

Emerging Markets Corporate Value Bonds

FIXED INCOME

Positive performance

The Trump effect is gone

Markets It's widely expected that the US central bank will keep interest rates unchanged at its May meeting. The interesting discussion that started at their meeting in March is how and when the central bank intends to wind down its large holdings of mortgage and treasury bonds – leftovers from the quantitative easing.

There is no denying that there has been a couple of disappointing economic growth indicators since the Central Bank held its March meeting. Gross domestic product grew at 0.7% in the first quarter, which was lower than expected. But we do not expect the Central Bank to change its mind about two future rate hikes this year, since there has been a tendency for the US economy to pick up steam in the spring and summer.

The market is getting less and less convinced about the "Trump trade". Although President Trump outlined a vision about lower corporate and income taxes in April, it seems that the market is not sure whether he will be able to get his proposals through Congress. As a result, US treasury rates and the US dollar dropped in April.

The French presidential election did not leave a candidate with a majority and we are looking for a second round in the beginning of May. With Macron in a comfortable lead versus Le Pen, the market calmed down and we saw good performance in risky assets, with Emerging Market credit spreads tightening, but staying relatively unchanged over the month as a whole.

Following the benchmark in April

The Portfolio With rates down and Emerging Market spreads unchanged, April gave a positive total return. Credits from Latin America and Europe outperformed the broader benchmark. Asian credits underperformed. Overall, the fund performed in line with the benchmark before fees, but underperformed after fees.

The fund has an overweight to Eastern European countries, but primarily from an overweight to Russian corporates, that did well, but not quite as well as the benchmark in April. Eastern European countries were driven – in particular – by corporates in Ukraine where the fund has an underweight. In April, Ukrainian credits performed well as the Ukraine government is on track in the ongoing IMF program and there was good demand for Ukraine bonds.

The fund also has an overweight to Latin America, which benefitted the performance. In particular corporates in Mexico, Brazil and Argentina outperformed. Mexican credits have benefitted from a softening in the Trump rhetoric and Brazil and Argentina has done well because of demand for higher yielding paper, in general.

Asian credits, which the fund underweights, gave a positive return, but was the worst performing region in the benchmark.

Best performers in the fund in April was an Argentine energy company and a cable tv company in Argentina. Worst performers was a Chinese and an Indian bank.

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

Strategy

Emerging Markets Corporate Value Bonds primarily invests in Emerging Markets 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. The investment universe includes Investment Grade bonds, High Yield bonds and to a limited extent non-rated corporate bonds.

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