

## High Yield Value Bonds Short Duration 2017

FIXED INCOME

# Strong performance in April

## Global economy remains strong

**Markets** The High Yield market had a positive month in April on the back of some weakness in March. The benchmark gave a return of 1% for the month and thus 3.5% for the year.

The first round of the French presidential election was held on the 23<sup>rd</sup> of April. Emmanuel Macron and Marine Le Pen won and are now headed for the second and last round to be held on the 7<sup>th</sup> of May. At the release of the result, the bookmaker odds for a Marine Le Pen final victory declined to around 11%. The market thereby postponed one of the biggest risks against EU stability to the next French election, while the tough Brexit negotiations are ongoing at the EU.

In the month of April, macroeconomic figures generally decelerated a bit, although from a very high level. The curve for government bonds flattened in the month, which can be seen as an indication that the market is expecting a lower probability for a successful implementation of president Trump's fiscal policies.

Despite lower rates this month rate increase are very much on the markets agenda. Looking back on the last 30 years of US data, which has the longest history for High Yield, there have been 13 periods where 10 year treasuries have increased by more than 1%. High yield outperformed 10-year treasuries in all periods and gave investors positive returns in all but two of these 13 periods. This is partly due to the lower duration but also due to spread compression as companies benefit from positive economic environment that is associated with rising rates. We therefore continue to view High Yield as a relatively good asset class to be exposed to.

## Energy was main return driver

**The Portfolio** The fund delivered a positive return of 0.5% (net of fees) in April while the broad markets, High Yield and Investment Grade, delivered a return of respectively 1.2% and 0.9%. Year to date the fund is up by 2.7%.

All sectors except consumer discretionary contributed with a positive return, more or less evenly spread across the board. The stand out sector was, once again, energy-related companies that had a particularly good month and contributed with 0.25% to the total return - this despite the fact that oil prices were down 3% on the month. Half of the positive contribution came from a British E&P company where equity holders adding extra capital enabling the redemption and conversion of existing debt at par or above and thereby completed the scheduled restructuring.

In April, two bonds were called and six bonds matured. Additionally, we sold one bond due to an increased likelihood of the bond not being called as markets increasingly priced in the likelihood of a call. During the month, we investigated the possibility of making short dated reinvestments, but very few opportunities existed. We did manage to add two new positions to the portfolio.

[See performance and fund data](#)
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## Strategy

High Yield Value Bonds Short Duration 2017 invests in short-dated 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. At least 2/3 of the portfolio are invested in High Yield bonds. The maturity date of the Fund is December 31, 2017.

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