

## Value Bonds 2019 – 50/50

FIXED INCOME

# Market momentum continues

## Sentiment driving the market

**Markets drivers** Credit market strength from March continued into April and resulted in spreads tightening across the majority of the 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.

## Strong performance across sectors

**Performance** The fund delivered a satisfying positive return in April. The energy sector was the best performing sector in the portfolio as oil price continued to rebound. Financials

were the second best performing sector, whereas Utilities and Information Technology were the two worst performing sectors. All sectors contributed positively to the return of the fund in April.

The best performing position in the portfolio in April was an oil service company that provides seismic surveys for major oil companies. This company is the strongest in the sector with the most cost efficient seismic vessels. The recent oil price rebound supports the seismic spending of major oil companies and therefore improves the chance of getting new contracts. Two other strong performing positions were a Kurdish oil producer and a major Brazil oil producer.

The worst performing position in the portfolio was an oil service company that provides offshore accommodation services to major oil companies. The company recently lost several contracts and as result, the CEO stepped down. This has however always been a small position for the fund and currently is less than 0.2% and did not hold back the strong performance in Energy.

## Six new positions added

**Portfolio changes** During April, six new positions were added to the portfolio and several positions were rebalanced. Two position were called and no positions were sold during April. We continue to spend significant time on deploying cash in order to minimize trading costs for investors.

## Strategy

The strategy aims to provide a positive absolute return on a mid-term horizon by investing in short-dated corporate bonds. The selection process is based on in-house bottom-up research with focus on companies with strong cash flow. Our approach also makes it possible to exploit market premiums from less liquid issues and out of favour situations.