

High Yield Value Bonds Short Duration 2017

FIXED INCOME

Steady summer performance

Calm markets, strong performance

Markets So far 2016 have 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 fuels the anticipation of a rate hike this year. So far the US central bank have not been provided the necessary evidence to tighten the monetary policy, but recent indicators suggests 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 highest level since 2007.

All in all, credit markets continued the strong performance from previous months. Investment Grade and High Yield bonds rose respectively by approx. 0.4% and 2.0% in August.

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

Steady fund performance

The Portfolio The fund performed well during the month across all sectors. The strongest performance came from the Energy and Materials sectors. The single best performing position was a seismic company which gained interest from investors based on the low valuation of its bonds. The second best performing name was a UK energy company, where we did not participate in the company buy-back of bonds, and the bonds continue to rally towards par from the lows in the 60s.

We had 4 bonds getting called during the month, which we replaced with seven new bonds. In certain instances, we are purchasing bonds with longer maturity dates, but these are bonds that have actually been called and therefore will be redeemed usually over 1-2 months from time of purchase. These situations provide attractive returns albeit for a short period.

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

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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