

# NB Global Floating Rate Income Fund Limited

31 December 2018

## FUND OBJECTIVE

The NB Global Floating Rate Income Fund Limited ("the Fund") targets income generation whilst seeking to preserve investors' capital and give protection against rising interest rates.

The Fund's managers seek to generate this yield by investing in a global portfolio of below investment grade senior secured corporate loans with selective use of senior secured bonds, diversified by both borrower and industry. The Fund is managed by experienced portfolio managers backed by what we believe to be one of the largest and most experienced credit teams in the industry.

## MANAGEMENT TEAM

**Stephen J. Casey**  
Senior Portfolio Manager

**Dan Doyle**  
Senior Portfolio Manager

**Joseph P. Lynch**  
Senior Portfolio Manager

**Vivek Bommi**  
Senior Portfolio Manager

## FUND FACTS

Admission Date	20 April 2011
Vehicle	Closed-ended Investment Company
Share Price (GBP)	88.70
Share Price (USD)	93.25
Share Price Premium/Discount (GBP)	-3.74%
Share Price Premium/Discount (USD)	-1.51%
NAV (GBP)	92.15
NAV (USD)	94.68
Market Cap (USD million)	825.00
NAV Frequency	Daily
Dividend Policy	Quarterly
Domicile	Guernsey
Market	Main market of London Stock Exchange
Year End	31 December
Management Fee	0.75% (on assets below £1bn, 0.70% (on assets greater than £1bn, and lower or equal to £2bn) 0.65% (on assets greater than £2bn)
Bloomberg (GBP)	NBLS:LN
Bloomberg (USD)	NBLU:LN
ISIN (GBP)	GG00B3KX4Q34
ISIN (USD)	GG00B3P7S359

## SHARE PRICE MOVEMENT



Share price and Net Asset Value (NAV) movement is representative of GBP.

**Past performance is not a reliable indicator of future results.**

Source: U.S. Bank Global Fund Services (Guernsey) Limited and Bloomberg.

## SHARE PRICE MOVEMENT



Share price and Net Asset Value (NAV) movement is representative of USD.

**Past performance is not a reliable indicator of future results.**

Source: U.S. Bank Global Fund Services (Guernsey) Limited and Bloomberg.

## KEY STATISTICS

	Fund
Current Portfolio Yield (%)	5.75
Weighted Average Yield to Maturity (%)	6.64
Duration (years)	0.39
Number of Investments	345
Number of Issuers	258
Average Credit Quality	B+
Weighted Average Price (USD)	94.50

Current Portfolio Yield is a market-value weighted average of the current yields of the holdings in the portfolio, calculated as the coupon (base rate plus spread) divided by current price. The calculation does not take into account any Fund expenses or sales charges paid, which would reduce the results. The Current Yield for the Fund will fluctuate from month to month. The Current Yield should be regarded as an estimate of the Fund's rate of investment income, and it may not equal the realised distribution rate for each share class. You should consult the Fund's prospectus for additional information about the Fund's dividends and distributions policy. **Past performance is not a reliable indicator of future results.**

## TOP 10 S&P SECTORS % (MV)

	Fund
Business Equipment & Services	9.77
Electronics	8.40
Telecommunication	7.03
Health Care	6.92
Hotels & Casinos	6.86
Financial Intermediaries	5.17
Cable Television	5.11
Industrial Equipment	5.05
Utilities	4.85
Drugs	4.77

Holdings data excludes cash

## CONTACT

Client Services: +44 (0)20 3214 9077\*

Email: funds\_cseurope@nb.com

Website: www.nbgrif.com

## NB Global Floating Rate Income Fund Limited

31 December 2018

## TOP 10 ISSUERS % (MV)

	Sector	Fund
Bausch Health Companies	Drugs	1.59
Techem	Industrial Equipment	1.25
SFR	Cable Television	1.17
Univision	Broadcast Radio & Television	1.15
Scientific Games	Hotels & Casinos	1.12
Bass Pro	Retailers	1.07
Endo Pharmaceuticals	Drugs	1.00
Advantage Sales & Marketing	Business Equipment & Services	0.99
Century Link	Telecommunication	0.98
Filtration Group Corp	Industrial Equipment	0.90

Holdings data excludes cash

## CURRENCY ALLOCATIONS % (MV)

	Fund
Euro	15.44
British Pound	2.06
United States Dollar	82.50

Holdings data excludes cash

## CREDIT QUALITY % (MV)

	Fund
BBB	3.56
BB	35.93
B	56.06
CCC and below	3.26
NR	1.19

Holdings data excludes cash

## SECURITY BREAKDOWN % (MV)

	Fund
Secured Loans	90.79
Secured Bonds	7.60
Unsecured Bonds	1.20
Other	0.41

Holdings data excludes cash

# NB Global Floating Rate Income Fund Limited

31 December 2018

## QUARTERLY COMMENTARY\*

### Performance Highlights

The Neuberger Berman Global Floating Rate Income Fund's gross of fee return for the 4th quarter was -3.38% which outperformed the S&P/LSTA Leveraged Loan Index (the "Index") return of -3.45%.

From a sector perspective, the largest contributors for the quarter came from security selection within Retailers, Hotels & Casinos and Utilities. Conversely, selection decisions within Financial Intermediaries, Oil & Gas and Broadcast Radio & TV sectors detracted.

### Market Update

The loan asset class posted its first negative quarterly return since 2015 as the Index lost -3.45% during the fourth quarter but continued to exceed other major fixed income asset classes for the year with a 0.44% return. High yield bonds returned -4.63% for the quarter and underperformed loans for the year with a return of -2.26%. Investment grade bonds continued to underperform as well and remained in negative territory for the year (-2.25%) despite returning 1.50% in December. US Treasuries (10yr) returned 3.88% for the quarter but finished the year slightly negative at -0.03%.

The quarterly Index return of -3.45% was driven by a decline in secondary prices as the market value return dropped 4.85%. The weighted average bid of the Index moved lower over the quarter to 93.84 (down from 98.57 – Q3). Loans trading at par and above dropped to less than 1% to finish the year, a large change since the end of the third quarter when 64% of the Index was trading at par and above.

All sectors within the Index posted negative returns over the quarter as December's sell-off accounted for the majority of the decline. The top Index performers in December were Utilities (-1.59%), Surface Transport (-1.83%) and the Automotive sector (-1.84%). Conversely, the worst performers were Home Furnishings (-3.81%), Nonferrous Metals & Mining (-3.63%) and Radio & Television (-3.57%).

On a ratings basis, lower rated CCCs returned -5.53% in the fourth quarter, underperforming the better quality BB and B rated credits, which returned -3.50% and -3.29%, respectively.

Institutional loan volume saw \$78.46 billion recorded in the fourth quarter, a decrease on the \$90 billion from Q3 as there was only \$3.9 billion of new issue volume in December.

From a demand perspective, loan funds reported outflows of \$14 billion for the quarter, reversing the previous quarters' inflows to end the year at a \$3 billion outflow. CLO issuance set an annual record as volume reached \$129 billion, outpacing \$118 billion in 2017. Quarterly CLO volume decreased slightly totaling \$28 billion, down from \$32 billion in 3Q. Supply declined to only \$9.5 billion in December, down from \$26.1 billion in November and below the trailing 12-month average of \$33 billion.

The par amount outstanding of the Index ended the year at \$1.15 trillion, a \$192 billion increase over the past twelve months. The trailing 12-month default rate of the Index by principal amount stood at 1.63% at the end of December, an 18 basis point decrease over the quarter and 32bp drop over the year. The rate remains well inside the 3% historical average, and we expect it to stay below this level for a couple of years to come. Our expectations are largely driven by issuer's ability to meet their interest payment obligations- interest coverage metrics currently stand at a 10 year high.

The European loan market as measured by the S&P European Leveraged Loan Index (the "ELLI") returned -0.92% for the quarter (all numbers excluding currency). Total return has largely been driven by coupons as the ELLI gained 1.41% for the year with price returns losing 2.3%. The weighted average bid finished the year at 97.34, down from 99.09 at the end of the third quarter. At year end, less than 2% of the ELLI was trading above par, down from 56% at the end of the third quarter.

European institutional loan volume recorded €12.57 billion in the fourth quarter, a decrease on the €21 billion posted in Q3, and ended the year with an annual total of €96 billion. On the demand side, CLO issuance was strong with over €27 billion pricing in 2018, an increase from €21 billion in 2017. The par amount outstanding of the ELLI grew by €11.5 billion over the quarter. The €180.2 billion of par amount outstanding marks the highest level since S&P began measuring the European loan market. The trailing 12-month default rate by principal amount stands at 0.11% at the end of December, the lowest recording since S&P began tracking defaults in 2008.

### Portfolio Positioning

The portfolio has remained very much weighted towards USD issuance which accounts for 82% of the portfolio at the end of the quarter. The bond allocation remained well below the 20% of NAV permitted, at 8.8%, as we remain focused on keeping duration low and limiting potential areas of volatility. Our current allocation to BBB/BB rated credits ended the quarter at 39% while our exposure to CCC rated names finished the quarter at 3%, which is below our historical average. With regards to sector allocation, we are overweight to the Financial Intermediaries, Drugs and Industrial Equipment sectors. Conversely we are underweight to the Electronics, Health Care and Insurance sectors.

### Outlook

While economic growth is expected to slow, we believe the probability of a near term recession is low. Volatility is likely to persist, but we believe valuations for non-investment grade credit compensate investors for modest default risk. Operating performance of underlying issuers has been stable; revenue and EBITDA growth have improved as leverage has plateaued, and refinancing activity has significantly reduced the amount of loans maturing in the near term. The market's performance continues to be susceptible to a variety of factors, however, including uncertainty around government disruptions, including aggressive rhetoric, trade policy, and the overall regulatory environment. Though retail flows were a headwind in the fourth quarter, recent spread widening and higher loan yields may entice investors back into the market. We maintain our overall up in quality positioning while allocating to select B and CCC securities where we see attractive relative value. We believe our portfolio is positioned to provide downside protection as market volatility continues, while taking advantage of future opportunities within lower quality securities.

# NB Global Floating Rate Income Fund Limited

31 December 2018

## RISK CONSIDERATIONS

**Market Risk:** The risk of a change in the value of a position as a result of underlying market factors, including among other things, the overall performance of companies and the market perception of the global economy.

**Liquidity Risk:** The risk that the Fund may be unable to sell an investment readily at its fair market value. In extreme market conditions this can affect the Fund's ability to meet redemption requests upon demand.

**Credit Risk:** The risk that bond issuers may fail to meet their interest repayments, or repay debt, resulting in temporary or permanent losses to the Fund.

**Interest Rate Risk:** The risk of interest rate movements affecting the value of fixed-rate bonds.

**Counterparty Risk:** The risk that a counterparty will not fulfil its payment obligation for a trade, contract or other transaction, on the due date.

**Operational Risk:** The risk of direct or indirect loss resulting from inadequate or failed processes, people and systems including those relating to the safekeeping of assets or from external events.

**Derivatives Risk:** The Fund is permitted to use certain types of financial derivative instruments ("FDI") (including certain complex instruments) which can give rise to particular risks, including market risk, liquidity risk and counterparty credit risk. This may increase the Fund's leverage significantly which may cause large variations in the value of your share.

**Currency Risk:** Investors who subscribe in a currency other than the base currency of the Fund are exposed to currency risk. Fluctuations in exchange rates may affect the return on investment. The past performance shown is based on the share class to which this factsheet relates. If the currency of this share class is different from your local currency, then you should be aware that due to exchange rate fluctuations the performance shown may increase or decrease if converted into your local currency.

## IMPORTANT INFORMATION

Source of all data and charts (unless stated otherwise): Neuberger Berman Europe Limited.

This document has been issued by NB Global Floating Rate Income Fund Limited (the "Company"), and should not be taken as an offer, invitation or inducement to engage in any investment activity and is solely for the purpose of providing information about the Company.

This document does not constitute or form part of, and should not be construed as, any offer for sale or subscription of, or solicitation of any offer to buy or subscribe for, any share in the Company or securities in any other entity, in any jurisdiction.

The Company is a closed-ended investment company incorporated and registered in Guernsey and is governed under the provisions of the Companies (Guernsey) Law, 2008 (as amended), and the Registered Collective Investment Scheme Rules 2008 issued by the Guernsey Financial Services Commission ("GFSC"). It is a non-cellular company limited by shares and has been declared by the GFSC to be a registered closed-ended collective investment scheme. The Company's shares are admitted to the Official List of the UK Listing Authority with a premium listing and are admitted to trading on the Premium Segment of the London Stock Exchange's Main Market for listed securities.

Neuberger Berman Europe Limited ("NBEL"), the Company's Manager, is authorised and regulated by the Financial Conduct Authority ("FCA") and is registered in England and Wales, at Lansdowne House, 57 Berkeley Square, London, W1J 6ER and is also a Registered Investment Adviser with the Securities and Exchange Commission ("SEC") in the U.S. and regulated by the Dubai Financial Services Authority.

This document is addressed to professional clients only.

This document is presented solely for information purposes and nothing herein constitutes investment, legal, accounting or tax advice, or a recommendation to buy, sell or hold a security. We do not represent that this information, including any third party information, is complete and it should not be relied upon as such. Any views or opinions expressed may not reflect those of the Company or NBEL as a whole. All information is current as of the date of this material and is subject to change without notice. No part of this document may be reproduced in any manner without prior written permission of the Company and NBEL.

This document is presented solely for information purposes and nothing herein constitutes investment, legal, accounting or tax advice, or a recommendation to buy, sell or hold a security. We do not represent that this information, including any third party information, is complete and it should not be relied upon as such. Any views or opinions expressed may not reflect those of the Company or NBEL as a whole. All information is current as of the date of this material and is subject to change without notice.

No part of this document may be reproduced in any manner without prior written permission of the Company and NBEL.

An investment in the Company involves risks, with the potential for above average risk, and is only suitable for people who are in a position to take such risks. No recommendation or advice is being given as to whether any investment or strategy is suitable for a particular investor. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of any investment, and should consult its own legal counsel and financial, actuarial, accounting, regulatory and tax advisers to evaluate any such investment. It should not be assumed that any investments in securities, companies, sectors or markets identified and described were or will be profitable. Investment in the Company should not constitute a substantial proportion of an investor's portfolio and may not be appropriate for all investors. Diversification and asset class allocation do not guarantee profit or protect against loss.

Past performance is not a reliable indicator of current or future results. The value of investments may go down as well as up and investors may not get back any of the amount invested. The performance data does not take account of the commissions and costs incurred on the issue and redemption of units.

The value of investments designated in another currency may rise and fall due to exchange rate fluctuations in respect of the relevant currencies. Adverse movements in currency exchange rates can result in a decrease in return and a loss of capital.

Tax treatment depends on the individual circumstances of each investor and may be subject to change, investors are therefore recommended to seek independent tax advice.

This document, and the information contained therein, is not for viewing, release, distribution or publication in or into the United States, Canada, Japan, South Africa or any other jurisdiction where applicable laws prohibit its release, distribution or publication, and will not be made available to any national, resident or citizen of the United States, Canada, Japan or South Africa.

The distribution of this document in other jurisdictions may be restricted by law and persons into whose possession this document comes must inform themselves about, and observe, any such restrictions. Any failure to comply with the restrictions may constitute a violation of the federal securities law of the United States and the laws of other jurisdictions.

The Company's shares have not been and will not be registered under the US Securities Act of 1933, as amended (the "Securities Act"), or with any securities regulatory authority of any state or other jurisdiction of the United States. The shares may not be offered, sold, resold, pledged, delivered, distributed or otherwise transferred, directly or indirectly, into or within the United States, or to, or for the account or benefit of, US persons (as defined in Regulation S under the Securities Act). No public offering of the shares is being made in the United States.

The Company has not been and will not be registered under the US Investment Company Act of 1940, as amended (the "Investment Company Act") and, as such, holders of the shares will not be entitled to the benefits of the Investment Company Act. No offer, sale, resale, pledge, delivery, distribution or transfer of the shares may be made except under circumstances that will not result in the Company being required to register as an investment company under the Investment Company Act. In addition, the shares are subject to restrictions on transferability and resale in certain jurisdictions and may not be transferred or resold except as permitted under applicable securities laws and regulations. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdictions.

The "Neuberger Berman" name and logo are registered service marks of Neuberger Berman Group LLC.

© 2019 Neuberger Berman Group LLC. All rights reserved.