

# NB Global Floating Rate Income Fund Limited

28 September 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

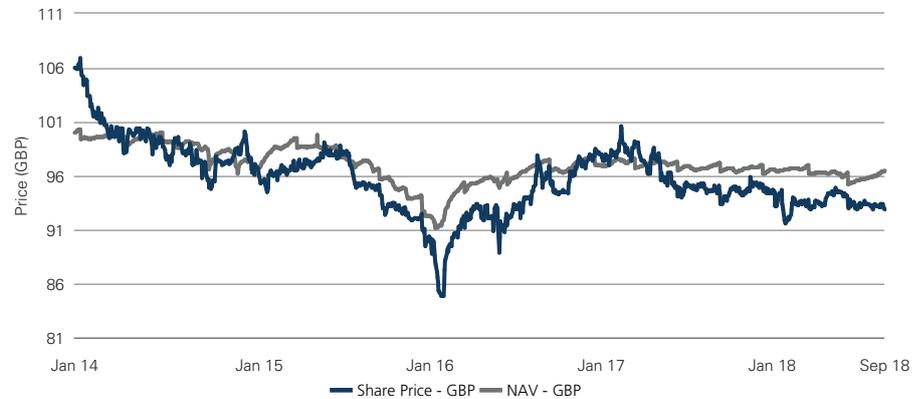
### Martin Rotheram

Senior Portfolio Manager

## FUND FACTS

Admission Date	20 April 2011
Vehicle	Closed-ended Investment Company
Share Price (GBP)	92.50
Share Price (USD)	94.75
Share Price Premium/Discount (GBP)	-4.34%
Share Price Premium/Discount (USD)	-4.56%
NAV (GBP)	96.70
NAV (USD)	99.28
Market Cap (USD million)	969.40
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

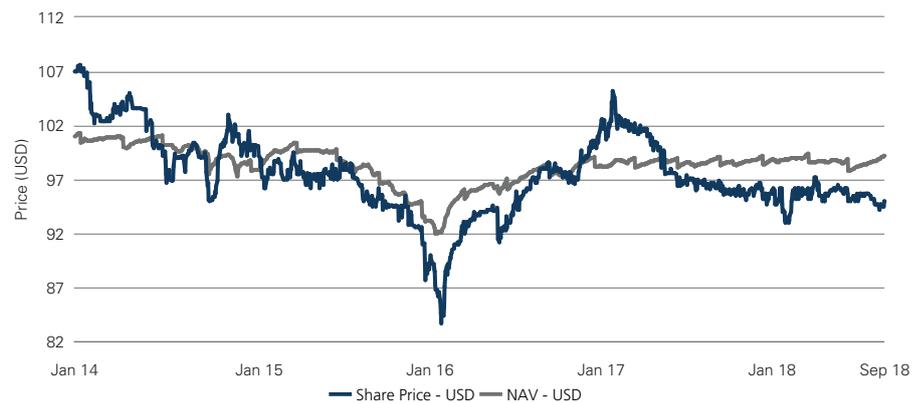


Share price and Net Asset Value (NAV) movement is representative of GBP.

**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 (%)	5.15
Weighted Average Yield to Maturity (%)	5.41
Duration (years)	0.36
Number of Investments	367
Number of Issuers	266
Average Credit Quality	B+
Weighted Average Price (USD)	99.47

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	9.62
Electronics	8.00
Health Care	7.87
Hotels & Casinos	7.75
Telecommunication	7.31
Cable Television	5.18
Financial Intermediaries	4.94
Utilities	4.78
Industrial Equipment	4.73
Containers & Glass	4.33

Holdings data excludes cash

## CONTACT

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## TOP 10 ISSUERS % (MV)

	Sector	Fund
Bausch Health Companies	Drugs	1.21
Techem	Industrial Equipment	1.08
SFR	Cable Television	1.04
Univision	Broadcast Radio & Television	1.03
Albertsons	Food & Drug Retailers	1.01
Scientific Games	Hotels & Casinos	1.00
Vistra Energy	Utilities	1.00
BMC Software	Electronics	0.96
Endo Pharmaceuticals	Drugs	0.90
Pharmaceutical Product Development	Health Care	0.89

Holdings data excludes cash

## CURRENCY ALLOCATIONS % (MV)

	Fund
Euro	16.52
British Pound	2.53
United States Dollar	80.95

Holdings data excludes cash

## CREDIT QUALITY % (MV)

	Fund
BBB	4.80
BB	36.32
B	52.88
CCC and below	2.79
NR	3.21

Holdings data excludes cash

## SECURITY BREAKDOWN % (MV)

	Fund
Secured Loans	92.67
Secured Bonds	6.39
Unsecured Bonds	0.94

Holdings data excludes cash

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## QUARTERLY COMMENTARY\*

### Performance Highlights

The Fund's gross of fee return for the 3rd quarter was 2.08% which outperformed the S&P/LSTA Leveraged Loan Index (the "Index") return of 1.84%. From a sector perspective, the largest contributors for the quarter came from security selection within Telecommunication, Drugs and Health Care. Conversely, selection decisions within Retailers, Financial Intermediaries and Oil & Gas sectors detracted.

### Market Update

The loan asset class posted a respectable return of 1.84% during the third quarter and continues to exceed other major fixed income asset classes for the year with a 4.03% return. High yield bonds returned 2.42% for the period, but continue to underperform loans this year with a return of 2.52%. Investment grade bonds continued to underperform as well and remain in negative territory this year (-1.60%) despite returning 0.95% over the quarter. US Treasuries (10yr) dropped 1.11% for the quarter and have returned -3.76% in 2018.

The Index return of 1.84% was a combination of 1.41% generated from income and 0.43% from price return. As at the end of September 2018, 59% of the Index was trading at par and above, up from the 24.3% at the end of June. The weighted average bid of the Index moved higher over the quarter to 98.57 (up from 98.05).

All sectors within the Index posted positive returns over the quarter. The top Index performers were Retailers (+3.38%), Home Furnishings (+3.35%) and the Surface Transport sector (+2.77%). Conversely, the worst performers were Nonferrous Metals & Minerals (0.04%), Farming & Agriculture (0.21%) and Broadcast Radio & TV (0.83%).

On a ratings basis, lower rated CCCs returned 3.47% in the third quarter, outperforming the better quality BB and B rated credits, which returned 1.53% and 1.96% respectively.

Institutional loan volume saw \$88.47 billion recorded in the third quarter, a decrease on the \$131 billion from Q2 partly driven by the usual summer slowdown.

From a demand perspective, loan funds reported inflows of \$10.2 billion for the quarter, an increase on the \$7.9 billion seen in Q2. CLO issuance decreased slightly from the previous quarter totaling \$31.8 billion for 3Q. September marked the first month with a supply shortage since April as demand reached \$9.8 billion, exceeding the net change in outstanding supply of \$5.5 billion.

The par amount outstanding of the Index ended the quarter at \$1.1 trillion, a \$66 billion increase over the past three months. The trailing 12-month default rate of the Index by principal amount stood at 1.81% at the end of September, a 17 basis point decrease over the quarter. 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 1.44% for the quarter (all numbers excluding currency). Total return has largely been driven by coupon return as price returns contributed 0.49%. The weighted average bid finished at 99.09, a 51 basis point increase over the quarter. At quarter end, 55.82% of the ELLI was trading above par, up from 8.1% at the end of the second quarter.

European institutional loan volume recorded €16.29 billion in the third quarter, a decrease on the €23.4 billion posted in Q2. On the demand side, CLO issuance was strong with over €7.4 billion pricing. The par amount outstanding of the ELLI grew by €9.4 billion over the quarter. The €168.7 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 September, 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 81% of the portfolio at the end of the quarter. The bond allocation remained well below the 20% of NAV permitted, at 7.3%, 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 40% while our exposure to CCC rated names finished the quarter at 2.8%, which is below our historical average. With regards to sector allocation, we maintain an overweight to the Financial Intermediaries, Hotels & Casinos and Containers & Glass sectors. Conversely we maintain an underweight to the Electronics, Insurance and Publishing sectors.

### Outlook

Our outlook for the loan market remains positive. The U.S. economy continues to show signs of strong growth; revenue and cash flow metrics continue to improve and U.S. corporate tax reform should provide a modest benefit to most companies that we are invested in. With rate hikes in March, June and September of 2018, the Fed Funds Target Rate is now 2.00%-2.25%. Given the optimism shown by voting members of FOMC, we could see a further hike in 2018. Given the positive rate optionality that floating rate loans exhibit, we would like to believe that the asset class should continue to demonstrate lower volatility whilst offering an attractive source of income driven return.

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## 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.

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