

## Value Bonds 2019 - 50/50

FIXED INCOME

# Short maturity outperforms

## Russian sanctions

**Markets** Credit markets did well during the month of April. Excess returns compared to government bonds with matching maturity were positive for both Investment Grade (IG) and High Yield (HY) of respectively 0.2 percent and 0.9 percent in local currency. However, on a total return basis, bonds in general are in a tough spot, as similar government bonds returned -0.7 percent for the similar IG maturities and -0.5 for the HY maturities. This resulted in negative total return for IG during the month whereas HY managed to stay positive.

The 10-year government bond yield in the U.S. increased from 2.75 percent to more than three percent for the first time since the beginning of 2014. Long, European rates also increased, albeit more moderately due to the persistently low inflation in the Eurozone.

The main story during the month came from Emerging Markets as U.S. partially surprised the markets with more sanctions against a number of individuals but also specific mining companies such as Rusal – a Russian aluminum producer. This resulted in significant price drops of 5-15 percent across sovereign and corporate issuers. As fear of further sanctions

from the EU faded and the U.S. started to soften the rhetoric most bonds moved up from the lows.

## Capital preservation

**The Portfolio** The fund performed relatively well in an environment of increasing interest rates. The mix of investment grade, high yield and short maturity in particular provided, once again, the cushion in a difficult market.

In April, the energy sector made the largest contribution to the fund return as oil prices increased by 3.5 percent during the month. As mentioned, Russian sanctions were the big story of the month and the fund's Russia exposure underperformed during the month. However, compared to the overall repricing of Russian risky assets, the fund exposures did well, as the largest impact resulted in two basis points negative contribution to the fund return.

In April, we did not make any major changes to the portfolio composition. During the month, one position was called.

The proceeds will be carefully reinvested when the right opportunities presents themselves, with respect to the fund risk budget and considering the short maturity.

Return is calculated gross of fees and excluding swing.

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

### Strategy

Value Bonds 2019 50/50 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 50% of the portfolio are invested in Investment Grade bonds. The maturity date of the Fund is December 31, 2019.

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