

## POSITIVE END TO THE YEAR

### Signs of a milder virus variant

**Markets.** Credit spreads tightened by 51 bps in the High Yield (HY) Short Dated market in December. The benchmark index gave a return of 0.81%, equally split between price appreciation and coupon accruals, which brought the 2021 return up to -0.02%.

Appetite for risk assets returned in December. The news flow was again dominated by the development of coronavirus. On the negative side, the rising infection pressure led to the well-known societal restrictions especially in Europe and Asia. On the positive side, there were some signs that the rising infection pressure did not burden the hospital system to the same extent as previous waves. Overall, this gave rise to hopes that the effects on the economic momentum would be limited and of a shorter nature.

Most of the growth related indicators continued to decline during December. The order components in the so-called Flash PMI's (Purchasing Managers' Index) showed declines in the USA, Europe and Japan. It prolongs the period of loss of momentum in order intake that started in the early summer of 2021. For the OECD area, levels are not critical, but the direction characterizes a certain slowdown. Corresponding key figures from China suggest a stabilization. Business confidence showed a marginal increase, but the manufacturing industry still operates close to critical levels, reflecting stagnation. For the Chinese the economic momentum has fallen to uncomfortable levels. Debt problems in the Chinese real estate sector have been ongoing for a long time, and data from November show lower activity in the housing market with a negative impact on price developments. The housing

sector is challenging economic policy in China, where the authorities want to curb speculation and want to limit the indebtedness of the sector. Therefore, interventions have so far been on the defensive side and probably mainly aimed at stabilizing the development.

### Positive end to a good relative year

**The Portfolio** had a positive return of 0.81% for December, which was roughly on par with the benchmark return. For the year 2021, the return was 4.08%, which was 4.11 percentage points ahead of the benchmark.

The most positive sector contributions relative to the benchmark came from Real Estate and Financials, while Consumer Discretionary and Industrials contributed negatively relative to the benchmark. The positive contribution from Real Estate came both from the fund's underweight in Chinese real estate development companies, as well as from the fund's position in a German real estate company, which gained a new recognized large shareholder in December, thereby reducing the credit risk. Within Financials, the positive contribution came primarily from an American student loan provider as well as an American debt collection company. The negative contributions from both Consumer Discretionary and Industrials were broad-based and primarily due to the underweight in both sectors, which generally did well in December.

In December, one bond was sold and four were called. The proceeds were used to increase weights in existing positions. The fund starts the New Year with a higher credit spread and a duration on par with the benchmark.

See performance and fund data

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### Strategy

Global Short Dated High Yield invests in short-dated (1-5Y) corporate bonds with a rating from BB-B, 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.

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