

SICAV-SIF High Yield Value Bonds Short Duration 2017

FIXED INCOME

Energy lifts performance

Strong Credit Markets

Market drivers Credit market strength from March continued into April and resulted in spreads tightening across the majority of credit spectrum. Even in the UK, the credit markets rallied. We say even, because the “Brexit” is potentially the biggest risk catalyst for volatility, primarily due to the unknown impact of such action.

Commodities have continued to rise. Oil in particular has continued to grab attention with continued positivity amongst investors. The Fed’s continued dovish tone has supported commodities and emerging markets, however this will be tested in the upcoming Fed meeting in June. Unemployment figures will support the market view that we are about to see another rate increase.

Except for the “Brexit”, where the market pricing strongly implies a stay vote, Europe’s economy appears to be in a good shape. It is also interesting how much the overall market sentiment has shifted from fear to a “grab for yield” environment. On the EM front, additional stimulus in China is also supporting the economy there.

The quarterly earnings season has kicked off and will be the main focus and driver of our markets in May.

Oil rally benefiting Energy

Performance The fund recorded a positive return for the month, with Energy being the main driver of performance during the month. Performance would have been 50bps higher if not for one failed restructuring where banks and former shareholders sold the business from underneath the unsecured bonds the fund held. The position is priced at 1 cent but we are working with lawyers on the case. The best performing situation in the portfolio was the stock for an Energy company which restructured last year and continues to be in demand as the company is primarily driven by the settlement of an insurance claim.

4 names leave the fund

Portfolio Changes We have had 4 names leave the portfolio in April: one bond maturity, one 2017 bond was called early and two distressed bonds were tendered back to the issuer at discounted prices. The effected of one of tenders was already priced in last month, the other resulted in a +30% market to market increase in value of the position. Another one of our stressed positions received a 20% amortisation of the position at par which also added to the monthly performance of the fund. As cash builds up in the funds, we will deploy some of the cash in short dated government bonds. We continue to work actively on the various restructurings in the portfolio.

Strategy

The strategy aims to provide a positive absolute return on a mid-term horizon by in-vesting in short-dated corporate bonds – mainly within High Yield. The selection process is based on in-house bottom-up research with main focus on companies with strong cash flow and asset backing. The Buy-And-Hold approach also makes it possible to exploit market premiums from less liquid issues.