

**BlackRock®**

# **Expand your sources of consistent, high income**

Dynamic High Income Fund

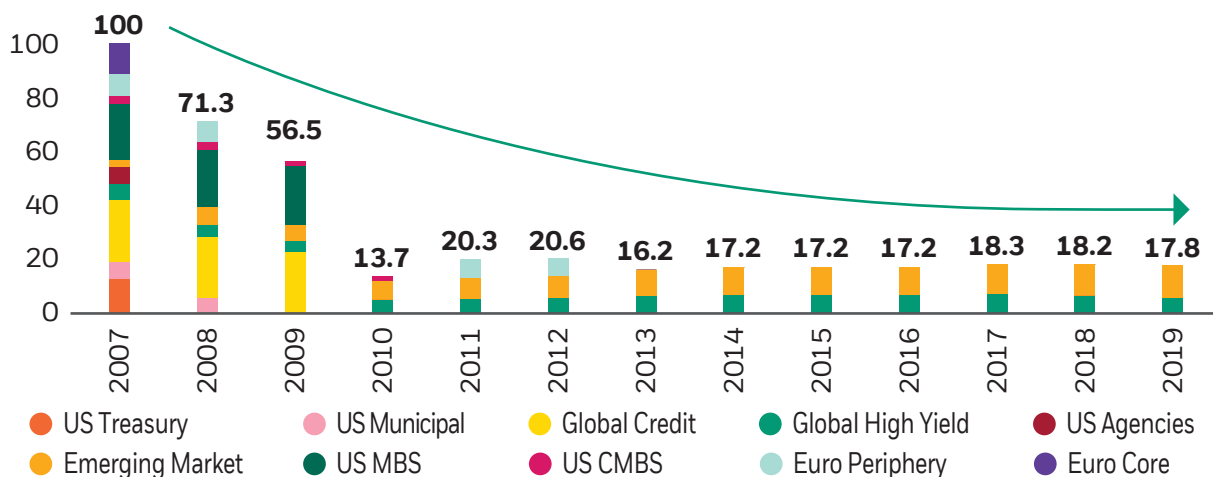


# Today's income challenge

Receiving regular income is a primary objective for many investors. In today's environment, finding this income is becoming more challenging. Traditional income sources may not be able to meet investor's needs.

## Less than 20% of fixed income assets yield over 4%<sup>1</sup>

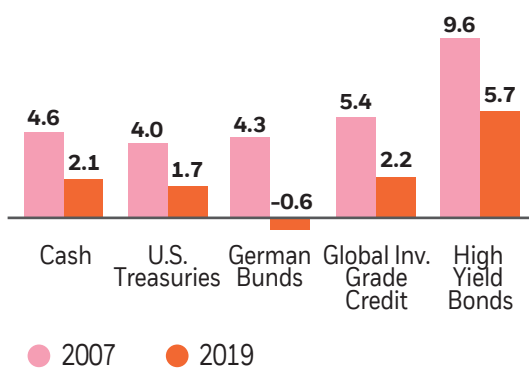
% of fixed income assets yielding over 4%



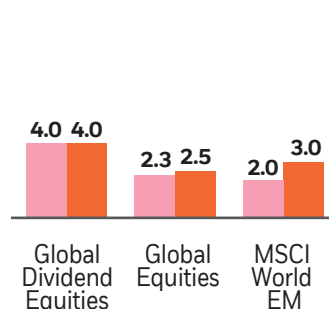
With traditional fixed income yields typically lower than pre-crisis level<sup>2</sup>, finding attractive income is no longer as easy as it once was..

## Attractive bond yields have become harder to source<sup>2</sup>

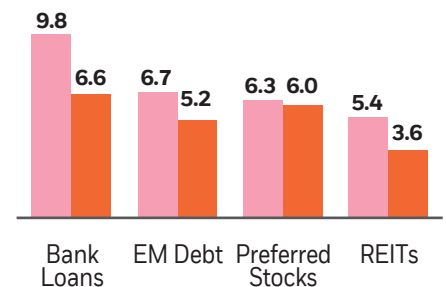
### Traditional fixed income Yield (%)



### Traditional equity Yield (%)



### Complementary Assets Yield (%)



Moreover, in Asia Pacific, investors have substantially increased their allocations to traditional income producing asset classes. As these spaces become more crowded, investors will need to diversify further to get the yields they seek.

1 Source: BlackRock Investment Institute, Barclays and Thomson Reuters, September 2019.

2 Source: BlackRock, Morningstar and Bloomberg. As of end September 2019. Fixed income yields represented by yield-to-worst, equity yields by 12 month dividend yield, Cash: US Dollar 3m Deposit Middle Rate. US Treasuries: Barclays US Treasury 7-10 Yr, German Bunds yield: Benchmark 10Yr German Bund. Global Investment Grade: Barclays Global Agg Corporate (USD). US HY: Barclays US HY 2% Issuer Cap. Global Equities: MSCI World. High Dividend Equities: MSCI World High Div Yield. EM Equities: MSCI EM. Bank Loans: S&P/LSTA Leveraged Loan Index. Preferred Stock: iShares S&P US Preferred Stock Index Fund. Yield for Preferred Stock is trailing 12-month yield of iShares US Preferred Stock Index ETF (PFF). REITs: FTSE NAREIT All REITs Index.

Investing in a flexible portfolio focused on complementary income sources could help obtain consistent, diversified high income and attractive total return.

**Flexible approach seeking competitive income with a focus on reducing downside<sup>3</sup>**

## BGF Dynamic High Income Fund



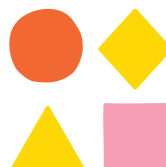
### INCOME

Designed to seek consistent high income across all market environments.



### GROWTH

The Fund maintains moderate level of beta to capture potential equity upside.



### DIVERSIFICATION & FLEXIBILITY

Tactical asset allocation across stock, bonds and complementary sources of income.



### RISK MANAGEMENT

Disciplined risk budget approach seeking to keep volatility in line or below 70/30 risk benchmark.

<sup>3</sup> The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy. Dividend yield is not guaranteed, and is not indicative of the return of the Fund. There is no guarantee that a positive investment outcome will be achieved. \*Source: BlackRock. As of 30/09/2019. Risk Benchmark includes 70% MSCI World & 30% Bloomberg Barclays Global Aggregate Bond Index USD Hedged. AUM as of 30/09/2019. Risk management cannot fully eliminate the risk of investment loss.

# Broaden your income sources

## BGF Dynamic High Income Fund

### 1 Seeks high income and attractive return from complementary income sources

The Fund takes a dynamic approach that aims to source attractive income from complementary sources that are often more difficult to access and/or manage, and thus require a deep level of investment and risk management expertise.

#### BGF Dynamic High Income Fund – Typical exposure<sup>4</sup>

# 0–30%

#### Traditional income sources

- Emerging Market Equities
- Global Ex-US Developed Equities
- US Equities
- High Yield Bonds
- Investment Grade Bonds
- Sovereign Bonds

# 70–100%

#### Complementary income sources

- Covered Call Writing
- Energy Infrastructure
- Global REITs
- Commercial Mortgages (CMBS)
- Emerging Market Debt
- Floating Rate Loans
- Non-Agency Mortgages
- Preferred Stock

#### Understanding complementary income sources

Typical yield per annum<sup>5</sup>

#### Covered call writing

10–15%

Exposure to stocks where an investor earns a premium today for selling away some amount of that stock's future upside.

#### Floating rate loans

4–7%

Exposure to corporate loans through securities which have minimal exposure to interest rate changes due to floating rate structure.

#### Preferred stock

5–7%

Hybrid securities which combines features of bonds (fixed payout) and equity (potential to appreciate in price).

#### Non-agency mortgages

4–6%

Securities issued privately by banks and other financial institutions (not government entities) which are backed by residential properties.

#### REITs

4–6%

Real estate securities that must pay out more than 90% of their earnings as dividends to investors.

#### Commercial mortgage-backed securities

4–6%

Securities backed by commercial property exposure such as hotels, office buildings, shopping malls, etc.

#### Energy infrastructure

4–6%

Stocks primarily involved in midstream activities (e.g. transporting & storing) across energy commodities in the US and Canada.

#### Emerging market debt

5–7%

Corporate or sovereign bonds issued by EM companies or countries spanning credit qualities, regions and currencies.

<sup>4</sup> Source: BlackRock, as of September 2019. For illustrative purposes only. Subject to change.

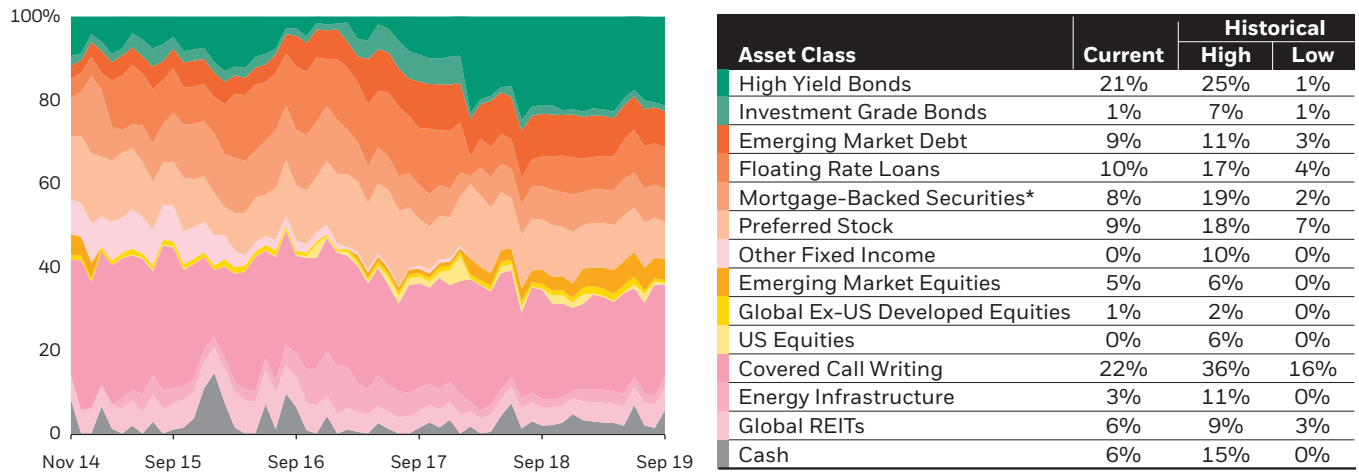
<sup>5</sup> Source: BlackRock, as of September 2019. Past performance is no guarantee of future results. Not a recommendation to buy or sell. For illustrative purposes only. Subject to change. There is no guarantee that the target will be met. Assumptions on which targets were calculated may not materialise.

## 2 Flexibility to adapt to changing market conditions

No single asset class can provide income consistently. Against a backdrop of increased market volatility, it is becoming more critical for investors to diversify their income exposures. The Fund utilizes a flexible strategy, combined with a risk-aware investment process, to help you weather the market's up and downs.

### Historic monthly strategy asset allocation: <sup>6</sup>

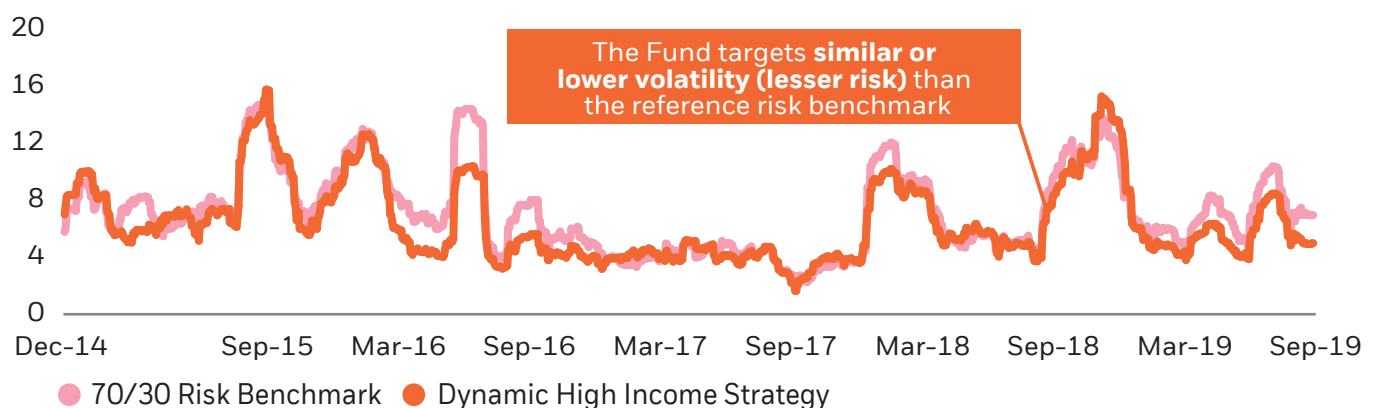
Complementary income sources tend to have low or negative correlation to traditional income sources<sup>6</sup>



## 3 Achieve the right balance between income and total return in a risk controlled manner

Risk management is in our DNA. Our stringent risk oversight process enables our fund manager to track exposure changes across multiple dimensions while striving to deliver **attractive returns with volatility levels similar to or below a typical 70% equity / 30% fixed income portfolio**<sup>7</sup>.

### 30-day volatility (% p.a.)



<sup>6</sup> Source: BlackRock as of end September 2019. Subject to change. For illustrative purposes only. BGF Dynamic High Income was launched on 6 February 2018. The allocations shown previous to this date are not representative of actual allocations of BGF Dynamic High Income and are based on the US'40 Act Dynamic High Income Fund for the purpose of presenting a longer track record. The US'40 Act Dynamic High Income Fund is managed by the same investment team as BGF Dynamic High Income Fund and under the same investment objective. \*Mortgage-backed securities consist of primarily non-agency mortgages and commercial mortgages. Agency mortgage are also included although the exposure has historically been de minimis.

<sup>7</sup> Source: BlackRock and Morningstar, as of end September 2019. 30-day volatility is based on daily performance returns of the Dynamic High Income Strategy and annualised. Risk Reference Benchmark represents 70% MSCI World/30% Bloomberg Barclays US Aggregate Index. Index returns are for illustrative purposes only. Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index.

# Why BlackRock for Dynamic High Income?



## Partner

### Clients come first

It's why we have built a family of multi-asset income strategies to give you the breadth of solutions you need to meet your specific needs.



## Expertise

### Over 200 multi-asset income experts<sup>8</sup>

BlackRock is a global leader in income investing. Our dedicated Multi-Asset Income team is responsible for over \$32bn in assets under management globally<sup>8</sup>. They leverage BlackRock's global expertise with over 15 customised asset class exposures and dedicated risk management oversight to identify the most attractive income opportunities around the world for investors.



## Insights

### 24/7 Access to unrivalled insights

As the world's biggest investment manager, our multi-asset resources extend across the entire firm. We can draw on insights across asset classes and industry-leading capabilities to manage risk.

## BGF Dynamic High Income Fund

### Expand your sources of consistent, high income

This fund seeks to deliver:



**High income and attractive return** through dynamically allocating to complementary income sources



**Diversification** into **complementary** income sources of higher yield with **low correlation** to traditional asset classes



Focus on balancing consistent, high income and attractive total return in a **risk controlled manner**

<sup>8</sup> Source: BlackRock, as at end September 2019. Subject to change.

# Fund Managers



**Michael  
Fredericks**



**Alex  
Shingler**



**Justin  
Christofel**

Accumulating/Distributing	Share classes	Bloomberg ticker	Launch date
<b>Accumulating Share Classes</b>	A2 USD	BGDHA2U	6/2/18
	A2 SGD-Hedged	BHDA2SH	6/2/18
	A2 CHF-Hedged	BGDA2CH	18/4/19
<b>Monthly Distributing Share Classes</b>	A6 USD	BGDHA6U	6/2/18
	A6 CAD-Hedged	BGDA6CH	9/5/18
	A6 EUR-Hedged	BGDA6EH	6/2/18
	A6 GBP-Hedged	BGDA6GH	6/2/18
	A6 HKD-Hedged	BDHA6HH	6/2/18
	A6 SGD-Hedged	BDHA6SH	6/2/18
	A8 AUD-Hedged	BDHA8AH	6/2/18
	A8 CNH-Hedged	BGDA8CH	6/2/18
	A8 NZD-Hedged	BGDA8NH	6/2/18
<b>Fund size<sup>9</sup></b>	USD 3,157M		
<b>Average credit rating<sup>9</sup></b>	BB-		
<b>Annual management fee</b>	1.5 % per annum		
<b>Inception date</b>	6 February 2018		
<b>Portfolio duration<sup>9</sup></b>	2.72 years		
<b>Sales charge</b>	Up to 5%		
<b>No. of Holdings<sup>9</sup></b>	1200+		

<sup>9</sup> Source: BlackRock, as at end September 2019.

## Want to know more?

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