

# Floating-Rate Loan Strategy



## Strategy Review

*(as of Dec 31, 2021)*

## Investment Overview

This strategy provides 'intelligent exposure' to the floating-rate loan market, thoughtfully diversifying while assuming a higher-quality bias that seeks lower volatility and better risk-adjusted performance over time.

- Target excess return: 25-75 basis points.
- Target tracking error range: 100-200 basis points.
- We aim to maximise risk-adjusted performance through fundamental credit research and risk-weighted portfolio optimisation.
- Loans are analysed through Eaton Vance's proprietary credit research process, and position sizes are guided by credit analyst risk rankings.
- We take less input risk by skewing weightings away from higher credit risk issuers.
- We have experienced less output risk, resulting in lower absolute and relative volatility.
- Eaton Vance is a leader in floating-rate loans, with one of the longest track records and longest-tenure teams, and largest AUM.\*

\*eVestment Alliance/Morningstar, 12/31/2020 Based on combined eVestment Alliance Floating-Rate Bank Loan Fixed Income universe and Morningstar Bank Loan category using AUM and oldest investment offering for each firm.

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## Portfolio Construction

- Analysts assign relative risk rankings to each loan
- Number of loans is approximately equal weighted by risk quintile
- Market value incrementally skewed towards lower risk
- Initial position size ranges from 0.1% to 1.5% as determined by risk rank
- Portfolio is perpetually optimised for risk and return

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## Investment Team



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Co-director of floating-rate loans,  
portfolio manager

33 years of industry  
experience  
22 years with Eaton Vance

B.A., Middlebury College



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25 years of industry  
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John Redding  
Portfolio manager

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22 years with Eaton Vance

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Ralph Hinckley, CFA  
Portfolio manager, senior research  
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22 years of industry  
experience  
16 years with Eaton Vance

BA, Bates College  
MBA, Boston University  
Graduate School of  
Management

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## Benchmark

- S&P/LSTA Leveraged Loan Index
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