J. Safra Sarasin

High yield's Evolution From "Junk" to "Sustainability"

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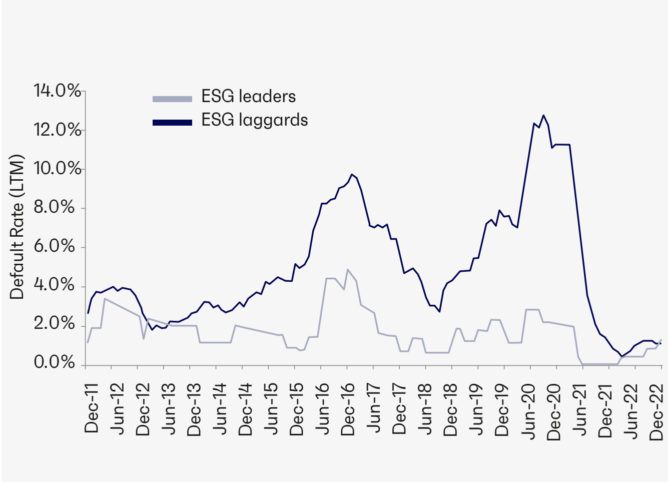
High yield bonds are also commonly known as "junk" bonds. But this term misrepresents a market that has evolved significantly since its early days. Today, many of these "junk" bonds are issued by high quality companies with robust business models and sound financial management.

In the next phase of high yield's evolution, sustainability will play a key role. Combining sustainability with high yield investing helps to mitigate risks (e.g. environmental, reputational and governance) that are typically underestimated. Therefore, it is not surprising that high yield ESG leaders have defaulted less frequently than laggards.

Our ESG research also provides insights that help to identify companies with a more sustainable growth path and stronger governance. Integrating sustainability with fundamental credit analysis results in an effective and powerful risk mitigation and credit selection tool.

Sustainable issuers have defaulted less frequently than the rest of the market



Source: Bloomberg, BofA ML, Bank J. Safra Sarasin Ltd. own calculations. All data as of 31.12.2022. Past default rates do not provide a reliable indication of current or future default rates. ESG leaders refers to issuers rated JSS ESG A, according to our ESG investing approach. ESG laggards refers to the rest of the investment universe, using the ICE BofA US HY index as a proxy.

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