

## Global Investment Grade

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# Another positive month

## Tighter credit spreads

**Markets.** In June, tighter credit spreads secured another positive month with a solid 1.21% benchmark return. Government yields stayed largely unchanged. Year to date benchmark return remains in the red (-1.25%). Chemicals, Health Care and Personal & Household Goods outperformed the market in June, whereas Travel & Leisure, Oil & Gas and Construction & Materials lagged behind.

The corona vaccines rollout continued to support optimism. However, we see a mounting risk of negative surprises related to the vaccines, due to four big unknowns: The immunity towards new variations of the virus, the long-term side effects, the duration of the immunity, and non-specific effects on other diseases.

The technical support remains very strong, in terms of gigantic fiscal recovery packages across the board, very low interest rates and central banks directly buying financial assets in the market, including corporate bonds. However, the EU stimulus packages and slump in the economies pushes the Southern European countries into even higher debt levels, combined with a tourist industry melt down, low growth, high unemployment and an overvalued currency. This adds to a lack of structural reforms as well as the negative impact of Brexit completion and mounting demographic challenges.

The U.S. is also facing challenges. However, the U.S. starting point in terms of economic activity, interest rate levels and

demographics is comparatively robust. In addition, the dollar serves as the world's reserve currency. In the longer term, the U.S. economy may also benefit from a repatriation of American manufacturing jobs. Thus, we continue to view U.S. fundamentals as more appealing than that of the Eurozone.

## H1 2021 ahead of benchmark

**The Portfolio.** June's return of 1.16% was slightly short of the benchmark (1.21%). For H1 2021, the fund's return of minus 0.78% was 0.46 percentage points better than benchmark (minus 1.25%). The H1 2021 outperformance was mainly attributable to the portfolio's defensive qualities. Volatility in monthly return has been lower than the benchmark over the past year, three years and five years.

June's gross trading of 2% was lower than the normal monthly trading range of 3-5%. The North American exposure increased to 49% from 48%, whereas the Western European and Asia/Pacific exposures were unchanged at 34% and 8% respectively.

The fund remains underweight of the Eurozone for the above-mentioned reasons. In addition, ECB's massive purchase program is essentially crowding out traditional corporate credit risk from the Eurozone credit space replacing it with concentrated political risk. Over the past three quarters, the fund has gradually moved towards having a moderate capital preservation tilt.

Return is calculated gross of fees and excluding swing.

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

### Strategy

Global Investment Grade 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 Investment Grade bonds.

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