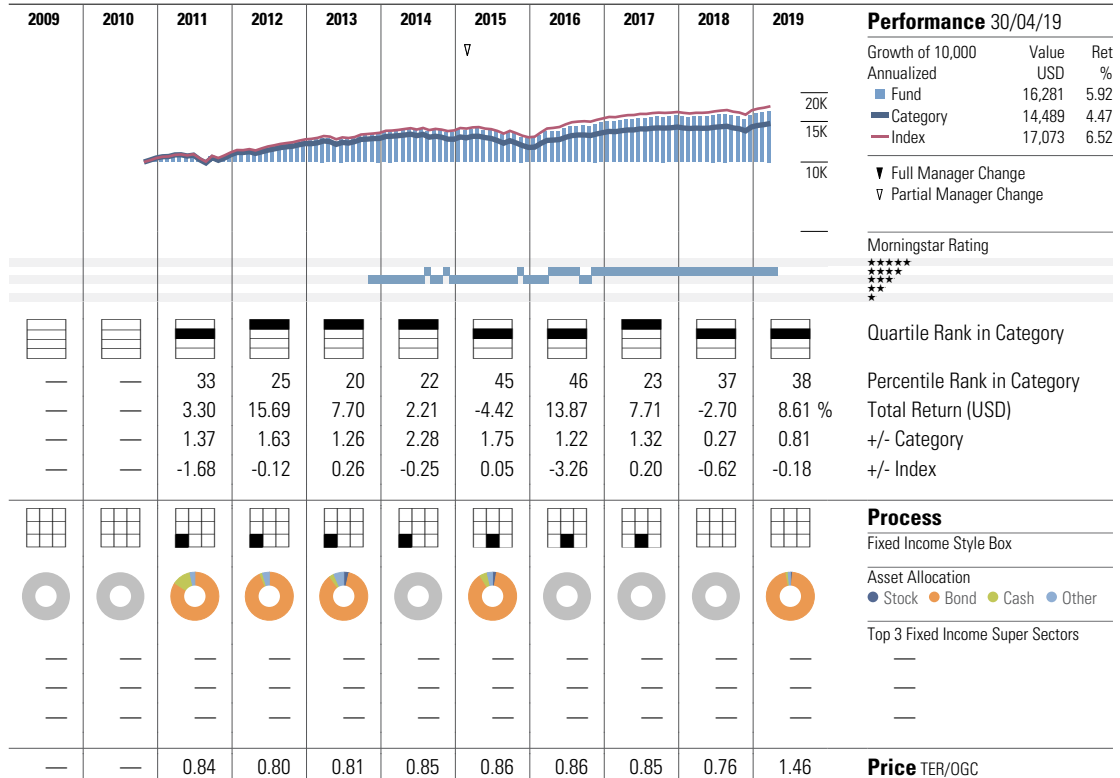
## People

James Keenan 06/07  
 Mitchell S. Garfin 05/09  
 David Delbos 02/15

Total Named Managers 3

## Morningstar Pillars

Process | p. 2-3  Positive  
 Performance | p. 4  Positive  
 People | p. 5  Positive  
 Parent | p. 6  Positive  
 Price | p. 7  Neutral



## Analyst View

Mara Dobrescu, CFA, Director

## A credible contender in the US high-yield space.

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### Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

### Analyst Rating Spectrum

 Gold  Silver  Bronze  Neutral  Negative

The Morningstar Analyst Rating for Funds is a forward-looking analysis of a fund. Morningstar has identified five key areas crucial to predicting the future success of a fund: People, Parent, Process, Performance, and Price. The pillars are used in determining the Morningstar Analyst Rating for a fund. Morningstar Analyst Ratings are assigned on a five-tier scale running from Gold to Negative. The top three ratings, Gold, Silver, and Bronze, all indicate that our analysts think highly of a fund; the difference between them corresponds to differences in the level of analyst conviction in a fund's ability to outperform its benchmark and peers through time, within the context of the level of risk taken over the long term (defined as a full market cycle or at least five years). Neutral represents funds in which our analysts don't have a strong positive or negative conviction over the long term (defined as a full market cycle or at least five years) and Negative represents funds that possess at least one flaw that our analysts believe is likely to significantly hamper future performance over the long term (defined as a full market cycle or at least five years). Past performance of a security may or may not be sustained in future and is no indication of future performance. For detailed information about the Morningstar Analyst Rating for Funds, please visit <http://global.morningstar.com/managerdisclosures>

16 Oct, 2018 | BGF US Dollar High Yield's managers have demonstrated their ability to maintain the fund's edge over time, making the most of an expansive tool kit to navigate various market environments. The fund's fees have come down slightly over the past year, which is a move in the right direction, though they are not yet cheap enough to give this fund a significant tailwind over the competition. Overall, the fund earns a Morningstar Analyst Rating of Bronze.

Instead of targeting a sweet spot on the credit-quality spectrum, this fund's managers aim to make the most of their flexible approach, turning cautious when riskier bonds offer paltry compensation and bold when risk-taking pays. Given the strategy's girth--this \$2.5 billion fund represents only a fraction of the team's nearly \$45 billion high-yield market footprint--staying nimble in the cash bond market is easier said than done. The team attempts to overcome those challenges by broadening the fund's scope to include investment-grade corporates and collateralised loan obligations on the defensive side and equities (up to 10%) on the aggressive end. (Contrary to its US-domiciled version, though, this UCITS vehicle does not invest in bank loans). In recent years, the fund has also used exchange-traded funds, credit

default swaps, and total return swaps to quickly gain diversified market exposure when cash bonds are scarce.

While the managers still viewed the high-yield market as attractive in 2018 and weren't anticipating a downturn, they were focused on earning income and mitigating downside risk. Over the course of 2018, the team became more cautious, preferring collateralised loan obligation securities to short-duration high-yield assets and higher-quality, lower-coupon high-yield bonds. In parallel, the team has increased its net long equity exposure (3% as of the end of September 2018), which has been the main contributor for the year to date through September 2018.

The fund's eclectic style won't always work. While the team got the energy call right in 2015, its equity exposure weighed on returns. Over time, though, this approach has impressed: The fund's since-inception 6% annualised return, under Jimmy Keenan's watch, through September 2018, largely outpaced its category average (4.4%) without excess volatility.

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**Bronze**

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## Process: Approach

**Morningstar Category**  
USD High Yield Bond

**Category Index**  
BBgBarc US Corporate  
High Yield TR USD

### Adaptable.

#### Process Pillar

Positive

16 Oct, 2018 | A versatile approach that makes the most of BlackRock's credit capabilities and risk-management resources earns a Positive Process rating. Manager Jimmy Keenan sets the portfolio's top-down themes based on input from the high-yield team plus insights from the firm's broader fundamental fixed-income and equity

platforms. Comanagers Dave Delbos and Mitch Garfin then work with the team's traders and research analysts to populate the portfolio from the bottom up. Given the nearly \$45 billion in active high-yield assets run by BlackRock, the fund is less nimble than some of its peers. It invests mainly in the market's larger, more-liquid issues, and it can be challenging for the team to express macro themes quickly and efficiently in the high-yield cash bond market. The process aims to overcome those limitations by expanding the opportunity set, occasionally substituting investment-

grade corporates or CLOs for BBs, for instance, and equities (up to 10%) in place of CCCs. (Contrary to its US-domiciled sibling, this UCITS vehicle does not invest in loans). The team manages liquidity and tweaks the fund's market and industry exposures through a mix of high-yield exchange-traded funds, credit default swaps, and high-yield-focused total-return swaps. A risk committee regularly reviews the portfolio to see where it may be taking on too much risk in terms of market exposure, correlations, industry, and individual security exposure.

#### Style Surveyed 31/08/17

##### Fixed Income Style Box

Credit Quality	History			Style	Bonds %
	High	Med	Low		
Ltd	Mod	Ext			
Interest Rate Sensitivity					
Bonds % is based on portfolio data.					

##### Style Box Factors

Credit Quality	Fund	3-Yr Avg	Category
Average Credit Quality	—	B	B
Investment Grade %	2.5	2.6	7.5
Below Invest Grade %	92.8	92.0	90.3
Interest Rate Sensitivity			
Avg Effective Duration	—	4.03	2.93
Avg Modified Duration	—	—	3.32
Avg Effective Maturity	—	—	4.79

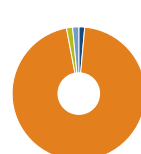
#### Income 30/04/19

	Fund	3-Yr Avg	Category
Current Yield	—	—	5.5
12-Month Yield	0.0	—	—
Average Coupon	6.4	6.4	6.6

Average Coupon 30/04/19

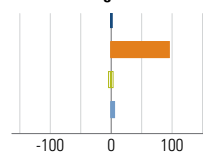
#### Asset Allocation 30/04/19

##### Current Allocation



Net Assets %	Fund	3-Yr Avg	Category
Equity	1.4	0.9	0.2
Fixed Income	95.6	95.0	92.8
Cash	1.5	-1.3	13.8
Other	1.5	5.4	-6.8

##### 3-Year Average

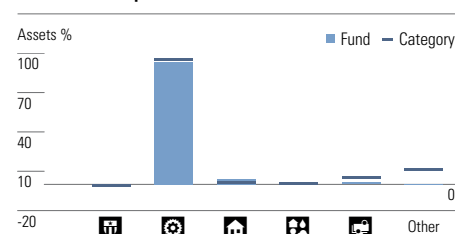


#### Regional Exposure 30/04/19

Top 5 Countries Bonds %	Fund	3-Yr Avg	Category
United States	76.7	80.0	79.7
Canada	8.0	6.1	5.0
Netherlands	3.7	3.0	2.7
United Kingdom	1.7	2.4	1.7
Cayman Islands	1.1	1.1	0.0

#### Sectors 30/04/19

##### Fixed Income Super Sectors



Fixed Income Sectors	Fund	3-Yr Avg	Category
<b>Government</b>	<b>0.0</b>	—	<b>-2.0</b>
<b>Corporate</b>	<b>93.2</b>	—	<b>94.2</b>
Corporate Bond	91.9	—	93.6
Bank Loan	0.0	—	0.2
Convertible	0.5	—	0.3
Preferred	0.9	—	0.1
<b>Securitized</b>	<b>3.8</b>	—	<b>0.2</b>
Agency Mortgage-Backed	0.0	—	0.0
Non Agency Residential	0.0	—	0.0
Commercial MBS	0.0	—	0.0
Asset-Backed	3.8	—	0.1
Covered Bond	0.0	—	0.0
<b>Municipal</b>	<b>0.0</b>	—	<b>0.0</b>
<b>Cash &amp; Equivalents</b>	<b>1.5</b>	—	<b>4.3</b>
<b>Other</b>	<b>0.0</b>	—	<b>10.1</b>

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## Process: Portfolio

**Morningstar Category**  
USD High Yield Bond

**Category Index**  
BBgBarc US Corporate  
High Yield TR USD

### Still overweighting CCCs but preparing for the later stages of the credit cycle.

#### Process Pillar

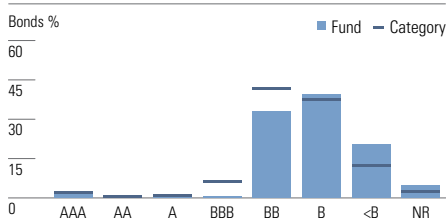
Positive

16 Oct, 2018 | While the managers still viewed the high-yield market as attractive in 2018 and weren't anticipating a downturn, they were focused on earning income and mitigating downside risk. They kept 88% of the fund's assets in high-yield cash bonds (as of September 2018) but saw more value in off-benchmark securitised fare

(6.3%) such as CLOs than in short-duration high-yield assets or in higher-quality, low-coupon high-yield bonds. The fund thus retained an underweighting in BB rated (27.5% of assets compared with 42.7% in Bloomberg Barclays US HY 2% Issuer Capped benchmark) and, to a lesser extent, B rated bonds (39.6% compared with 41.8%). Conversely, it was more heavily tilted to CCC rated bonds (20.5% of assets compared with 14.4% for the benchmark), though this sleeve consisted mostly of lower-yielding CCC+ bonds that the team considered candidates for an upgrade, as

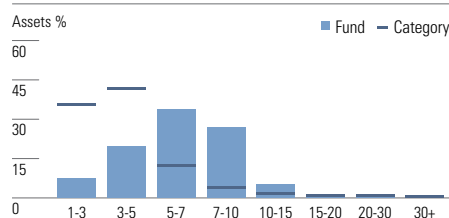
shown by the portfolio's underweighting to coupons of 9% or higher. Significant issuer-level overweights included Platform Specialty Products in the chemicals sector, gaming company The Stars Group, and Cheniere Energy. Otherwise, the fund's profile has been fairly stable. Its 2% cash position is only marginally higher than its historical average, and the fund's net exposure to equity and equity futures has increased to 3% at the end of September 2018 (of which 1% in common equity) from roughly 1% a year ago.

#### Credit Quality Surveyed 31/08/17



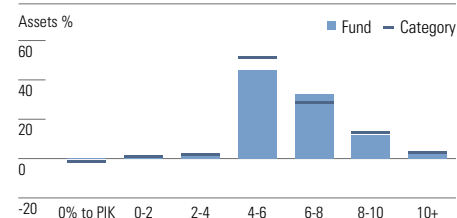
Credit Quality	Fund	3-Yr Avg	Category
AAA	1.9	0.3	1.5
AA	0.0	0.0	0.0
A	0.0	0.0	0.3
BBB	0.6	1.6	5.7
BB	33.1	30.9	41.4
B	39.4	41.5	37.2
Below B	20.2	18.2	11.8
Not Rated	4.7	7.4	2.1

#### Bond Maturity 30/04/19



Maturity (Years)	Fund	3-Yr Avg	Category
1 to 3	7.3	—	35.0
3 to 5	19.6	—	41.1
5 to 7	33.8	—	11.7
7 to 10	27.0	—	3.3
10 to 15	5.1	—	1.2
15 to 20	1.2	—	0.3
20 to 30	1.3	—	0.5
Over 30	0.6	—	0.2

#### Coupon Range 30/04/19



Coupon Range	Fund	3-Yr Avg	Category
0% or Paid In Kind	0.1	—	-2.2
0 to 2	0.8	—	0.4
2 to 4	3.0	—	1.4
4 to 6	45.0	—	50.5
6 to 8	32.8	—	28.0
8 to 10	11.7	—	12.7
More than 10	2.7	—	2.2

#### Portfolio Holdings 31/01/19

Bond Holdings	Equity Holdings	Other Holdings	Assets in Top 10 Holdings	Turnover Ratio (Reported)	Current Yield
971	9	71	17%	—	—
<b>Top 10 Holdings</b>					
2 Year US Treasury Note Future Mar19		Country: USA, Currency: —, Assets %: 7.41	Super Sector: Government, Primary Sector: Government Related, Secondary Sector: Treasury Future		
Trswap: Iboxhy Index		Country: USA, Currency: —, Assets %: 1.94	Super Sector: —, Primary Sector: —, Secondary Sector: —		
TransDigm, Inc. 6.25%		Country: USA, Currency: USD, Assets %: 1.68	Super Sector: Corporate, Primary Sector: Corporate Bond, Secondary Sector: Unspecified		
Blackstone CQP Holdco 6.5%		Country: USA, Currency: USD, Assets %: 1.20	Super Sector: Corporate, Primary Sector: Corporate Bond, Secondary Sector: Financial Services		
Infor (US), Inc. 6.5%		Country: USA, Currency: USD, Assets %: 1.01	Super Sector: Corporate, Primary Sector: Corporate Bond, Secondary Sector: Technology		
Ally Financial Inc. 8%		Country: USA, Currency: USD, Assets %: 0.84	Super Sector: Corporate, Primary Sector: Corporate Bond, Secondary Sector: Financial Services		
Solera, LLC / Solera Finance, Inc. 10.5%		Country: USA, Currency: USD, Assets %: 0.83	Super Sector: Corporate, Primary Sector: Corporate Bond, Secondary Sector: Technology		
Clear Channel Worldwide Holdings Inc. 6.5%		Country: USA, Currency: USD, Assets %: 0.73	Super Sector: Corporate, Primary Sector: Corporate Bond, Secondary Sector: Consumer Cyclical		
CNX Resources Corporation 5.88%		Country: USA, Currency: USD, Assets %: 0.69	Super Sector: Corporate, Primary Sector: Corporate Bond, Secondary Sector: Basic Materials		
AVANTOR INC 6%		Country: USA, Currency: USD, Assets %: 0.66	Super Sector: Corporate, Primary Sector: Corporate Bond, Secondary Sector: Unspecified		

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## Performance

**Morningstar Category**  
USD High Yield Bond

**Category Index**  
BBgBarc US Corporate  
High Yield TR USD

### A strong performance record.

#### Performance Pillar + Positive

16 Oct, 2018 | Some high-yield funds stick with a preferred spot on the credit-quality spectrum, which can work for or against them when risk-taking is punished or rewarded. This team aims to be more flexible, though. For instance, a heavier allocation to CCCs buoyed this fund's US-sibling ahead of 95% of competitors in 2010's risk-on en-

vironment, while a defensive shift out of energy names helped the fund hold up better than most in 2014. At other times, the team's decision to foray beyond high-yield bonds into investment-grade corporates on the cautious end and equities on the more daring side has proved rewarding, as it did in 2013 and 2017. For the year to date through September 2018, a tactical net long equity position (mostly preferred equities) helped the fund outperform more than 80% of its rivals. The team hasn't always timed these calls perfectly. In 2015, for instance, the fund's allocation

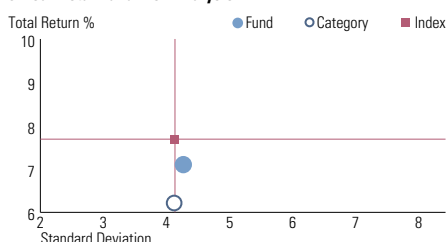
to equities in place of CCC bonds held it back somewhat, while a cautious stance toward risk has kept the fund near the middle of the pack in 2016. Over time, though, the team has used the fund's flexibility to its advantage more often than not. The fund's since-inception 6% annualized return, under Jimmy Keenan's watch, through September 2018 largely outpaced its category average (4.4%) without more volatility, supporting a Positive Performance Pillar rating.

#### Morningstar Rating and Risk 30/04/19

Period	Morningstar Ret vs Cat	Morningstar Risk vs Cat	Morningstar Rating
3 Years	Above Avg	Avg	★★★★
5 Years	Above Avg	Avg	★★★★
10 Years	—	—	—
Overall Rating			★★★★

#### Risk Analysis 30/04/19

##### 3-Year Return and Risk Analysis



#### 3-Year Risk Measures

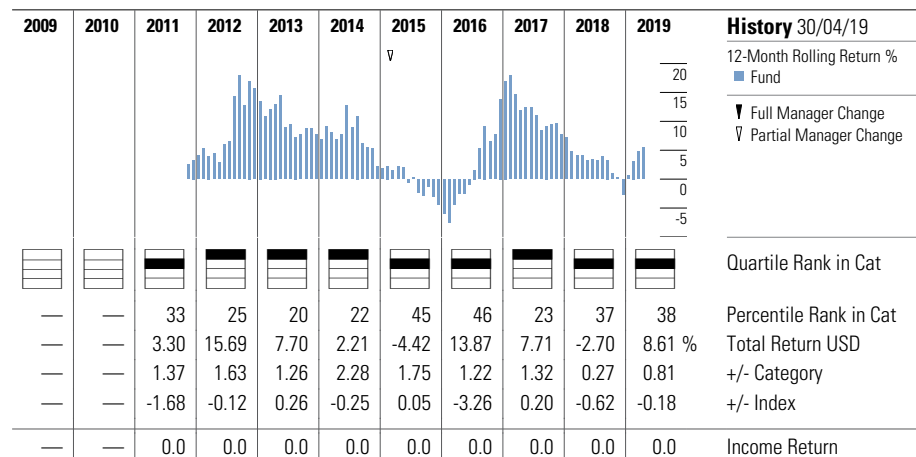
	Fund	Category	Index
Standard Deviation	4.27	4.12	4.13
Sharpe Ratio	1.30	1.16	1.48
R-Squared	96.02	89.76	—
Beta	1.01	0.92	—
Alpha	-0.61	-1.07	—

#### Maximum Drawdown

	Fund	Category	Index
Max Drawdown (%)	-9.22	-12.40	-9.68
Peak Date	06/15	07/14	06/15
Valley Date	01/16	01/16	01/16
Max Drawdown (Months)	8	19	8

#### Upside/Downside

	Fund	Category	Index
Upside Capture Ratio	96.1	84.4	—
Downside Capture Ratio	106.9	100.8	—



#### Returns 30/04/19

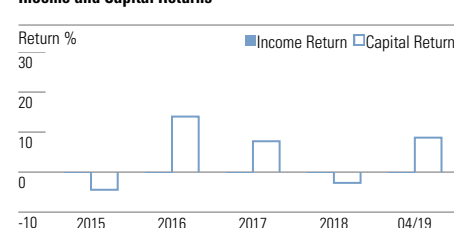
##### Trailing Returns

	Total Ret %	Investor Ret %	Rank in Cat	Cat Ret %	Index Ret %
1 Year	5.45	3.71	48	4.98	6.74
3 Years	7.10	7.99	26	6.04	7.69
5 Years	4.15	4.13	19	3.12	4.84
10 Years	—	—	—	8.70	10.15
Tenure 06/07	5.92	—	—	4.77	7.02
Inception 11/10	5.92	—	—	4.47	6.52

##### Rolling-Returns Summary

47%	36-Month Rolling Periods
53	66 Observations, 5 Years
0	The shading and percentages correspond to how often the fund returns landed in each category quartile.
0	

##### Income and Capital Returns



Year	Income Ret %	Income Rank in Cat	Capital Ret %	Capital Rank in Cat
2015	0.00	43	-4.42	31
2016	0.00	48	13.87	28
2017	0.00	51	7.71	16
2018	0.00	43	-2.70	23
04/19	0.00	40	8.61	25

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## People

**Morningstar Category**  
USD High Yield Bond

**Category Index**  
BBgBarc US Corporate  
High Yield TR USD

### Well-resourced.

#### People Pillar

Positive

16 Oct, 2018 | This fund benefits from an experienced portfolio management team and analyst breadth, earning a Positive People rating. Although their responsibilities have evolved through the years, the portfolio manager trio of Jimmy Keenan, David Delbos, and Mitch Garfin has worked together for more than a decade. After

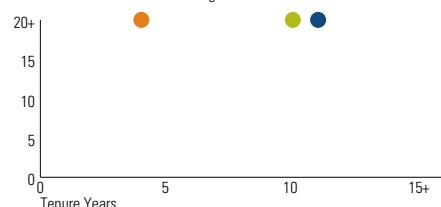
comanaging this strategy alongside Jeff Gary for a year, Keenan took over as lead manager when Gary departed in early 2009. Shortly afterward, Keenan was joined by Garfin, who has worked at BlackRock for nearly two decades in various roles including credit research before becoming a portfolio manager in 2005. Delbos, who joined BlackRock in 2002 as a credit analyst and started managing portfolios in 2012, became a named manager on the fund in 2015, following the departure of comanager Charlie McCarthy, who had a brief two-year stint on this fund. In 2014, Keenan took

on the role of global head of credit for BlackRock's fundamental fixed-income team. Since then, Keenan's role here has shifted to setting top-down macro views that guide the fund's positioning, with the input of experts across the firm's investment platform, while Delbos and Garfin have handled the fund's day-to-day management. The team is supported chiefly by 14 credit analysts in the United States, split between experienced and more junior staff, a European team that has grown to 12, and seven dedicated quantitative analysts.

### Management Team

#### Experience and Asset Load

Total AUM Bil USD in Funds Managed



#### Number of Managers

3

#### Longest Tenure

11.92 Years

#### Manager Retention Rate

5-Year  
—%

#### Average Manager Tenure

8.72 Years

#### Advisor

Blackrock Financial Management, Inc

#### Subadvisor

BlackRock Investment Management, LLC  
BlackRock Investment Management (UK) Ltd.  
Blackrock Financial Management, Inc  
BlackRock Institutional Trust Company NA  
BlackRock International Limited  
BlackRock (Singapore) Limited

#### James Keenan 06/07 to Present

Years on Managed Funds	Years on Fund
14	11
Fund AUM	Current Funds Managed
29,044.59 Mil USD	24

Largest Funds Managed	Tenure Dates	Role	Fund Size Bil USD	Investment Mil USD	Tenure Ret %	Index Ret %
BlackRock High Yield Bond Portfolio	12/07 to Present	1 of 4	16.72	>1	7.45	3.82
BlackRock Floating Rate Income Fund	07/10 to Present	1 of 6	3.25	>1	4.44	2.99
BGF US Dollar High Yield Bond Fund	06/07 to Present	1 of 3	2.20	—	5.24	7.02
BlackRock Corporate High Yield Fund	05/09 to Present	1 of 2	1.44	—	12.17	3.67
BGF Global High Yield Bond Fund	06/07 to Present	1 of 5	1.28	—	3.72	6.24

#### Mitchell S. Garfin 05/09 to Present

Years on Managed Funds	Years on Fund
10	10
Fund AUM	Current Funds Managed
29,037.38 Mil USD	16

Largest Funds Managed	Tenure Dates	Role	Fund Size Bil USD	Investment Mil USD	Tenure Ret %	Index Ret %
BlackRock High Yield Bond Portfolio	05/09 to Present	1 of 4	16.72	<1	10.35	3.72
BlackRock Floating Rate Income Fund	08/18 to Present	1 of 6	3.25	None	2.14	4.02
BGF US Dollar High Yield Bond Fund	05/09 to Present	1 of 3	2.20	—	8.68	10.15
BlackRock Credit Allocation Income Trust	06/11 to Present	1 of 3	1.52	—	6.21	2.82
BlackRock Corporate High Yield Fund	05/09 to Present	1 of 2	1.44	—	12.17	3.67

#### David Delbos 02/15 to Present

Years on Managed Funds	Years on Fund
16	4
Fund AUM	Current Funds Managed
23,989.23 Mil USD	13

Largest Funds Managed	Tenure Dates	Role	Fund Size Bil USD	Investment Mil USD	Tenure Ret %	Index Ret %
BlackRock High Yield Bond Portfolio	03/14 to Present	1 of 4	16.72	>1	4.71	2.76
BlackRock Floating Rate Income Fund	08/18 to Present	1 of 6	3.25	None	2.14	4.02
BGF US Dollar High Yield Bond Fund	02/15 to Present	1 of 3	2.20	—	4.09	5.58
BGF Global High Yield Bond Fund	02/15 to Present	1 of 5	1.28	—	2.63	4.15
BlackRock High Yield V.I. Fund	03/14 to Present	1 of 4	0.51	None	4.28	2.76

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## Parent

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### Acting in enlightened self-interest.

#### Parent Pillar

Positive

01 Nov, 2018 | BlackRock's successful balancing act retains a positive Parent rating.

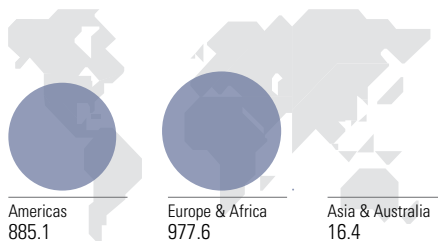
The \$6.3 trillion colossus' institutional and retail clients span the globe, and its publicly traded shares have beaten virtually all industry peers and most fellow S&P 500 denizens since the company's 1999 IPO. Both its clients and pub-

lic shareholders have high expectations, but BlackRock has shown it understands it must be a capable fiduciary to keep delivering enviable long-term stock returns. Its investment fees continue to fall and managers invest more in their strategies. The firm invests heavily in technology and people and makes versions of its institutional risk and portfolio analysis tools available to advisors. Its iShares unit's efforts to defend its leading exchange-traded fund market position has helped drive asset-management costs down. The firm has expanded into alternatives and private equity.

Biggest is not always best, though. BlackRock has turned around its fixed-income platform since the global financial crisis, but its active equity lineup has sputtered and been through two major restructurings in six years. Its manager retention and tenure rates for U.S. mutual funds are lower than most other top 20 fund families. While it has shown more fund launch discipline, it has its share of niche vehicles, such as the iShares Robotics and Artificial Intelligence ETF.

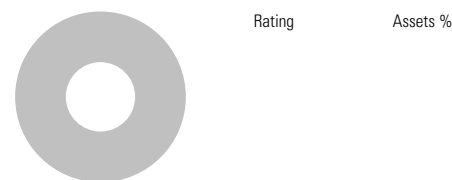
Still, BlackRock has used its size and operational savvy to clients' benefit.

#### Assets By Region, By Domicile Bil USD

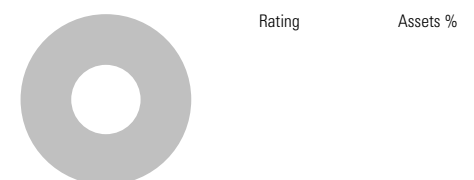


#### Fund Family Details Europe (\*)

##### Morningstar Analyst Rating Breakdown

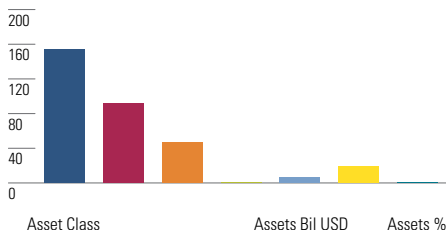


##### Morningstar Rating Breakdown



#### Asset Class Breakdown Europe (ex Money Mkt)

Assets Bil USD



#### Fund Family Details Europe

Top Performing Funds	Category Name	Fund Size Mil USD	Return % 3-Year	Rank in Cat 3-Year
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Largest Funds	Category Name	Fund Size Mil USD	Return % 3-Year	Rank in Cat 3-Year
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Recent Fund Launches	Category Name	Fund Size Mil USD	Return % Inception	Inception Date
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(\*) All data is based on Branding name and refers to funds domiciled in Europe.

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**MORNINGSTAR**

# BlackRock Global Funds - US Dollar High Yield Bond Fund D2 USD

LU0552552704

**Morningstar Analyst Rating**  
**Bronze**  
 16 Oct 2018  
 00:00, UTC-0500

## Price

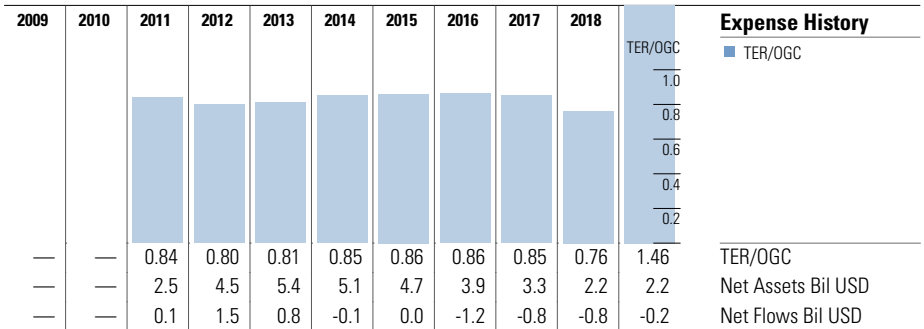
**Morningstar Category**  
USD High Yield Bond

**Category Index**  
BBgBarc US Corporate  
High Yield TR USD

**A recent fee cut brings the fund's fees in line with the competition.**

**Price Pillar** ● Neutral

16 Oct, 2018 | The fund's rebate-free share class D2 bears an annual ongoing charge of 0.77% as of March 2018, down from 0.85% charged in previous years. That's good news for investors, although it is not enough to make the fund's fees competitive just yet. It earns a Neutral Price Pillar rating.



### Expense Breakdown

**Ongoing charge**  
Ongoing charge 08/05/19 1.46

**Selected Components**  
 Max Management Fee 0.65  
 Performance Fee —

### Fee Level

**Fee Level**  
Avg  
**Peer Group**  
USD High Yield Bond  
Retail Broad

### Fee Level Breakpoints

2.85  
 0.12  
 High >1.92  
 Above Average 1.46-1.92  
 Average 1.28-1.46  
 Below Average 0.85-1.28  
 Low <0.85  
 Fund 1.46  
 Peer Median 1.39

### Share Class Information

Share Class	Identifier	Morningstar Category	TER/OGC	Max Mgmt Fee	Performance Fee	Maximum Initial Charge	Minimum Initial Inv	Assets Bil USD
<b>BGF US Dollar High Yield Bd D2 USD</b>	<b>LU0552552704</b>	<b>USD High Yield Bond</b>	<b>0.76</b>	<b>0.65</b>	—	<b>5.00</b>	<b>100,000</b>	<b>0.07</b>
BGF US Dollar High Yield Bd A6 USD	LU0738912566	USD High Yield Bond	1.46	1.25	—	5.00	5,000	0.79
BGF US Dollar High Yield Bd A2 USD	LU0046676465	USD High Yield Bond	1.46	1.25	—	5.00	5,000	0.32
BGF US Dollar High Yield Bd I2 USD	LU0822668108	USD High Yield Bond	0.60	0.65	—	0.00	10,000,000	0.19
BGF US Dollar High Yield Bd X6 USD	LU1376384019	USD High Yield Bond	0.05	—	—	0.00	10,000,000	0.13
BGF US Dollar High Yield Bd A3 USD	LU0172419151	USD High Yield Bond	1.46	1.25	—	5.00	5,000	0.11



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## Morningstar Analyst Rating

	2017	2018	2019
 Gold			
 Silver			
 Bronze			
 Neutral			
 Negative			
 Under Review			
 Not Rated			

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## The Five (5) Pillars

Morningstar has identified five key areas that we believe are crucial to predicting the future success of funds: People, Parent, Process, Performance, and Price. Each pillar is evaluated when assessing a fund as well as the interaction between the pillars, which we believe is crucial to understanding a fund's overall merit.

### People

The overall quality of a fund's investment team is a significant key to its ability to deliver superior performance relative to its benchmark and/or peers. Evaluating a fund's investment team requires that analysts assess several relevant items including how key decisions are made.

### Parent

We believe the parent organization is of utmost importance in evaluating funds. The fund's management set the tone for key elements of our evaluation, including capacity management, risk management, recruitment and retention of talent, and incentive pay. Beyond these operational areas, we prefer firms that have a culture of stewardship and put investors first to those that are too heavily weighted to salesmanship.

### Process

We look for funds with a performance objective and investment process (for both security selection and portfolio construction) that is sensible, clearly defined, and repeatable. In addition, the portfolio should be constructed in a manner that is consistent with the investment process and performance objective.

### Performance

We do not believe past performance is necessarily predictive of future results, and this factor accordingly receives a relatively small weighting in our evaluation process. In particular, we strive not to anchor on short-term performance. However, we do believe that the evaluation of long-term return and risk patterns is vital to determining if a fund is delivering to our expectations.

### Price

To reflect actual investor experience, price is evaluated within the context of the relevant market or cross-border region—for example, the United States, Australia, Canada, or Europe. In recognition of differences in scale and distribution costs in various markets, the level at which a fund is penalised for high fees or rewarded for low fees can vary with region. In Europe, for example, funds are penalised if they land in the most expensive quintile of their Morningstar category and are rewarded if they land in the cheapest quintile. The assessment is made using annual expense ratios, but in the case of funds with performance fees, expenses are evaluated excluding any performance fees and then the structure of the performance fee is evaluated separately.



**Morningstar Analyst Ratings**

Morningstar Analyst Ratings are assigned on a five-tier scale running from Gold to Negative. The top three ratings, Gold, Silver, and Bronze, all indicate that our analysts think highly of a fund; the difference between them corresponds to differences in the level of analyst conviction in a fund's ability to outperform its benchmark and peers through time, within the context of the level of risk taken.

**Gold**

Represents funds that our analyst has the highest-conviction in for that given investment mandate. By giving a fund a Gold rating, we are expressing an expectation that it will outperform its relevant performance benchmark and/or peer group within the context of the level of risk taken over the long term (defined as a full market cycle or at least five years). To earn a Gold rating, a fund must distinguish itself across the five pillars that are the basis for our analysis.

**Silver**

Represents funds our analyst has high-conviction in, but not in all of the five pillars. With those fundamental strengths, we expect these funds will outperform their relevant performance benchmark and/or peer group within the context of the level of risk taken over the long term (defined as a full market cycle or at least five years).

**Bronze**

Represents funds that have advantages that clearly outweigh any disadvantages across the pillars, giving analyst the conviction to award them a positive rating. We expect these funds to beat their relevant performance benchmark and/or peer group within the context of the level of risk taken over a full market cycle (or at least five years).

**Neutral**

Represents funds in which our analysts don't have a strong positive or negative conviction. In our judgment, these funds are not likely to deliver standout returns, but they aren't likely to seriously underperform their relevant performance benchmark and/or peer group either.

**Negative**

Represents funds that possess at least one flaw that our analysts believe is likely to significantly hamper future performance, such as high fees or an unstable management team. Because of these faults, we believe these funds are inferior to most competitors and will likely underperform their relevant performance benchmark and/or peer group, within the context of the level of risk taken, over a full market cycle.

Morningstar may also use two other designations in place of a rating:

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This designation means that a change that occurred with the fund or at the fund company requires further review to determine the impact on the rating.

**Not Ratable**

This designation is used only where we are providing a report on a new strategy or on a strategy where there are no relevant comparators, but where investors require information as to suitability.

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**Equity-Related Data Points**

The Report lists the fund's top ten holdings as of the dated noted. For each underlying holding, a series of data points is provided including, where applicable, that security's Economic Moat as of the date noted.

**Economic Moat**

The concept of an economic moat plays a vital role in our equity analyst's qualitative assessment of a firm's long-term investment potential, but also in the actual calculation of its fair value estimate. An economic moat is a structural feature that allows a firm to sustain excess profits over a long period of time. We define economic profits as returns on invested capital (or ROIC) over and above our estimate of a firm's cost of capital, or weighted average cost of capital (or WACC). Without a moat, profits are more susceptible to competition. We have identified five sources of economic moats: intangible assets, switching costs, network effect, cost advantage, and efficient scale.

Companies with a *narrow moat* are those we believe are more likely than not to achieve normalized excess returns for at least the next 10 years. *Wide-moat* companies are those in which we have very high confidence that excess returns will remain for 10 years, with excess returns more likely than not to remain for at least 20 years. The longer a firm generates economic profits, the higher its intrinsic value. We believe low-quality, *no-moat* companies will see their normalized returns gravitate toward the firm's cost of capital more quickly than companies with moats.

For more information about methodology in analysing stocks, please go to

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