

TRADE POLICY UNCERTAINTY

Shifts in sentiment and risk appetite

Markets. Credit spreads tightened by 45 basis points in the Short Dated High Yield (HY) market in Q1. Accrued interest was the largest positive contributor to the benchmark return for the quarter followed by lower government bond yields. However, the wider credit spreads dragged the benchmark return down to 0.85% in Q1.

The first quarter of 2025 saw significant fluctuations in credit spreads, market sentiment and risk appetite. High Yield (HY) credit spreads experienced notable volatility, with a sharp decline in January, a slight increase in February, and a substantial rise in March. This volatility was mirrored in the performance of risk assets, which started the year strong, driven by positive growth data, corporate earnings, and inflation figures, but faced headwinds from trade policy uncertainty and growth concerns, particularly in the U.S.

European markets generally outperformed their American counterparts, buoyed by strong fiscal policy announcements and resilience amid global uncertainties. American tech stocks faced pressure from growth concerns and trade threats, leading to a divergence in performance between European and American markets. The HY market saw varying performances across credit rating categories, with US HY widening by 45bp more than European HY and CCC-rated credits showing the most significant movements. European CCC-rated credits outperformed other segments, reflecting the region's strong economic performance. The new issuance market remained robust, particularly in the BB category with maturities between 7-10 years.

Positive return ahead of benchmark

The Portfolio delivered a positive return of 1.49% in Q1, which was 0.64 percentage points ahead of the benchmark.

The most positive sector contributions relative to the benchmark came from Financials and Materials, while Utilities and Communications contributed most negative. The positive contribution from Financials was broad based and came from a combination of the overweight to the sector as well as positive selection. One position in a European debt collector stood out with high returns on the back of clarity on their financial restructuring. Within Materials the positive contribution primarily came from an Ukrainian steel producer that has come with good results despite the war and showed a clear path to paying their bond back in full in Q2. Further the positions in gold miners contributed nicely as they are benefitting from the strong gold price. The negative contribution from Utilities and Communications was broad based and was primarily due to the underweight to the sectors as selection was positive during the quarter.

In Q1, the fund participated in seven new issues, of which some were part of a refinancing. Furthermore, 10 new positions were added in the secondary market. The new issues and positions were funded by reducing or exiting several positions with lower return potential and six bonds which were called. The changes increased the fund's overall spread, duration and weight in Materials, Consumer Staples, Healthcare and Technology.

[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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