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Carret Likes Non-Energy Junk Bonds for 2016

By Amey Stone

One of the more interesting plays for 2016 in **Carret Asset Management**'s January fixed-income report is a move into high yield bonds outside of the energy sector.

Portfolio managers **Jason Graybill and Neil Klein** explain:

We believe the underperformance of the HY market will create opportunities in 2016. Energy bonds are yielding on average 16.0%+. Non-energy bonds are yielding 7.5%+ up from 5.0% just twelve months ago, creating attractive values within the non-energy HY universe. We are active in this space as our energy holdings have been reduced to 2.6% in our Opportunity Strategy and 1.7% in our Leveraged Opportunity Strategy.

Graybill and Klein are keeping mostly to the upper quality tiers of junk bonds (including some just on the cusp of junk bond status at BBB-). They write:

We are presently focusing on investments within the BBB- to BB- space of the bond market. As a point of differentiation, the Third Avenue fund had 89%+ of its assets invested in bonds rated lower than B, we have just 5% invested below B.

Two names it owns in those lower rungs of the junk bond ratings ladder are **JC Penney** (JCP) and **Cablevision** (CVC) bonds.