

## Press Release

### Solactive partners with FIIG to launch Australia's first domestic sub-investment grade bond index

11 November 2019

**The Solactive FIIG Australian High Yield and Non-Rated Bond TR Index is the first index to exclusively cover High Yield and Non-Rated Bonds in Australia and allows investors to assess the performance of the AUD high yield bond market. Its first-of-its-kind design provides individual and corporate investors, and financial advisers a solid foundation to make prudent investment decisions while functioning as a leading benchmark for AUD-denominated high yield bonds.**

The index, which launched on 1 August 2019 with data starting as far back as 2012, was developed as a joint collaboration between the German Index provider **Solactive** and **Australia's largest fixed income specialist, FIIG Securities (FIIG)**. It is engineered to mirror the performance of the **AUD-denominated Australian corporate bonds rated high yield or not rated universe**.

According to a recent study published by Deloitte\*, Australia's hunger for corporate bonds rose by more than 40% between 2010 and 2018. Still, only 16% of high net worth individuals in Australia directly own corporate bonds. The research shows that older Australians allocate more than a third (34 percent) of their investment portfolio to shares, an obsession attributable to a historical lack of awareness among Australians of other investment options available.

In Australia, corporate bonds do not receive nearly as much attention as an investment option and fly under the radar of most investors – yet Vanguard\*\* research shows that Australian bonds have returned 8.3% pa over a 30 year period from 1 July 1987 to 30 June 2019, compared to 8.6% for Australian equities and 6.9% for international equities and are a lot less volatile than equities.

Since inception in December 2012, the **Solactive FIIG Australian High Yield and Non-Rated Bond TR Index** have generated a cumulative return of 58.2% to 31 July 2019 or a compound annual return of 7.20% over the same period. Currently, the Index contains 49 bonds issued by 36 issuers. NextDC, Downer, Crown Resorts, Australian Unity and Virgin are the top 5 issuers by outstanding volume and make up 58% of the index.

With the Australian corporate bond market having grown by more than 40% since 2010, currently reaching over \$1 trillion of Australian corporate bonds outstanding (this is more than two-thirds the size of the Australian stock market), more Australian investors are now looking to bonds to deliver reliable returns and protect their portfolio in ways that

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shares and property cannot. Besides, fund managers are turning their attention to corporate bond investments as the banks become increasingly more disintermediated in Australia.

Timo Pfeiffer, Chief Markets Officer at Solactive, comments: *"The Australian corporate bond market is around 70% the size of the listed share market (ASX). Despite the sheer size and growth opportunities, High Yield bonds rarely are on investors' radars. Our new **Solactive FIIG Australian High Yield and Non-Rated Bond TR Index** are specifically designed for benchmarking purposes to facilitate investors' decision-making processes around high yield bonds and drive awareness for this publicly less recognized asset class. We are proud to have worked in this first project with Australia's leading Fixed Income experts, whose forward-thinking and client-focused spirit has been a perfect match for Solactive and has brought us together in the development of an index that will bring high yield bonds into an investor's radar."*

Jon Sheridan, Chief Investment Strategist at FIIG, comments: *"The new Solactive FIIG High Yield Index will allow investors to have clarity over the performance of a significant part of the fixed income asset class that historically has not been available to them. As such, it should broaden market participation in line with FIIG's long-held strategic goal of opening up all parts of the bond markets to Australian investors."*

For further information, please visit [www.solactive.com](http://www.solactive.com)

\* Source: [fiig.com.au/pages/corporate-bond-report](http://fiig.com.au/pages/corporate-bond-report)

\*\* Source: Vanguard, as at 30 June 2019

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## Note to editors

### About Solactive

Solactive AG is an innovative index provider that focuses on the development, calculation and distribution of tailor-made indices across all asset classes. As at January 2019, Solactive AG served approximately 400 clients in Europe, America and Asia, with approximately USD 200 billion invested in products linked to indices calculated by the company globally, primarily via 380 exchange-traded funds from a number of well-known providers. Solactive AG was established in 2007 and is headquartered in Frankfurt.

### About FIIG Securities

FIIG Securities Limited, which is licensed by the Australian Securities & Investments Commission (ASIC), is Australia's largest specialist fixed-income house.

FIIG has more than \$8 billion in assets under advice in its short-term money market, bonds and custody business. The company has offices in Sydney, Melbourne, Brisbane and Perth. For more information about FIIG Securities please visit <http://www.fiig.com.au>

### Disclaimer

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