LORD ABBETT

PODCAST TRANSCRIPT
THE INVESTMENT CONVERSATION

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Multi-Sector Fixed Income: How Sector Depth Creates an Edge

In this episode, Lord Abbett Portfolio Managers Adam Castle and Christopher Gizzo explain how sector depth and cross-market analysis inform issuer selection, with the AI infrastructure buildout a key example of how the multi-sector framework comes together.



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KEY TAKEAWAYS

- The multi-sector platform brings specialized sector teams and lead portfolio managers together within a framework designed to surface opportunities, challenge assumptions, and inform investment decisions across the fixed-income universe.
- Comparing developments across high yield, bank loans, investment grade, securitized credit, and other markets provides a broader view that helps teams assess relative value, uncover opportunities, and avoid potential blind spots.
- The AI infrastructure buildout is drawing capital from corporate, securitized, private credit, and other markets, requiring investors to evaluate similar underlying risks across different financing structures. The Data Center Investment Council brings together specialists from across fixed income, equities, and private credit to assess changing structures, pricing, and risks as the market develops.

Collin Crotty: Welcome back to the Investment Conversation. I'm your host, Collin Crotty, high-quality fixed income product manager at Lord Abbett. Today we're going to continue our multi-sector investing series with two of our sector team leads, Chris Gizzo, partner and deputy director of leveraged credit, and Adam Castle, partner and head of securitized credit.

We're going to discuss how our network of specialized sector teams evaluates individual security risk, works to identify themes across industries and structures, and how data center financing provides a real-time example of the model in action. Chris, Adam, welcome to the program.

Christopher Gizzo: Thanks, Collin.

Adam Castle: Thank you, Collin.

Crotty: Let's get right into it. Adam, it was said on a previous episode that multi-sector [portfolio managers] PMs are always broad and sometimes deep. Sector PMs are always deep and sometimes broad. Talk to me about that division of labor. What decisions are made exclusively by sector teams and what other ones are made in concert with the sector and multi-sector teams?

Castle: Yeah. That's an absolutely great question, Collin. I think we are unique in our approach. We have portfolio management layers at our firm that exist at the multi-sector level and at the sector level, as well as analysts that are specialized in particular areas of the bond market and focused on research and fundamental research regarding areas related to corporate and securitized credit, emerging markets, and interest rates and so on. The unique layer that we have at our firm is that sector portfolio manager that can actually be both involved at the niche level but also think about principal investing and understand that there's more to the sector than the credit analysis.

There's also the pricing at which one can enter or exit the trade. There's volatility and impact on portfolio construction. And so, sector portfolio managers help bridge that gap between the analyst, which is generally going to be very bottom-up, and a multi-sector PM, which as you described is required to think about a very broad range of risk factors.

There are going to be areas where we're in a secular environment that might be relatively stable. And in those environments, I think a sector PM might be more bottom-up, sort of steady as she goes with the economy and maybe our risk posture. But then there are going to be moments where the plates are shifting, where there are things that are happening that if you are in the weeds, you might not notice. And it's sort of a two-way responsibility that sector PMs if they're seeing something in their area that may have impacts or sort of re-racking of their markets, that they have to express that higher up and elevate that. And also, multi-sector PMs might have a view about a sector that the sector team might not be thinking about front of mind if they're kind of down at the line-item level.

So, when those plates are shifting or when you're about to maybe go through a possible allocation change due to strategic reasons, that is where I think everyone is sort of playing a little bit of the other person's job. The sector PM has to understand the multi-sector implications at play, and the multi-sector PM needs to understand "I have this theme in mind, but am I expressing it properly? There might be pretty significant nuances at the sector level, which either agree or disagree with the theme I'm thinking about."

Crotty: And that's a good segue, Chris, because when you think about it, when does a sector portfolio manager or sector team challenge an assumption or something that may be part of the broad multi-sector framework? And how does that kind of conflict resolution work?

Gizzo: So, one of the most common ways Castle actually touched on is when there's a little bit of a disconnect between the multi-sector PM and what they're trying to express in the portfolio versus what the actual nuance is at a sector level.

And many times, it has to do with some changes that just recently happened or that have been happening over time at the sector level. Just one example, I mean, the great one over the past couple of years that I'm a sector head for in high yield and talking to some of the other multi-sector PMs in the department, if you want to express a view that growth is highly resilient in the U.S., we're supposed to be reaching for credit risk. But valuation is always a part of the process here. Many of the multi-sector PMs might look at something like the high yield asset class, which you normally would go to in order to reach for carry and express that view that growth is going to be very solid, but they also look at spreads that are historically tight. That's where the more nuanced view comes in from the sector head in saying, "Well, actually, if you dig beneath the surface in high yield you see that there are plenty of reasons just compositionally why the asset class should be very tight compared to what the 20-year history is." And we have communicated this for a couple of years to clients, but the asset class just happens to be at its highest credit quality point. It's shorter than it ever has been historically. The dollar price is low, so you have a lot of convexity left, and also high yield bonds are taken out early.

So, the important thing though is that the communication is flowing in both directions. If the multi-sector PM doesn't say why they're trying to express a certain view in the portfolio, then the sector head might not push back and give what that nuanced view is. So, the communication flowing freely at all times in both directions is an extremely important part of this.

Crotty: When you think about it, these spreads are tight and have been tight for quite some time, as you just alluded to, but there's quite a bit of dispersion underneath the surface, right? It's a lot of sectors and a lot of industries that are behaving very differently, so that's also got to be part of the

equation as well, right?

Gizzo: Right. And so, we might also have some multi-sector PMs that will fully embrace that fact—the nuanced view from the sector heads—and say, "Okay, I just want to go all the way into high yield. I have this extremely strong view that growth is going to be great. I want to reach all the way down in credit quality. I understand that beneath the surface, you could actually pick up a decent amount of spread if you go all the way down in [CCC-rated] triple-Cs and into distressed." And then you get a little bit of pushback from the sector head with an even more nuanced view that if you are in an extremely high nominal growth environment that is going to put a lot of upward pressure on rates, and that's actually a bad thing for the lowest credit quality names and for distressed. So, we have to pump the brakes a little bit and say, we're 100% on board with going down and reaching for carry and performing [B-rated] single-Bs and performing [CCC-rated] triple-Cs. There is a point where you want to stop and that actually has played out over the past couple of years.

We've had this great environment overall for taking credit risk and for high yield, but distressed has lagged considerably for the past year and a half, and we think that that has everything to do with that higher-for-longer rate environment that makes it very difficult for the worst capital structures to resolve.

Crotty: Right. But that's also the one thing that everyone could agree on for the last number of years is that spreads were extremely tight and there was no opportunity in high yield. If you look at the last, I think this is the third year in a row where high yield has been one of, if not the, best-performing fixed income sectors overall. So that kind of speaks to your point around just under the surface there can be a lot of opportunities despite the headline number.

Gizzo: Right. And it's been a strong asset class despite that little part of it, the distressed part actually underperforming all other asset classes in a large way. But the asset class as a whole still agrees even at these valuations with that view that we have resilient growth.

Crotty: I see. So, Adam, back to you just for a second. Just at a high level, when you think about it, how does working in this multi-sector framework make you a better sector investor? And Chris, I'm going to come to you right after, so we get your take.

Castle: Yeah. I mean, it is an incredibly powerful thing if you are paying attention, and we have designed a system where paying attention is very straightforward. We have DNA of multi-sector communication, of speaking across sectors, and it is an enormous [potential] advantage. There are a few ways to explore that. One, of course, very simply is the fact that not all of these asset classes are perfectly correlated. So, the fixed income market is comprised of certain major pillars, of course high yield and investment-grade corporate credit, agency and government-type securities, emerging markets, developed markets, corporate, and then you have large assets, large aspects of the securitized credit and agency mortgage market.

None of these asset classes trade 100% in sync with one another. But all of them contain some degree of common risk factors and some degree of idiosyncratic risk factors or sector-specific factors. And understanding how they trade or relate to one another and consistently comparing one versus the other in terms of cost-benefit and rotating the portfolio right, there in and of itself is a way for us to [potentially] improve Sharpe ratio, information ratio, reduce volatility, while maximizing the carry-adjusted return for our clients.

But I'd say it even goes a layer deeper than when we think about high-level or quantitative or correlation-type approaches. From a bottom-up point of view, it's very important to stay coordinated as well. Markets are absolutely maturing post-financial crisis [global financial crisis of 2008–2009]. If you think about it, it's now 18 years in the rearview mirror and it's been a steady sort of rebound ever since. Private credit, of course, is growing, leveraged credit growing with the advent of private direct lending, starting very small-cap [capitalization] and moving into even middle- and larger-cap private direct lending.

Of course, the high yield and investment-grade markets have grown. The securitized markets have grown. And the users of these markets have grown, and they will sometimes seek to arbitrage one market from the other. So, bank loan issuers used to be more loan only. They are now more common. You see loan and high yield as part of one capital structure. You see companies that are considering issuing bank debt, corporate debt, or potentially securitizing assets into the [asset-backed security] ABS market. There are commercial real estate sponsors that are considering borrowing via a commercial mortgage and securitizing that versus pledging cash flows of a real estate asset and utilizing ABS constructs or even corporate constructs with company guarantees. So, these markets are being [arbitraged] arb'd against each other. If you're the treasurer of a company, it's your responsibility to get the cheapest cost of capital. It's our responsibility to do the inverse of that, to get the best risk-adjusted return. And if we are not speaking with each other about the various structural developments going on, then we are more likely to get picked off and that is what we are looking to avoid and in fact looking to do the opposite of. We're looking to be a little bit faster than the rest of the market as we notice those things.

Crotty: Well, it's just amazing to think about that the [global financial crisis of 2008–2009] GFC was 18 years ago. It's amazing because it's one of those seminal moments that seems to be burned in everybody's brain, but the further away you get from it.

Gizzo: It's when both me and Castle started in the business both in 2008.

Crotty: Wow. Rough start.

Gizzo: That's right. Front row seat immediately.

Castle: Great vintage year.

Crotty: Talk about baptism by fire, right? If you can start and thrive in that environment, you can do it in any. Chris, what about you? Same question to you in terms of how the multi-sector framework makes you a better high yield and leveraged credit investor.

Gizzo: Yeah. Well, I love that Castle started off by just talking about paying attention, which is I'd boil our entire business just down to a couple things, just the ability to pay attention and also the ability to take risk. But the paying attention part is huge, and you want to have as broad a view as possible at all times.

So being within a true multi-sector department where we truly do not have any silos, which is something that we have been striving for for years as a really ingrained part of our culture, and it's extremely true. I am in the information loop of every other team at Lord Abbett on a daily basis. I'm in extremely close contact with the securitized team, which we have a lot of takeaways from that we bring back to high yield. Just one on the consumer side. For years, there's been an enormous fear, just as one example of the state of the low-end consumer, and we have plenty of that type of exposure in financial services and also in retail and consumer products in high yield. And if we just listen to the headlines and there's plenty of data that you could look at that shows that the low-end consumer is extremely strapped and is something to worry about, then we would have ended up selling some extremely attractive paper.

Instead, I talk to the securitized team, which just sits a couple of rows away from me, who highlights, "Well, if we're really digging into the data here, we don't really find that much reason to be concerned." And they've been telling us this for a while, and we're looking at all kinds of credit metrics at the highly detailed consumer level. And that's something that gives us the confidence to continue taking risks where it's really paying off.

Crotty: One theme that I'm hearing not only in this conversation when you talk about our assets across this firm is the whole idea of convergence. Market sectors are converging at virtually breakneck speed, and if there's a better example of that convergence than data centers, someone would have to flag it for me. I think that would be the quintessential convergence of all these things, which to me screams multi-sector process and multi-sector platform. So, Adam, when you think about it, when did data centers stop looking like an opportunity in a single market and start to be opportunities that literally became platform-wide, capital-markets-wide? I get there's a seminal moment, but when did you realize that this was something that was just bigger than corporate credit or real estate? When did those things start coming together much faster?

Castle: I would say that I realized it far later than most of the investment bankers advising these companies realized it. There's an enormous amount of capital required to effectuate the infrastructure build that we're talking about here. It is not something that can happen in one year or even five years. And it is something that is generally going to be pushed forward through private markets. When I say private markets, I don't mean private like not registered. I just mean not government-sponsored markets. Private capital, this country is a capitalist country. There are tons of opportunities for financial ingenuity and for pairing together the need for capital with capital that is looking for yield or some form of return. That has happened at very fast speed thanks to, I think, the depth and breadth of our financial system.

And it involves tapping all aspects. Of course, many of the companies doing the investment are considered hyperscalers. They are blue-chip companies with immense balance sheets, immense cash flow, enormous market [capitalizations] caps, [and] high credit ratings. That is an asset of theirs, so there's always a cost-benefit that they have to consider between levering up, issuing more equity, or utilizing more novel structures as a way to maximize. And really, it's all of the above that they're considering.

Now each asset class I think brings its own skill set or toolkit to bear. So, if you're a banker for [asset-backed securities] ABS and your tool is that you advise companies on how to utilize ABS structures to get financing, that's a different set of tools than a banker that's thinking about [merger & acquisition] M&A in the technology arena that might be considering more traditional forms of borrowing, equity, and debt capital and so on. And the same goes for investors. When I think about risk, unfortunately I think on a credit enhancement basis and Chris thinks on a leverage basis, and we try to figure out what we each mean. And it's communicating in that way. And I think what's happening right now is all of those markets are being utilized. And so that's just why we've had to come together. We've created a pretty unique structure here of a Data Center Investment Council. It features members of asset-backed securities, of commercial mortgage-backed securities, technology research, utilities research, multi-sector, and sector portfolio management, because there are all these different pieces that have to come together and the structures continue to evolve.

Gizzo: So that the [technology] tech analysts that we have on that council are actually from our high yield teams, our bank loan team, our investment-grade team, our equity team as well, and we also have representation from our private credit team. So, a really full, broad scope in terms of what we are looking at, which again is increasingly important if we're going to try to stay ahead of the curve on where this trade is going next.

I remember in April, we had a deal come to the investment-grade market for a data center that was already built, which was different. All the deals prior for the data center exposures that were coming to investment grade and high yield were basically construction loans. So, these are for data centers that have yet to be built, and here's a deal coming in investment grade in April about six months into the trend in corporate credit for a deal that it already built. Whereas prior, I think all those deals were going to the securitized space if they were already constructed. We asked this council that we have that has representation and insight in all asset classes, "Why is this deal coming to investment grade when it could have gone to securitized?" And the answer came back, "Well, the securitized market has been saturated with too many deals." And to us that was actually the first time that it caused us to realize that the technical headwinds for the data center trade were starting to become cumbersome and it caused us to pull back a little bit because of this information that we had simply from having an extremely large scope. And that's not something that you're going to get from the banks that are selling these deals to us. You have to have on-the-ground knowledge of what's actually going on across capital markets.

Crotty: Well, I've got to think there are some spirited debates in that Data Center Council meeting. Given all the different perspectives, I've got to think there are a lot of fun, interesting conversations that come out of that.

Castle: There's a variety of risk factors and it's kind of I would say, pick your poison is of course not a fair way of saying it, but there are different ways to get exposure. For example, you can, as Chris was describing in the securitized market, get exposure to what one would call a stabilized asset, meaning that it's been built, it's been leased up sometimes to a very high-credit tenant. And that lease might be longer than the actual bond itself, so seems pretty good. You have credit to some investment-grade corporate lessee, but ultimately you're collateralized by that building. And at (let's say) year five of the lease term, you're really going to have to refinance that commercial mortgage. And the market will then be questioning at year five, "What are the chances that this high-credit tenant is going to renew their lease? Are they already onto some better technology? Is there a different type of data center they're using today? How have things changed?"

So, you're taking kind of the terminal obsolescence/residual risk, but you don't have any issues on completion. It's a stabilized property. In certain corporate opportunities you are actually going to be paid out or paid off closer to the inception of the project itself, so you're not really thinking about obsolescence or what happens post-stabilization. You're actually taking the project risk of completion, chips getting installed, connecting to the utilities, and there are backstops perhaps by certain hyperscaler sponsors. And so, there's a bit of a read-through to their underlying credit ratings. So, each important point in the life cycle in each market brings with it its own pricing conventions and its own set of risk factors too. And certain projects just simply comport better from an efficiency point of view with different structure types.

Crotty: And to that point, if you think about or assume that a data center exposure can be sourced in a securitized market or in corporate credit, how do the teams determine what's the optimal risk-reward profile? Because I've got to think in many cases on the surface these look like great investments across the board, if you think about risk-adjusted yield and the total return potential for some of these. But when you really dig into it, when you assess kind of more or less the same investment at a high level, but it can be expressed across multiple markets, how does the team reconcile how to really source the best risk-adjusted return?

Castle: I think Chris and I both probably have some views here. I'll just start off by saying you first have to isolate what the risk is that you're taking. So sometimes you think you're buying a data center deal and you're getting exposure to technology, whether that's chips or the structure or the data center itself, when in fact, it's fully completely backstopped by a corporate entity.

And so, in that situation, you distill that down and it's pseudo-corporate risk. Then there are situations where there's a corporate that might be a guarantor on the lease but at the end of the day, if they vacate, you're left with an empty box. The key here is to distill down what are the major risks? And then compare those major risks to other ways of accessing that same type of risk. And if you can get paid more for taking what is effectually something very similar in terms of risk factor, you should do it.

There are certain cases where it's the opposite, where you isolate the risks and realize for this exact risk I can get paid better elsewhere. And that's where the team comes together, the Data Center Investment Council that we have, because they have that perspective to say, "Well, I don't know if you're aware but Microsoft unsecureds are 30 [basis points] BPS wider month over month. That's [AA-rated] double-A credit. Did you realize that? Maybe we should just look at that." So, there's a lot of different perspectives that have to come together.

Gizzo: Right. If we're looking at high yield, across the board just starting with that underlying risk and the comment that if you get comfortable with the underlying risk and if you think that all of the other risks aren't too high, then you could reach for yield. So that underlying risk is still for all these going to continue to be the [artificial intelligence] AI trade. It's the belief that compute demand is going to outstrip the supply of compute for a long time, which is currently the view that we have. Then if you start to reach for yield based on that long-term view of that risk that you want to get the exposure to, maybe that pushes you to currently one of the highest-yielding areas to get that is in

high yield and in bank loans.

A lot of these are construction-type risks, though, so we're looking at whether all the permitting and the power is actually locked. We're looking at the potential assignability of the lease, because you might have some potential guarantor that is extremely high-quality as a tenant, but you don't know if that's going to exist if they can assign that lease to someone else. But if you get comfortable with some of these big items that we're always looking for now when we're assessing a data center deal, then yes, we would gladly take 9% risk instead of going to the investment-grade market or going to the securitized market where the yield is significantly lower to express that view on that long-term belief that we have.

Crotty: When you think about the multi-sector process, one thing I would think we would probably try to prevent in a way is to ensure that the sector teams don't always conclude that their area is the best area to invest. How do you guard against that? Because I could see that in a less collaborative environment, I could see that being a real risk and a blind spot for some of the sectors. I'm curious how you reconcile that on a day-to-day basis.

Gizzo: That is the enormous benefit of making sure that none of the sector teams are siloed from the other ones, that all of the sector teams are in the information loop of every other team. It's an extremely difficult thing to do. We ask an enormous amount of our investors to make sure that their view is extremely broad, but that's what prevents that.

If you are narrowly focused on an asset class and again, I'll use the example of high yield, you have high yield spreads blow out by 200 basis points, we get extremely comfortable with the bottom-up risks, we think that the vast majority of bonds are going to pay off and [the] default rate is going to stay low. Then, yes, we're going to say that high yield is the best asset class. If we're not siloed and we realize that bank loans have widened by 300 basis points or even if investment grade has widened by 100 basis points, which is larger in comparison based on historicals versus what we just saw in high yield, then that forces the sector team to take a step back and say, "Is this actually rich versus what has happened elsewhere in the world? Maybe there's a little bit more widening to come." But it's that broad view that really prevents the issue you're talking about.

Crotty: That could be that everyone gets so focused on what they're doing, that could be a real blind spot if you're not careful and you're not collaborating even just by virtue of where everyone sits. Everyone sits together, and that's something that just the information loop is critical for. How would you think about preventing that possible pitfall?

Castle: Yeah, I mean, it's an existing possible pitfall and it's the sort of thing that we've structurally avoided through taking steps in how we measure performance, how we really grade talent here at the firm. Attribution is crucial. We think about security selection and sector contribution. And sector teams are really motivated by their security selection and their sector contribution. That also might include being underweight relative to a benchmark in their sector. That could be a positive sector allocation contribution if they have steered a portfolio manager away from their sector ahead of it underperforming.

I would say simply in terms of trust alone and developing credibility in this department, we value someone who is not in love with their sector, someone who sees their sector as part of a bond universe, an investment universe. It is one of several options. Each one of the building blocks that we're talking about on its own is a strong and vibrant market with the chance to deliver excess returns. So, there's no question that each individual sector team can probably put up great numbers on their own, but there has to be a recognition that even the greatest numbers that one sector team can put up might not be as good as a glaring relative value or dislocation in another sector. And it's about that type of performance.

How the department does as a whole and how our products do is another key driver of how portfolio managers are compensated. So, the strategies that Chris and I contribute to might own some high yield and leveraged credit and some securitized, but they own a lot of other stuff also. If that fund is in the top quartile or top decile, that is a win for us as well. So, we care about how the firm's performance and how our clients' performance is doing. AUM [assets under management] or things that are too related to sector are not how we measure compensation or ratings and things like that.

Crotty: This has been a fascinating conversation, and the data center one I don't think it is going anywhere. But I would bet we have another conversation like this in six months, 12 months—there's going to be another theme that the multi-sector framework is really built to capitalize on. And it's going to be fun. It has been fun listening to this, and it's going to be a lot of fun to see us take advantage of future opportunities. So, I just can't thank you enough for being here. Really fun conversation.

Gizzo: Thanks, Collin.

Castle: Thank you, Collin.

Crotty: Well, thank you for listening to The Investment Conversation. Find more episodes wherever you get your podcasts or at lordabbett.com. Follow us on LinkedIn, Instagram, and YouTube for more perspectives from across the firm.

GLOSSARY OF TERMS USED IN THIS BROADCAST

Arbitrage refers to seeking to benefit from pricing differences for the same or similar risks across different markets or securities.

Artificial intelligence (AI) refers to technology that enables computer systems to perform tasks that typically require human intelligence.

Asset-backed securities (ABS) are securities backed by pools of financial assets or cash flows.

Bank loans are loans made to companies that are typically secured by company assets and generally rank senior to unsecured debt in a borrower's capital structure.

Basis point (bp) is one one-hundredth of a percentage point (0.01%). Basis points are commonly used to describe changes in yields and credit spreads.

Capital structure refers to the combination of debt, equity, and other sources of financing a company uses to fund its operations.

Carry refers to the income earned from holding a fixed-income investment.

Commercial mortgage is a loan secured by commercial real estate.

Commercial mortgage-backed securities (CMBS) are securities backed by pools of loans secured by commercial properties.

Correlation is a measure of how closely two investments or markets move in relation to one another.

Convexity refers to the relationship between changes in interest rates and changes in a bond's price, including how a bond's interest-rate sensitivity can change as rates move.

Credit enhancement refers to structural features or protections designed to reduce credit risk and provide additional protection to investors.

Credit risk is the risk that an issuer or borrower may be unable or unwilling to make required interest or principal payments.

Credit spread is the additional yield a credit security offers relative to a comparable benchmark, generally reflecting compensation for credit risk.

Default rate refers to the percentage of borrowers or issuers that fail to make required payments on their debt.

Dispersion refers to differences in performance, valuations, or other characteristics across sectors, industries, issuers, or individual securities.

Distressed debt refers to debt issued by companies experiencing significant financial or operating difficulties and generally trading at deeply discounted prices.

Emerging markets refer to developing economies and their financial markets.

Hyperscalers are large technology or cloud-computing companies that operate extensive computing and data center infrastructure.

Idiosyncratic risk is risk associated with a specific company, issuer, security, or investment rather than the broader market.

Information ratio is a measure of risk-adjusted performance that compares excess returns relative to a benchmark with the variability of those excess returns.

Leverage refers to the use of debt to finance a company, asset, or investment.

Private credit refers to lending that is privately negotiated between borrowers and nonbank lenders rather than issued or traded in public markets.

Relative value refers to comparing investments or sectors to determine which may offer more attractive compensation for their respective risks.

Risk-adjusted return evaluates an investment's return in relation to the amount of risk taken to generate that return.

Securitized credit refers to fixed-income securities backed by pools of underlying financial assets or cash flows.

Sharpe ratio is a measure of risk-adjusted performance that compares an investment's excess return above the risk-free rate with the volatility of its returns.

Spread refers to the difference in yield between two bonds, typically between a credit security and a comparable benchmark security.

Yield is the income returned on an investment, such as the interest earned from holding a bond or other security. It is typically expressed as an annual percentage rate based on the investment's cost, current market value, or face value.

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