



# High Yield Bond Strategy

An actively managed strategy that seeks to maximize returns while minimizing downside risk using high yield bond investment products to achieve these goals. Focuses on intermediate to longer term trends.

## Investment Philosophy

The High Yield Bond Strategy strives to invest in lower grade, higher yielding bond products during bullish RISING market periods, while avoiding exposure during bearish DECLINING markets. The goal of this strategy is to maintain exposure to the high yield market during favorable market conditions. The primary focus is on the intermediate to longer-term trends. Once invested, various proprietary disciplines are monitored that detect potential shifts to negative market environments. There may be periods when the strategy is 100% invested in cash.

## High Yield Performance Comparison

|                                   | As of 12/31/2021 |          | Annualized |        |         |            |
|-----------------------------------|------------------|----------|------------|--------|---------|------------|
|                                   | Quarter          | 12 Month | 3 Year     | 5 Year | 10 Year | Inception* |
| High Yield Bond Strategy          | -0.85%           | -0.62%   | 4.95%      | 3.47%  | 3.84%   | 9.68%      |
| High Yield Benchmark <sup>1</sup> | 0.70%            | 4.51%    | 8.45%      | 5.83%  | 6.30%   | 6.95%      |

\*Inception date of strategy: 12/31/1989

**How long has this strategy existed?**

**32 Years**

**Who is best suited for this strategy?**

**Risk-Averse Investors  
Long-Term Investors**

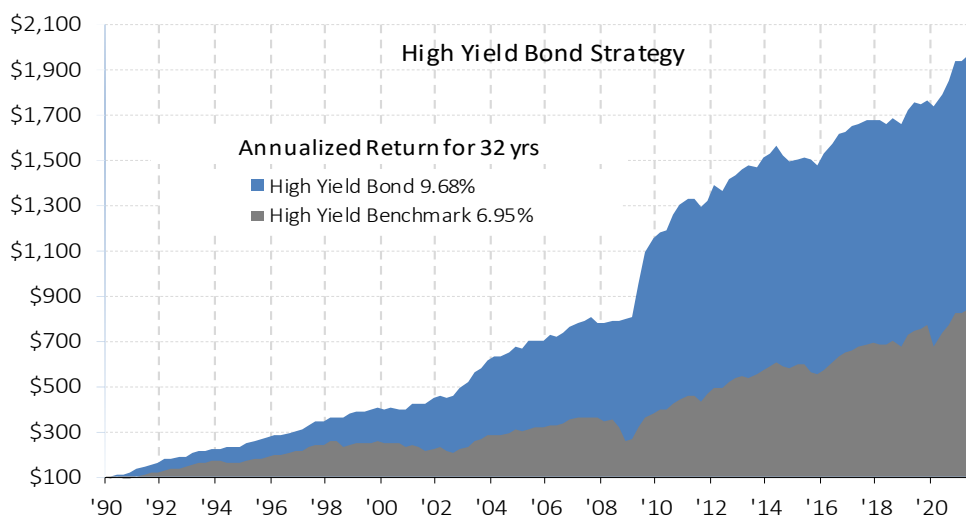
**Largest Historical Drawdown:**

**-4.1% (June—December 2014)**

**Benchmark:**

**High Yield Benchmark<sup>1</sup>**

” **The High Yield Bond Strategy has over 31 + years of actual performance history. Spectrum’s active management history shows steady, low volatile returns.**



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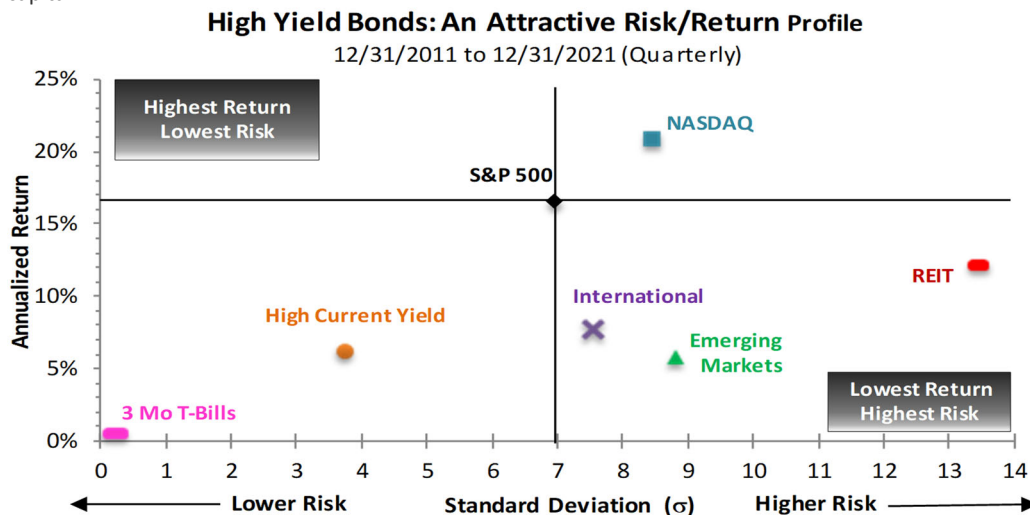
<sup>1</sup>The High Yield Benchmark (Blend) uses the Bloomberg US High Yield Very Liquid Index from present back to 12/31/2010, then Lipper High Current Yield (provided by Lipper) back to 12/31/1989. Bloomberg US High Yield Very Liquid Index: This benchmark includes publicly issued U.S. dollar denominated non-investment grade, fixed-rate taxable corporate bonds that have a remaining maturity of at least one year, regardless of optionality. The bonds are rated high yield (Ba1/BB+/BB+ or below) using the middle rating of Moodys, S&P, and Fitch, respectively (before July 1, 2005, the lower of Moodys and S&P was used). Included issues consist of only the three largest bonds from each issuer that has a minimum amount outstanding of \$500 million or more (face value) and less than five years from issue date.

### Disclosure for High Yield Bond Strategy

The management fee for the High Yield Strategy is .48% per quarter beginning 12/31/10 to present, prior .50% and is reflected in the calculated performance. Performance numbers were selected from 1-3 client accounts assuming no purchases or withdrawals were made during the period and may have been obtained from personal or related accounts. In some instances, there may be only one account representing a custodian or accounts may be used that have purchases and/or withdrawals during the period. Performance for some individual accounts may vary somewhat due to fund restrictions and/or limitations imposed by the mutual fund family or life insurance company. Initial sales loads are not considered. Dividends are assumed to be reinvested. Past performance does not guarantee future results. Market and/or economic fluctuations may affect performance.

## Why Actively Managed High Yield Bonds?

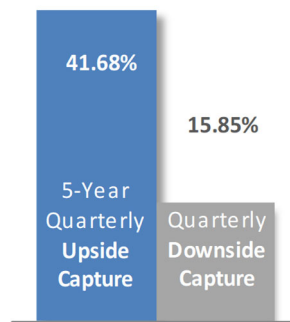
High yield bonds are fixed income instruments that hold a lower credit rating than investment grade bonds, but pay a higher yield. Comparing them to other asset classes, high yield bonds offer an attractive return with typically less volatility than a traditional portfolio of buy and hold equities (see chart below). By actively managing this asset class, Spectrum strives to maximize growth of principal while preserving capital.



## Upside & Downside Capture

The graph to the right illustrates how much upside and downside the High Yield Bond Strategy captures of its comparable benchmark on a quarterly basis. The Upside Capture only takes the quarters where the benchmark made a positive return (or money) and shows how much of the strategy captured that return. The Downside Capture takes the quarters where the benchmark lost money, and shows how much of the strategy captured the negative return. If a downside capture percentage is negative, this means the strategy actually did the opposite and made money when the benchmark lost money.

## Five Year Quarterly Capture High Yield Bond Strategy vs Barclays VLI High Yield Index



## General Disclosure

Index returns are for illustrative purposes only and do not represent actual performance of an account or reflect management fees, transaction costs, or expenses, the incurrence of which would have the effect of decreasing indicated historical performance results. Past performance may not be indicative of future results. All investments have the potential for loss as well as gain. Information pertaining to Spectrum Financial's advisory operations, services, and fees is set forth in Spectrum's current ADV Part 2 Firm Brochure statement, a copy of which is available upon request. Information pertaining to any mutual fund that is a current component of a Spectrum Financial client portfolio is set forth in each respective mutual fund's prospectus, copies of which are available directly from the mutual fund company.

**Bloomberg US High Yield Very Liquid TR Index:** This benchmark includes publicly issued U.S. dollar-denominated non-investment grade, fixed-rate taxable corporate bonds that have a remaining maturity of at least one year, regardless of optionality. The bonds are rated high yield (Ba1/BB+/BB+ or below) using the middle rating of Moody's, S&P, and Fitch, respectively (before July 1, 2005, the lower of Moody's and S&P was used). Included issues consist of only the three largest bonds from each issuer that has a minimum amount outstanding of \$500 million or more (face value) and less than five years from issue date. **NASDAQ Composite TR Index** is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market, and Capital Market. **S&P 500 TR Index** is a capitalization weighted index of 500 stocks representing all major domestic industry groups and assumes the reinvestment of dividends and capital gains. It is not possible to directly invest in any index. **The MSCI World ex USA Index** captures large and mid-cap representation across 22 of 23 Developed Markets (DM) countries--excluding the United States. With 1,019 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. **MSCI Emerging Markets Index** is a capitalization weighted index that is designed to measure the equity market performance of emerging markets. **Commodity Research Bureau BLS/US Spot All Commodity Index** is a measure of price movements of 22 sensitive basic commodities whose markets are presumed to be among the first to be influenced by changes in economic conditions. **Dow Jones Equity REIT Total Return Index** is comprised of REITs that directly own all or part of the properties in their portfolios. Dividend payouts have been added to the price changes. **US Generic Government 3 Month Yield Index** rates are comprised of Generic United States on-the-run government bill/note/bond indices. These yields are based on the ask side of the market and are updated intraday. The curve is comprised of US dollar denominated US Treasury active securities. The 1 month, 3 month, 6 month and 1 year maturities are the most recently auctioned 4 week, 8 week, 13 week, 26 week and 1 year US Treasury bills. The 2 year, 3 year, 5 year, 7 year and the 10 year maturities are the most recently auctioned US Treasury notes. The 30 Year maturity is the most recently auctioned 20 year US Treasury bond. The curve is updated on each auction day with an effective data of the next market day.

## Investment Philosophy:

**Growth of Principal**  
**Capital Preservation**  
**Steady Return, Low Volatility**

## How often does this strategy trade?

4-6 Times per Year

## What is the minimum investment?

\$50,000.00

## Management Fees<sup>2</sup>:

0.48% quarterly based on assets under management. Custodial charges and fees assessed directly by the mutual funds or other portfolio holdings are disclosed in the investment companies' prospectuses.

<sup>2</sup>Spectrum pays up to 50% of the annual fee to the client's Financial Adviser if that individual initiates the relationship with Spectrum Financial.

## Available Platforms:

Ceros Brokerage  
Schwab Brokerage  
Envestnet

## Risk Level: 2

Each Spectrum strategy is risk rated on a scale of 1 to 5, where 1 represents little risk, such as investing in money funds, and 5 represents the risk comparable to investing in a buy and hold, aggressive growth strategy.

## How To Invest:

Call Us at 888-463-7600