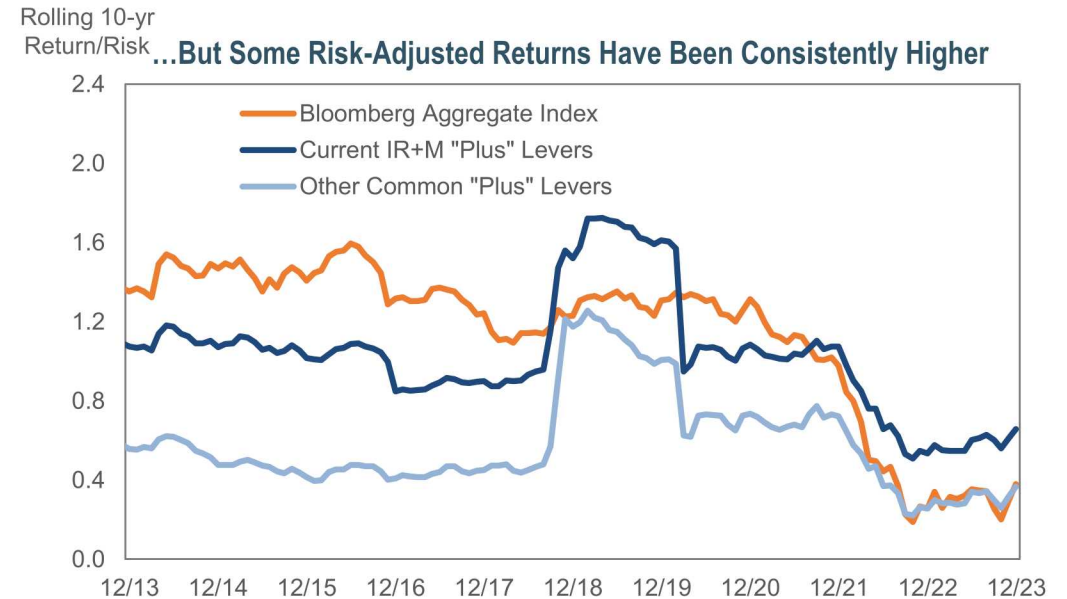
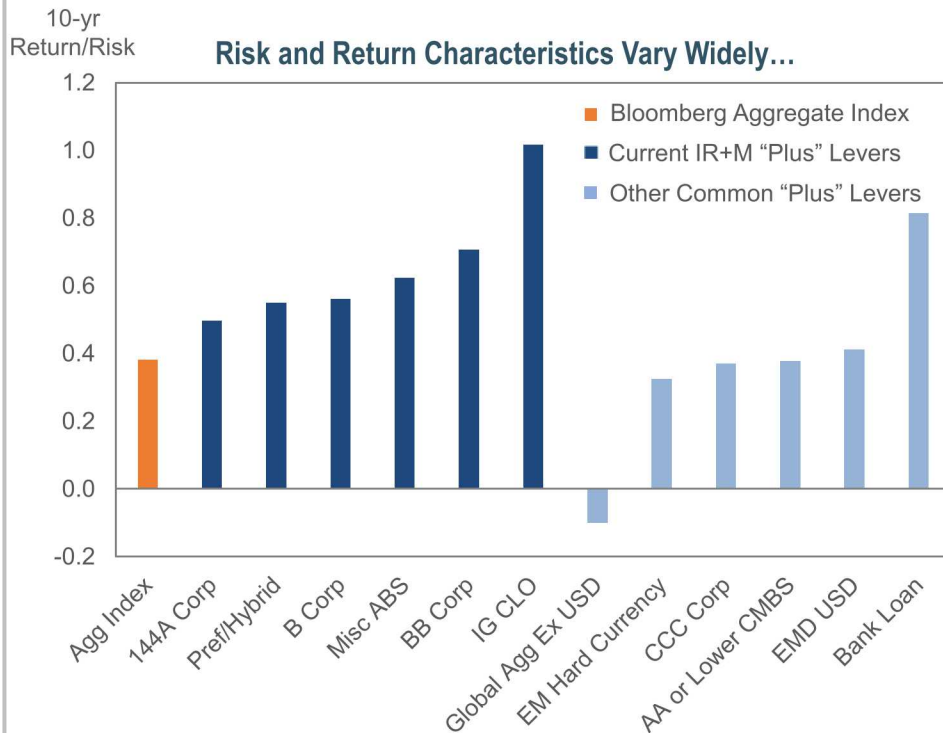


Are Some “Plus” Sectors Subtracting (-) From Your Core Plus (+) Strategy?



- **There are opportunities beyond index eligible sectors.** Within Core Plus mandates, managers often invest in “plus” sectors, such as high-yield credit, non-traditional asset-backed securities, 144A securities without registration rights, non-USD bonds, and emerging market debt, to achieve higher returns.
- **But not all “plus” sectors are created equal.** Despite often posting higher absolute returns compared to the Bloomberg Aggregate Index, several “plus” sectors – like emerging market and non-US debt – have not consistently compensated investors when factoring in the additional risk.
- **It pays to pick your spots.** Managers must determine which sectors offer the most attractive risk-reward potential in the context of the broader market. That is not always out-of-index ideas, especially during times of heightened volatility. Regardless of the market tone, we believe it is important to prioritize those securities with transparent and quantifiable risk profiles.

At IR+M, we focus on sectors supported by analyzable and understandable fundamentals and de-emphasize those with heightened geopolitical and event risks. The sectors we favor, both index eligible and out-of-index, often have had similar or better risk-adjusted returns to “plus” sectors but with smaller drawdowns. We believe this approach paired with a process centered on careful bottom-up security selection leads to more consistency without sacrificing upside potential.

Sources: Bloomberg, ICE, and JPMorgan as of 12/31/23. 10-yr Return/Risk calculated using monthly returns and annualized. “Plus” sectors and levers listed are those we believe to be most common, not all “plus” sectors and levers are listed. Listed sectors are based on Bloomberg Index data except for Preferred/Hybrid (the ICE BofA Investment Grade Preferred & Hybrid Securities Index (PHGS)), Bank Loan (Morningstar LSTA US Leveraged Loan 100 Index (SPDLL Index)), CLO IG (sourced from JPMorgan) and Misc ABS (the ICE BofA US Fixed Rate Miscellaneous ABS Index (R000 Index)). The lines on the right-hand chart represent equal weighted averages across of the corresponding sector categories from the left-hand chart. The Bloomberg Aggregate Index is a weighted average. The CLO IG and Pref/Hybrid data was only available back to 1/31/12 and 1/31/07, respectively, and therefore was only used in the average calculation back to those dates.

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