Global Short Dated High Yield EUR R

High Yield remained resilient

Credit Markets Defy Geopolitical Uncertainty

Global high yield delivered a strong return during the second quarter, supported by significant credit spread tightening and continued carry income. Credit spreads declined from 350 basis points at the beginning of the quarter to 284 basis points by the end of June, as investor risk appetite was underpinned by solid corporate earnings, low default rates and continued access to financing. This resulted in a benchmark return of 2,25% in Q2 and a year-to-date return of 1.50%.

Investor focus shifted throughout the quarter between geopolitical uncertainty, developments in global growth and central bank policy, leading to periods of elevated market volatility. The conflict in the Middle East, trade-related tensions and fluctuations in energy prices weighed on market sentiment and contributed to several risk-off episodes across financial markets. Despite these uncertainties, credit market fundamentals remained supportive. Corporate access to financing stayed strong, default rates remained low and investor demand for credit risk continued throughout the period. Resilient company earnings and healthy balance sheets helped offset geopolitical concerns and supported continued demand for credit assets. U.S. high yield demonstrated relative strength during the early part of the quarter, supported by resilient economic data and favorable technical conditions. Later in the period, European high yield benefited from attractive valuations and strong investor demand, resulting in a more balanced regional performance. The narrowing gap between expected monetary policy paths in the United States and Europe further supported sentiment towards European credit markets. Primary market activity remained strong throughout the quarter, supported by healthy investor demand and attractive financing conditions. Companies continued to access capital markets on favorable terms, while investors were presented with a broad range of new investment opportunities. The robust issuance environment underscored the strength of credit market fundamentals and continued demand for high yield assets.

Sector Allocation Drove Relative Performance

The portfolio delivered a gross return of 1,91% in Q2 which was 0.36 percentage points behind the benchmark. Thus, year-to-date the portfolio has returned a gross return of 1.35%.

Relative performance was primarily driven by sector allocation. The funds' underweight position in U.S. high yield created a headwind early in the quarter, as U.S. credit markets outperformed their European counterparts. However, this was partly offset later in the period as European high yield benefited from attractive valuations and strong investor demand.

The financials and materials sectors were the strongest contributors to relative performance. Financials benefited from resilient credit fundamentals, while selected materials holdings performed well during the quarter. Conversely, the funds' ESG-driven underweights in the energy and utilities sectors detracted from returns, and an underweight position in consumer goods also weighed on performance.

We remained active in the primary market, selectively participating in new issues and increasing exposure to existing holdings where we identified attractive risk-adjusted return opportunities. Throughout the quarter, we maintained a disciplined investment approach focused on resilient business models, strong capital structures and attractive credit spreads. Towards the end of the period, we increased exposure to more defensive credit positions, reflecting our cautious stance in an environment characterized by ongoing geopolitical uncertainty and still elevated interest rates.

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.