

SICAV-SIF High Yield Value Bonds Short Duration 2017

FIXED INCOME

Credit markets continue to perform

Calm markets, strong performance

Markets So far, 2016 has turned out to be much more hectic than anticipated by the beginning of year. In August, the macro-economic and geopolitical news flow finally slowed down and markets returned to normal business and focused on half-year reports.

The reporting season has so far not offered any surprises, so it is still the central banks that are making the headlines. On the back of the surprising Brexit vote in June, the Bank of England announced a package of supportive measures in August. Lowering the interest rate by 0.25% in the current environment is a clear signal that the central bank sees some dark clouds ahead for the UK economy.

Signals from the US economy fuel the anticipation of a rate hike this year. So far the US central bank has not been provided the necessary evidence to tighten the monetary policy, but recent indicators suggest that the economy is moving in the right direction. Jobless claims were close to the lowest level in almost 40 years and new home sales rose to the highest level since 2007. Whether this is sufficient to convince the FED, will be revealed on the next meeting taking place mid-September.

All in all, credit markets continued the strong performance from previous months. Investment Grade and High Yield

bonds rose respectively by approx. 0.40% and 2.00% in August.

The hunt for yield has now pushed almost 13 trillion USD of fixed income assets in to negative yield territory, making it increasingly difficult for investors to source positive yielding bonds.

Portfolio performance as expected

The Portfolio The portfolio provided a return of almost 0.6% in August which is satisfactory compared to the fact that the underlying bonds have an average maturity way shorter than the broad market.

Energy was the best performing sector and accounted for more than half the performance contribution in August - especially bonds issued by Norwegian oil-service companies rebounded, as a combination of increasing oil prices and renewed appetite for risk assets. Also the exposure to other commodity-related companies provided positive returns – again driven by the demand for yield, and to a lesser extent by fundamentals.

During August, one bond was called and no new bonds were added to the portfolio.

The next fund redemption will be in December 2016, where 25 pct. of the AuM will be distributed to investors.

[See performance and fund data](#)
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Strategy

High Yield Value Bonds short duration 2017 invests in short-dated corporate bonds. The selection process is based on bottom-up research with the main focus on companies with strong cash flow and asset backing. At least 2/3 of the bonds are selected within the High Yield segment. The fund can invest up to 49 % in Emerging Market bonds. The maturity date of the Fund is December 31, 2017

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