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Hello and welcome to asset TVs fund selected master class with me, Mark Colgate. We are looking at corporate bond funds. The sector has had a great couple of months but is the best of it behind it now for 2023 or is there still quite a lot to go for? We are going to be putting together today funds electors and fund managers to find out more. Let me introduce, joining us in the studio representative fund managers, we have Ben Lord, manager of the MMG Global Corporate bond fund and Felipe Villaroel who is manager of the 24 strategic income fund and representing the fund buyers. We have kelly prior, she is investment manager part of the multi manager team at Columbia, threadneedle investments. Let's start by finding out a little bit more about our fund managers. Ben let's let's begin with you tell us a little bit about the global corporate bond fund er M. M. G. How do you run the money? What are some of the key things that you're seeing in the market today? Okay so the global corporate bond fund is an investment grade fund. It takes exposure to a global opportunity set of bonds rather than just being U. K. Or euros or us although those are three main markets. Uh I used to mainly levers the first being duration. Do I want to be long interest rate risk because I think yields are gonna fall, Do I want to be short interest rate risk because I think you are going to rise that's a key lever. The second lever is credit, do I think credit is cheap and it's going to rally in which case I want to be moving down the credit quality spectrum and increasing my yields there? Or do I think that credits tight and could widen. In which case I want to be moving up the quality spectrum. And really the main interest for me as a sort of macro credit fund manager is the ability to look to allocate capital between the three major regions. I look at so dollar market, your euro market and the sterling market and try to play any opportunities within those three regions and look for relative value and so on. Thank you Philippe. Where did corporate bonds fit into the strategic income fund? Yes. So the strategic income fund, its objective is to provide an attractive level of income at all times through the cycle. We manage the portfolio, you know, in a very simple way. It's a, it's a long only fixed income fund, but we don't have any any benchmarks of reference. That means we can take duration and we can take duration risk of course and we can take credit risk including high yield including investment grade, including financials, including A. B. S securities as well. We don't take any currency risk and we managed a portfolio in a very simple way, I would say kelly. Tell us a little bit about how much money you're running at Columbia threadneedle investments and where do corporate bonds and corporate bond funds fit into that at the moment as a team, we are running about 1.7 billion in assets and about a third of that is in what you call fixed income. I suppose what we do have is different needs across the different pots, so we need our fixed income allocation to do is create income, but also to give us a good counter to perhaps other things that we own in the portfolio. So thinking about obviously equities and other assets, obviously total return as well. So different mandates have different needs. And as you look at corporate bond markets at the moment, do you think it's going up, get in there and fill your boots or do you think maybe the best of it behind us and I need something a bit different from corporate bond managers now. I think we're a very interesting juncture, which is why this is a really good time to be talking to these guys. Yeah, obviously we've had, as you mentioned at the start of very, it's been an interesting few months in fixed income and when we first talked about running this session, we thought this was gonna be an interesting year, certainly for the space, I think we have to, in our outlook for the sector, recognize what's happened in the short term, obviously there are longer term opportunities kind of under the bonnet there, which again is why active managers are interested in this environment. So I would say if you were to characterize how we feel at the moment, I would say maybe we pared back our overall enthusiasm for the space. However, I think that personally were a really interesting juncture with what's going on underneath the bonnet, particularly when you think about now, perhaps perhaps in relation to where we've been for the last 15 years, post global financial crisis, you know, we are in a different world now. So, you know, the opportunities that arguably is wider than it's ever been Well, given that I'm going to let you loose on our farm manager. So kelly you off you go with your first question. Okay, well, I've kind of set my stall out there in terms of how I'm feeling about things at the moment, whether that's right or wrong, perhaps I can put it to you guys to give your take on it. So how are you feeling about things now and maybe put that in the context of history? Really, Ben, perhaps we can start with you. So, Relative to, as you say, Kelly the last 15 years I am in the fill your boots camp. So with yields on offer for investment grade corporate bonds, which is what I look at being in the regions of sort of 4% for euro denominated up to seven, even 8% in some areas of the dollar and sterling markets. I think there are huge opportunities and as you say that the universe is so much bigger than it's ever been that also gives us active managers more to play with than we've had before. Um That being said a few weeks ago, it felt like possibly the peak for corporate bond yields was already in, that we've seen it in october november, spreads had widened, particularly in financials, yields were at their peak levels at the time. And it felt when we started the first couple of weeks, was this kind of relentless march lowering government bond yields and tighter and spreads. Um that is starting to be challenged. So we've seen a decent cheapening in government bond yields. Again, we're probably 50 basis points wider give or take than than the recent lows, 10 year Treasuries are knocking on the door of 4, 10 year gilts are back above 3.5, 10 year bonds are back above 2.5. These are all levels that we just didn't see for most of the last decade. And corporate bonds price over government bond yields. And that really is possibly the aspect that I'm most interested in at this moment in time. And I think it's probably really relevant for what you're doing as well. It's the fact that the beauty of corporate bonds. The beauty of corporate bond funds to me is that you combine a risk free rate government bond yield and a risk premium. And just putting it like that, it tells you that you should have in many instances in many markets, um many starting points in your fixed income journey? You should have a diversification benefit, hedging quality within a corporate bond. So whenever you're being asked by a corporate bond, the question, you know, the risk is a spread is going to go why there is the value of my bond in a full at this starting point without taking a view on that. The one thing I do feel convinced about with maybe a slightly more medium term view in the very near term, you know, a year 23 out is that if we do enter a recession, if we do get that spread widening environment, I'm firmly convinced that we will see government bond yields rally and depending on the extent of that move both in terms of the widening of spreads and the move down in government bond yields, that widening spreads could be wholly partially or more than entirely offset by a move lower in government bonds. And that's why I'm playing it now as pretty close to neutral, both in duration and in terms of credit risk, cognizant of both upside and downside risks. And and if we start to move towards that, that downside environment for bonds, if central banks are going to tighten a bit further, if risk markets are going to start to shake a bit, that will be when I'll be looking to press meaningfully long in both kind of almost getting back to performing that traditional role that they used to do maybe as we get into a more normal environment. Okay, interesting. And what about you again, thinking about corporate bonds in in terms of attractiveness? Maybe relative to the broader opportunities that you've got? Sure corporate bonds we do think they do look attractive. I definitely agree. The pauline yields that you that you get are very, very attractive from a historical point of view, spreads are not definitely not close to the to the bottom here. We tend to invest um at the moment we do have some investment grade bonds in our portfolios but we also have some high yield, we have 81. We have C. L. O. S. And these products have obviously a much higher yield so therefore higher cushion in the case that rates do go up more than we expected and in case also that there is some sort of volatility in the market. If you have a a medium term view then of course if you have a yield of 8% that is also a cushion that you can rely on for your total return with a medium term view. So We do think that there are asset classes that that are very attractive within corporate bonds. Also financials, I think it's an area that I would I would highlight now where would you invest in financials? It will depend on your risk return profile. It will depend on your mandate as well. But I would say that from compared to its own history. Senior paper looks looks attractive here to also an 81 certainly does look attractive as well. Even if we're not at the very wise that we saw maybe a couple of months ago or more three months ago. But I would also say that if you look at the risk adjusted yields that you're getting now versus three months ago, you know, you could get a yield of 10% in some of these asset classes that I that I mentioned, some of them still have most of them don't I guess right now. But the risk adjusted yield back then, you know, you were being compensated for a very wide path that the economy could could take. You had china maybe just barely starting to reopen you had the natural gas crisis in europe being very, very uncertain and now you have lower yields of course, but the level of uncertainty. So the different paths, the dispersion of this is a lot lower as well. So I would argue that if you're looking for for a for a better risk adjusted yield is not necessarily lower now than what it was at the whites. Yeah, I think that's something that we've just been speaking to a whole bunch of fixed income managers and we very much get the sense of an upping of quality has been happening in this kind of, this kind of move in the market. You know, people have taken advantage of that to, you know, lock in perhaps the yield because we may be going into a more difficult economic environment. I would be remiss not to ask the question though, given Um the income that you can now achieve on cash, why not just don't cash? Yeah, that's fair. It's a fair point. I mean, I think we do, we do it's cash cash even over the last um the last sort of 10, 15 years was a really important allocation. Um It was where you could go when you felt that valuations were getting full and things were getting a bit dear. And you could sell that risk in those strong markets and you can move it into cash. And when you gotta re pricing when you got some volatility, um it served a really invaluable role. The difference then was that it was, it was, you know, earning, earning you zero. So there was a cost, there was a cost benefit, there was a cost to moving into that, that asset class. That's all changed. And there are parts of the investment grade market, and indeed, even more parts of the government bond markets where you can sell a short dated, you know, five intermediate dated five or 10 year government bond move it into cash, sometimes government guaranteed and, and a yield, that's the same. Even sometimes a bit higher. That's a big change. So this is now an allocation, that isn't a very high cost um, allocation, um and will still serve the same purpose. So I think it's a question we've got to ask. Um There has been some movement from investors. People are looking for cash. People are switching accounts here and there into into cash and shorter dated products to take advantage of the strange shapes of the yield curves we've got, which is very, very high at the very short end and then Plateau ng. Um When we talk about cash in very short dated bond product, you have, I think it's a valuable allocation. That's one I want to have on. Um You've got to have one thing in mind at these levels where we are now you are taking on refinancing risk so that it's, it's oversimplified, um, possibly, possibly wrong to say, why would you buy a 10 year girl at 3.5? When you can find some cash accounts with the same yield at the front end, it's not easy to find them. But you can um let's say you buy a six month treasury or six month guilt get very attractive yield, but in six months time you're going to get that cash back. And I have no very strong view at the moment, Something that we can possibly talk about in in due course as to the direction of very short term interest rates, but that's a risk. What if what if something breaks in the next six months and you've learned for 4.5% for six months and you get given your money back and you're presented with a cash rate that's let's say three. That I think is why we all still need to be focused on more traditional bond products with longer duration in that same scenario, if I bought a ten-year corporate bond in the UK at 5% yield for an investment grade name and we're in that scenario where six-month paper is now resetting at very low levels. I'm pretty convinced that you would find that the 10 year corporate bond you just bought would be at lower levels as well. And if it's rally interest rates are valued by 50 basis points and spreads a rally by 50 basis points, that's 10 points of capital upside given the duration in the position, given that you've taken, you've locked in long term yields. So it's a great allocation, it's totally different from the last 15 years. I think everyone should have some, but I do not yet feel anywhere near the point where you think to yourself that investment grade yields are a threat to the levels of cash rates on offer. I guess it was kind of a flippant question, but I think it's one that, I mean it's been very recent, that it's actually become cash has become a viable asset class. But I think something that I would like to expand upon really with both of you is as active managers, there should be more to go for and market timing is as we all know a kind of fool's errand because you can think that your, you know, you're a genius short term, but actually there's a much broader opportunity set there for the active manager I suppose maybe Felipe you can with that in mind and given your broader kind of remit, give us your take on that question with regards to maybe timing and the ability to move around. Yeah, of course. I will also say that in terms of the cash allocations which is which is very important, the correlation between everything in fixed income was very close to one last year. That is highly unusual. So some people might be thinking, well, you know, last year I put money in government bonds and I lost money, I put money in lost money, therefore I'm just going to just put it in cash because that's kind of safe if this happens again, of course it could happen again. But the chances are, it won't, chances are correlations will come back to some sort of normality at some stage and therefore that that also is a consideration when you, when you think, well, should I have a lot of cash or not or have some asset that would protect me if there is a volatility or or the sentiments hours globally. So in terms of the opportunity set and how easy we with how easiness we move across asset classes, I think that definitely having, having an active management mandate right now, it is a good thing. There's, there's a broad, broad set of of yield opportunities to be had in fixed income. And I would say that after the rally that we've had since october which kind of it's called into question has been called into question in february, Not everything has rallied in the same quantum. So for example, markets like high yield have rallied quite quite significantly. So spreads in European high yield roughly around the 400 basis points um number, it's not that we don't like high yield, we we do, but there are other parts of the market that look cheaper compared to their own history. So one of them is 80 ones were still above the average in terms of the of spreads and I will also highlight that that average because the asset class is relatively young. It started out very wide spreads. So you would think that as the asset class mature then the average spread should also come in a little bit. So, but even if you don't consider that we are still above the long term or since we started with the class we're still above the average and Cielo so I would definitely say that they look, they look like good value here because they, if you compare the Cielo spread that you get in europe. So that will be rated Cielo for example, compared to what you get in high yield. Of course, given that Cielo, the underlying asset is a leverage loan, you would assume there is some sort of relationship between them between high yield spreads and Cielo spreads. And that relationship is if you look historically is that a double B, Cielo would typically trade with a premium of 250 to 300 basis points over the high yield index, which by the way is double b minus is not, it's not double B flat as the C L O s are on average. That premium right now is close to 500 basis points. So as have rallied of course they have from from the lows in a similar fashion as the, as the rest of Risky assets have over the last three or four months. But the relationship between Cielo and high yield hasn't really normalized. We're still quite significantly away from the what what would be the norm, I would say? And this is in an environment where default rates will will increase. There is I think very little question about that. Um not not only because last year were close to zero so they can't go below zero that we all know that. So they need to go up. It's it's only rational that central banks put interest rates up, financial conditions, tighten, access to credit is a little bit more difficult then Yeah, you would see defaults increase but we don't think that's going to be an increase, be much beyond the what the long term averages and the long term average is 3.5% more or less in in high yield and at that level of defaults that wouldn't present any any sort of major problems for the average Cielo at the double B level certainly and above of course even less even less likely. Okay, interesting. One of the things that obviously is a big influencing factor on markets and you talk there about kind of C. L. O. S. And A. B. S. And the like. And even high yield is here with his about corporate bombs is flows. And what we've seen traditionally is because of benign environment we've been in in generic corporate bomb world, people have kind of reached I suppose into more esoteric areas to kind of try and boost their returns to differentiate themselves. Where are we now with that? Because I think as I mentioned, it's almost like we've gone into reverse where you've seen managers because you've been paid so well in quality. You know, actually moving maybe high yield managers moving into investment grade, where are we now with regards to that flow? And you talk there about 81, which has again been one of those areas where you've seen a lot of tourists, even in equity managers by an 80 ones? How does that feel now and how much of an influence is that on perhaps where we're going to go from here And I suppose they were talking about corporate bonds, but just generally maybe those more esoteric areas where traditional managers would have reached into and I'm one of the managers who has definitely moved back home and Have got very high weightings in the good old fashioned traditional senior unsecured some tier 2s, which you've mentioned Felipe, but you did reach into, as I mentioned, perhaps other areas to kind of boost up the overall I have in the past. That's certainly true. I've certainly used, we've got a large team of really good analysts and when they told me that one of their high yield names is going to get upgraded to investment grade, I will definitely look very closely at that. Have had some really good results at that in the past at the moment. I'm really, I'm really back in the, in the sort of good old fashioned senior Unsecured. Quite defensive stuff. Again, just really interested in that relationship between the government and the underlying government bond yield and the credit spread. I see decent value opportunities throughout that space, but it may be because of Philip's product, he looks more closely at these other areas. Sure. Yeah, I think flows is extremely important, of course, always. And I'd say that as a general comment, the interest from, from clients in fixing come in general in bonds, corporate bonds being high yielded 80 once is definitely back. I would say that the the client interaction that we've had over the last two or three months has been very very strong, much stronger than than previously because of all what was going on of course. And if you look at the aggregated flows data into corporate bonds into 81 and also not only our our funds but fixed income in general, we've seen very healthy flows so far this year. So that is definitely something to consider at a time when you're trading because cash levels weren't low to begin with. So cash levels were low and there's more cash around and it does look like more cash will be coming and therefore yeah, you have a sell off but at the same time if you, especially if you have, if you had a benchmark, maybe you can't afford to be too far away from it and you know, be flooded in cash at the time where you're still getting even more cash and and therefore if there is a cell of people I would say tend to buy the dip a little bit with a little bit more easiness let's say than than if if this wasn't the case which was the case last year for example. So of course this is very or a little bit short term missed. Of course there's the macro view and if the macro view tells you you shouldn't be buying then you shouldn't, but I think there is more of an inclination to buy the dip if you have this flows picture. And I think that the flows picture is quite, quite healthy and it doesn't look like it's about to change, I would say, and that combining that with, so you've got money coming into the sector at the same time, Obviously we've just been through a period where we've seen a huge amount of issuance, so arguably technically there'll be less of that this year, so you've got more money chasing less assets. We've had, we had a lot of issues this year so far. We without a doubt, I would say that over the last few weeks you've seen books for new issues being a little bit smaller, whereas at the beginning of the year you had books that were 10 times done. So that's reflective of, I guess a natural, a little bit of indigestion maybe but, but again, as I think it's business as usual, is is there's, there's a lot of cash around, there's a lot of issues at some point, you have some macro data that changes, for example, the nonfarm payroll number I think is what sparked this correction in early february and then, you know, it's pulled back a little bit, but I don't think it's a dramatic change in terms of the medium term picture, flows are still positive and there is there is cash waiting to be invested and even if even if the books are a bit smaller than at the beginning of the year, I don't think that is a, you know, a definite new trend. I think it's just natural, this this happens every time. I think that's worth talking about kelly is is it's only a few weeks ago that, you know, the markets were really pricing in a pretty high certainty of a recession this year. Um so clients started the all of us started the event from 2022 experience, Um and there was this, you know, the most forecasted recession in history that people were talking about for the last three or four months of 2022. And as Felipe says, you had a few really strong data releases and it's more broadly than just in in the U. S. You know, it's been, it's been supported in europe and the UK and there have been some really strong numbers and so that view is starting to be challenged. There was cash built up for recession fears amongst a bunch of other things and that cash has been and is being put to use um in terms of how I'm positioning for that, I've got to say, I just think that we're all in a blind spot in terms of what this year is gonna hold, I mean, the central bankers are saying it, but probably not communicating it quite as clearly as they might um If you hike interest rates by 450 basis points in 10 11 months if you hike interest rates by 350 basis points in eight months like the C. B. Has, you know these things, the time between a monetary policy action and a real economy reaction is pretty long and we are right now in the blind spot where we simply do not know when and to what extent that monetary policy tightening will impact the real economy. So to my mind, we've got to respond to these new data points as they come in and nonfarm payrolls was a pretty major one, retail sales as another one. The PMS this week have been strong so we've got to always sort of tweak our our view and try to position for what we think is coming next. But if we're in a blind spot and we all are even central bankers are who are the people who should know best and I don't think now is the time to really be taking a massive macro bet. We've got to be in a position to be responsive. You know, on the left hand tail. They've already hyped enough. Central banks have done enough. The damage is done and we're about to be in a recession um That's gonna look and feel very different to the right hand tail, which is the one that I think people have been focused on in february which is central banks have hiked a lot but the damage isn't done to the economy. Um And then there's there's this huge sort of central scenario in the middle, this sort of all encompassing soft landing, mild recession, short lived recession. Now look, all of those three scenarios have incredibly different impacts on duration particularly I think yield curve shape and credit spreads and which sectors are going to do well in which you're going to suffer and we don't know and we're flying blind just like the central banks are so let's not have a massive view on and that's just as we get more information start to position for which one we think is evolving. But Ben, given that backdrop, if you're talking to companies corporate themselves or finance officers there in a blind spot, they can see these delays, there will be results of decisions made six months ago that will start to hit them in the real economy, That could be a recession. What can they do to be masters of their own destiny, whatever the outcome and what can you add stock selection level there there's a that's a huge question. The first thing I would say would be that the last two years of elevated inflation, if they show you one thing it's really, really positive for Corporates, it's really positive for companies now, that's not to say that all companies have great pricing power. Of course they don't, but unless you have to increase your indebtedness, your borrowings by a rate that's the same as inflation or greater, your credit worthiness is improving. So that's the first, the first thing I would say. Um the second thing I would say is at the moment, you know, we live in a world where in the us at least the earnings yield on the S&P 500 is higher than than the yield on a seven to ten-year investment grade corporate bond. And that's kind of interesting because that may mean that there's a greater propensity amongst some to be issuing debt to buy back bonds. Now we haven't seen much of that issuing equity to buy back bonds. Excuse me. Now, I don't know how long this will last. I don't know how sustainable it is. We haven't seen any of that at all, but that's a very interesting change because we've lived through 15 years where the only game in town was issue really, really cheap debt with one or 2% coupon and go out and spend um One behavior that we are seeing and it's broad based and it's been all year across banks and industrials is that at the moment, Treasurers and Cfos are borrowing shorter than they would normally and I find that quite surprising because you've got one year yields that are far above and two year yields far above where 15 2030 year yields are. So um I find it surprising. Um It suggests that the view amongst um you know, the treasurer community is that rates are not going to be elevated for very long. Um and I think that's probably a view that many have in the bond market as well, but I do think it's not without risk and I do question whether that is the right thing to be doing because I'm convinced that 30 year issuance looks all that expensive flavor. What are your thoughts, particularly if your, you know, if you look across the piece during some of the higher risk, higher return companies and parts of the capital structure? Yes. So if you look at that high yield companies and to answer your question, how do they make sure they are the masters of their own destiny that that's very important in high yield. Of course, pricing power. As Ben was saying, it is a huge, it's a huge element to this. Not only not, not, not always sorry, in the power of management, sometimes you're in an industry where you just don't have pricing power and that is it. So that's our job as a film managers to just avoid companies that don't have pricing power and are highly leveled and that maybe they are in the single B rating space. Other things that they could do to be masters of their own destiny and other things are the things that they did in the past, so that they can today be masters of their own destiny is refinancing at very cheap rates And luckily from an an average point of view, the average high yield company actually did that they did take advantage of lower all in yields to refinance debt and pushed their maturity walls quite significantly in the context of high yield. So that means that 2023 is not really 2022 as well were years in which a lot of high yield issuers needed to come to the market to refinance. And so 2020 for you will see a bit of an increase in 2025. Then definitely you have a maturity world that needs to be addressed and so that is very important and and therefore also something we, we look at. What is the maturity will have you, have you done your job basically as a CFO and refinance that took advantage of this cheap rates that were available and sadly for them not for us are no longer available. And the other thing that you would have to look at is Capex plans Capex is typically because it's a non gAAp measures. So people tell you that I don't know your inventories are X number of pounds that is an audited number. So it is what it is. Capex. You have maintenance Capex, you have expansion Capex and Capex is a concept really rather than an audited number. So you need to first ask people management, what are your Capex plans to, what is your maintenance Capex, What is the level of capital expenditures that you need to do on your asset base in order to keep the return on that asset going. And then what is your expansion Capex? What is the topic that you could cancel if things turn south? So that is very important. And and of course because it's a non gap measure so it's not audited, then you need to make a judgment call as to whether or not what they're telling you is is expansion Capex is actually easy to turn off. So that is definitely something that that is worth keeping in mind. Apart from the obvious free cash flow generation is is healthy or not. Net debt to Ebitda and all interest coverage and all the all the all the let's say classic credit metrics. But I would say lastly as I was looking at the average of high yield in particular, credit metrics aren't, aren't bad at the at the moment. So if you look at interest coverage ratios, they are quite healthy. If you look at they are kind of at the average and well an investment rate, the interest coverage is through the roof, it's the highest it's been. So I guess that that's also important because when you have a cocktail of bad news hitting you as as what happened last year is very different when that happens when you're in say late cycle. So when growth is below trend, when central banks are already at the highest in terms of monetary policy rates, it's very different versus a scenario where that exogenous shocks such as the war in in Russia, in Ukraine story, the invasion of Russia to Ukraine hits you at a point where growth is significantly above trend. So that's what happened last year and therefore numbers haven't deteriorated too much. If you look at balance sheets on average, as Ben was saying, it depends on the industry, depends on the company of course. So that is also something that that's good to keep in mind when you invest in the lower part of the credit spectrum, apart from all of what you've just mentioned is that on aggregate, the credit quality is actually quite decent even after 2022. And it was about that kind of broader point with regards to how the market has changed. A lot of investment grade companies maybe have chosen to become your company because it's been cheap to do so for the last decade. Do you think we're gonna get a migration back? I mean, we've talked there about the potential for people to actually change the balance sheet, but do you think, are we starting to see that our our company is going to perhaps change their structuring so that they are better quality. I know you say that things are well covered now, but that's now, you know, they've got to think forward, haven't they? They've got to have their plans in place for the next couple of years. So is that starting to get talked about and you say you're just investment grade, but that's a hunting ground, isn't it? It's more of a question for Felipe. But some of the, some of the obvious higher level points would be, um, certainly pre pre Covid with valuations as compressed as they got between investment grade and high yield, even within the investment grade universe itself. So within singlets and triple B's, the punishment in terms of financing costs for going down the rating spectrum got to very, very, very low levels. And as you say, kelly, there were some who saw an opportunity to move down the spectrum and not be punished for it in financing terms. Then we got Covid and the rating agencies junked a whole load of, of investment grade companies down into high yield. Um, so before handing over to you, I'm afraid Felipe. But what we're in right now is actually still a rating upgrade cycle. And a lot of those companies who were downgraded to high yield are still being upgraded that they're still very strong companies. Their balance sheets are a robust, they've turned out their debt, like we've been saying, um, so they're in positions now where they're, they're still being moved back into to investment grade. Yeah, I would say that the, talking about a bit more specifically about high yield, the trade of let's go and buy a company and funded through, you know, a massive, you know, debt issues six times net debt to Ebitda sort of trade with a relatively small equity check that is not as obvious a trade right now. Equity valuations. I know we shouldn't talk about equity if we're fixing managers, but I just don't think they're extremely cheap. Given the rally that we've had. So you're gonna buy a company, the equity is not going to be cheap and your cost of debt has increased dramatically. Maybe the spread is not that far away in high yield from the, the average, but the only yield is very, very high. So your return on equity from doing that trade is, you know, you need to be very sure about what you're doing. And if you, if your plan is that, Well, I'm going to buy this company because growth is gonna be great. Well, you look at growth projections for the world for 20, and 2024, they're below average. So it's no surprise you haven't seen a lot of new high yield deals or new lbos or things like this over the last few quarters. I don't think that's likely to change too much. I mean, issues will pick up from last year because last year we had nothing in high yield. But yeah, it's, it's a bit of a challenge. I think to do that trade in the same way that was done pre Covid I'd say, okay, see, we've got about five minutes left time for 11 final killer question killer question. Okay, I'll ask the question anyway. So with this, I mean, it sounds like both of you said it's going to be an interesting year. Maybe there's going to be some volatility. How easy is it to move portfolios around given the opportunity? So I know that ideally we'd all love to be able to go to cash tomorrow, wait for the market to kind of blow out and then buy it. Obviously that isn't feasible. How easy is it to sort of re position in this market a week or two ago? It was really easy. And as we've had rising government bond yields and people starting to question the, the pace and extent of this rally and risk, um, it's become a little bit harder. Um, it's always going to be like that. I would, I would say at the moment it's still very easy within, within bonds to move risk around in a traditional way. I think liquidity is, is sound at the moment. And certainly we've been looking at some of those bank names that were incredibly cheap in october that rallied sometimes by 300 basis points in three months And we've been letting some of those those go because they were so, well, Beard, you know, be silly not to. So, um, at the moment, it's really easy to move it around. The opportunity is so large. There's still money coming in, which we touched on earlier. So, um I think it's a genuinely exciting year for active fund managers. Yeah, I would agree with that. I think the of course as you go a bit lower in the rating spectrum liquidity of of course it's not as as um as large, let's say as in high yield compared to investment grade, but yeah, broadly speaking, yeah, you could make changes to the makeup of your portfolio for sure with relative easiness And in parts of the market like 81, for example, which which are high beta, but the transactions tend to be a billion plus, then you also can still move move around quite, quite, quite easily, I'd say. And the last thing to mention is that when you have a lot of primary issuance, that's also an opportunity for you to change the allocation to your portfolio in terms of the, of the asset allocation and also in terms of the of the specific names as well. Right, We can get a final thought from you. We've been listening to benefit what are the key takeaways for you from this discussion. Well, I think it's very interesting to both guys talking about the fact that the opportunity set is still there because I think that's one of the, you know, when we get these big moves as we've seen in the very recent past, a couple of days of pullback, but to assume that, you know, the, you know, it's done and I think perhaps there is going to be volatility this year. And I mean, I would say this, but I do genuinely believe in active management obviously, and I think that that's the point is that while the overall market market level itself perhaps is going to be misleading with regard to the fact that there's going to be more to go for under under the bonnet, particularly when you've got spread and rates to actually play with and the different geographies around the world. I mean, that's the other thing, you know, we've got divergent central bank policy and who knows what's going to happen with inflation and we didn't touch on that, then maybe we could have done the same. But yeah, I think it's going to be an interesting year and there's there's, you know, there's money to be made. Just remains to me to thank everybody for joining us here in the studio kelly, Prior of Columbia, threadneedle investments, Ben Lord of MMG and Felipe via Royal from 24 from all of us here, Goodbye for now.