

## Global Ethical High Yield

FIXED INCOME

9 March 2021, the fund changed name from "Value Bonds – Global Ethical High Yield" to "Global Ethical High Yield". The name change took place as part of a name reform among our investment products. All other conditions are unchanged.

# Positive momentum continued

## Increasing growth-related key figures

**Markets.** Credit spreads in the High Yield (HY) market tightened by 12 basis points in April. As a result, the benchmark index yielded a positive return of 0.97%. The year-to-date return for the index is 1.47%.

Several leading equity indices hit record high levels again in late April. The development coincided with the implicit volatility, expressed by the VIX index (indicating the level of nervousness in the market), last month falling below index 20, which is the lowest level since the outbreak of the corona pandemic. The low level of implicit volatility had a positive effect on corporate bonds.

U.S. handling of the vaccine rollout in 2021, with a goal of having delivered 200 million vaccines within the first 100 days of the presidency, provides the U.S. with good conditions for the reopening of societal activity.

In recent weeks, the positive outlook has begun to have a strong impact on growth-related key figures. According to the ISM, optimism in the U.S. manufacturing industry is at its highest level since 1983. In the service sector, optimism is at its highest level since the start of the data series in 1997. The development is reflected in market expectations for the growth profile of U.S. GDP. According to Bloomberg, growth is expected to peak this quarter at a level exceeding 8% on an annualized basis. It is the market expectation that growth will slow but remain high in the third quarter.

Return is calculated gross of fees and excluding swing.

## Positive return, ahead of benchmark

**The Portfolio** had a positive return of 1.09% for April, which was 0.12 percentage points ahead of the benchmark. Year-to-date the fund's return is 2.57%, which is 1.10 percentage points ahead of the benchmark.

Energy and Materials were the two sectors that generated the largest positive contribution to the portfolio relative to the benchmark, while Real Estate and Communication Services were the worst contributors to the funds return relative to the benchmark. In Energy, the positive contribution was broad based on the back of the increasing oil price in April, but the biggest contribution came from an American energy company that reported significantly better than expected Q1 numbers. The most positive contribution within Materials came from a position in a Canadian copper mining company that benefited from the copper price increasing more than 10% in April to a record high level last seen back in 2011. In Real Estate, the negative contribution came from the portfolio's general underweight in the sector and from the position in a German real estate company that fell slightly in April. The negative contribution from Communication Services also came from the portfolio's general underweight in the sector, as all of the portfolio's positions in the sector had a positive return in April.

In April, four positions were called within the sectors Industry and Energy. The proceeds were used for two new issues and six new positions. The changes increased the portfolio's credit spread, which remains at a higher level than the benchmark while the portfolio's duration is at a lower level than the benchmark. The sector distribution was only marginally affected by the changes.

See performance and fund data [Click here >](#)

## Strategy

Ethical High Yield Value Bonds invests in global corporate bonds, cf. the fund's prospectus. Bond selection is based on the value approach, meaning that the team focuses on bonds issued by companies with healthy long-term earnings power and strong balance sheets as well as an expected ability to service outstanding debt. The portfolio is diversified across sectors, regions and credit ratings. At least 2/3 of the portfolio are invested in High Yield bonds. Up to 15% may be invested in corporate bonds issued by companies operating in Emerging Markets.

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