

HYGI

iShares Inflation Hedged High Yield Bond ETF

Fund Description

HYGI tracks an index that holds the iShares iBoxx USD High Yield Corporate Bond ETF (HYG), which targets USD-denominated, high-yield corporate bonds, while mitigating inflation risk through swaps.

FactSet Analyst Report

HYGI follows an index that combines a long position in iShares iBoxx USD High Yield Corporate Bond ETF (HYG) with an overlay of inflation swaps. The fund includes a fixed number of HYGs shares and a series of up to 10 inflation swap contracts with different maturities, intended to hedge the portfolios inflation risk at key points on the yield curve. By entering these swaps, the fund agrees to give up a portion of the fixed payments it receives from HYGs bond portfolio in exchange for floating payments tied to the inflation rate. Since inflation is already priced into the market for bonds, the fund effectively hedges inflation expectations rather than the inflation rate itself. Thus, even if inflation rises, HYGI will underperform HYG if the rise is less than expected, and will outperform (before costs) when inflation exceeds expectations. The weights of the swaps are rebalanced daily and restructured monthly. Due to the use of derivatives, the fund is registered as a commodity pool.

