Period ending March 25, 2020

Performance (%)	1 Week	MTD	YTD
SHGF-SDHY USD A Cap (net)	-2.55	-10.70	-11.40
ICE BofA US HY Index	-2.60	-17.05	-18.33
Relative Capture	*98%*	*63%*	*62%*

Key Characteristics	YTW	MTD Δ	YTD Δ	DTW	MTD Δ	YTD Δ	OAS	MTD Δ	YTD Δ
SHGF-SDHY	9.84	5.29	6.33	2.98	1.06	1.77	938	606	754
ICE BofA US HY Index	10.74	4.55	5.37	4.38	0.92	1.44	1014	511	655

Performance Commentary MTD

The market was up strongly for the second day in a row, which has been a rare occurrence the past month. Top ETF holdings and the largest most liquid issues were in most demand, but strength was seen throughout most of the market. Without a need to trade, we were content to allow the recovery to continue across our holdings.

Prior Commentary (Note we eliminated the prior week of daily commentary. Please refer to prior versions for daily recap since the inception of this report.)

Talk of a bipartisan stimulus package and more details around Fed support took the market higher, with ETF buying leading the way. The Fund was able to outperform the comparative index on the up day. We took advantage of strength to raise cash. We generally sold higher-quality bonds with high dollar prices and below portfolio yields as we continue to preserve upside potential in this highly dislocated market.

SHGF-SDHY: Sector				US High Yield Index: Sector			
MTD	Average Weight (%)	Total Return (%)	Contribution to Return (%)	MTD	Average Weight (%)	Total Return (%)	Contribution to Return (%)
Banking	0.5	-6.41	-0.02	**Utility**	2.6	-9.88	-0.25
Telecom	8.4	-6.76	-0.51	**Technology**	5.3	-10.56	-0.55
Transportation	3.0	-8.08	-0.23	**Media**	10.7	-11.35	-1.18
Energy	1.1	-19.28	-0.19	**Energy**	10.0	-38.08	-4.22
Leisure	5.1	-18.96	-0.97	**Leisure**	5.0	-23.96	-1.23
Real Estate	3.5	-15.94	-0.58	**Real Estate**	1.7	-19.21	-0.34

For the month, the Fund continues to outperform the overall high yield market, with minimal weight going into the crisis in the worst-performing Energy sector. We took risk elsewhere trying to take advantage of the previously strong US economy, which led to a market weight in Leisure, though our shorter duration and credit selection has led to less negative returns. Transportation has been impacted by small weights in airlines, which we believe have sufficient liquidity and could be recipients of government loans to help alleviate pressure from a significant fallout of business. Our weight is also supported by a significant holding being largely related to a marine infrastructure service provider that we believe is unimpaired by the current shutdown of economic activity, which helps to explain why it remains one of our least negative-performing sectors.

SHGF-SDHY: Rating			
MTD	Average Weight (%)	Total Return (%)	Contribution to Return (%)
BBB	2.0	-6.43	-0.12
BB	39.3	-10.72	-4.17
B	46.2	-12.32	-5.70
CCC	6.1	-12.86	-0.78
Non Rated	0.9	-14.49	-0.14
Cash	5.5	0.03	0.00
FactSet Return USD – Gross of Fees	**100.0**	**-10.91**	**-10.91**

US High Yield Index: Rating			
MTD	Average Weight (%)	Total Return (%)	Contribution to Return (%)
BBB	0.0	0.0	0.0
BB	51.8	-14.8	-7.6
B	37.1	-17.9	-6.7
CCC	11.1	-25.2	-2.8
Total	**100.0**	**-17.04**	**-17.04**

Our purchases were originally biased towards up-in-quality but are gradually shifting to more opportunistic purchases of higher-yielding bonds of issuers that we have stress-tested liquidity for weak near-term operating results and any longer-term consequences of the contagion. We are also assessing opportunities in the IG market given the potential for QE and the generally greater liquidity of larger investment grade rated issuers.

SHGF-SDHY: Risk			
MTD	Average Weight (%)	Total Return (%)	Contribution to Return (%)
Maturities within 3 years	32.5	-8.84	-2.79
Shortest duration (<1)	8.3	-8.61	-0.68
Intermediate duration (1-2)	15.4	-9.55	-1.46
Longer duration (2-3)	17.4	-13.73	-2.40
Extended duration (>3)	19.3	-16.35	-3.27
Speculative (9+ YTW)	1.3	-19.85	-0.25
New Issue & Exchanged	0.4	-13.16	-0.05
Cash	5.5	0.03	0.00
FactSet Return USD - Gross of Fees	**100.00**	**-10.91**	**-10.91**

US High Yield Index: Risk			
MTD	Average Weight (%)	Total Return (%)	Contribution to Return (%)
More Speculative (ex-energy)	10.4	-23.65	-2.46
Speculative Energy	4.0	-52.46	-2.10
Intermediate Risk	6.7	-24.57	-1.65
Interest Rate Sensitive	42.3	-15.59	-6.59
Short Duration	36.6	-11.59	-4.25
Total	**100.00**	**-17.04**	**-17.04**

Within short duration, market returns have been generally well-ordered as a somewhat longer duration has led to more outsized negative returns, though still less negative than the high yield market. We entered this period defensively positioned, and while we have experienced duration extension, we are most focused on the best risk-adjusted opportunities, which are typically in bonds maturing in 5 years or less and trading with durations of less than 3.0.

Forward Outlook

As we have tried to broadcast in our weekly briefings, we are not calling a bottom, but we are increasingly optimistic about high yield valuations at this point. In addition, we believe the Federal Reserve's most recent actions and our expectation that Congress will eventually pass a large fiscal stimulus bill will help to stabilize markets.

The Fund continues to exhibit a capture rate versus the broad high yield market that is in line with its historical average while maintaining the favorable income-to-duration ratio relative to the High Yield Index. Our central scenario has not changed. We expect rising default risk in the energy, leisure and potentially the transportation sectors despite an eventual stabilization of coronavirus-related impact to demand in the second half of the year. US fiscal stimulus appears to be increasingly targeted and is well received although the reality of "shelter in place" orders and homeschooling for kindergarten through college is starting to be deeply felt across the globe. We also see the risk of fallen angels entering the high yield market in sectors that have protracted earnings headwinds. The offset to this potential supply is that we believe higher-rated companies are likely to be aggressive buyers of their near-term maturities in the open market, repeating behavior we saw during the global financial crisis. While we acknowledge strong relative performance during this period of volatility, we are mindful that "pensioners cannot eat relative returns" when those relative returns are negative. As a result, we are highly focused on preservation of principal and creating a sustainable income stream that rewards our investors for their risk-taking.

We believe in the resilience of the people that are behind markets and economies and we are ourselves optimistic by nature. That said, the reality of the moment is without precedent and we will continue to be as transparent around risks and opportunities as possible as we move deliberately forward investing on behalf of our clients around the globe.