

## Value Bonds 2018 - 50/50

FIXED INCOME

# A positively dull month

## 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.

## Positive performance

**The Portfolio** The fund delivered a satisfactory positive return in August. healthcare was the best performing sector in the portfolio followed by consumer discretionary. Industrials and consumer staples were the two worst performing sectors. All sectors contributed positively to the return of the fund in August.

The best performing position in the portfolio in August was a UK education company. In August, the company released its financial report for Q2 which was significantly better than expected. The bond in this company has now rebounded to a higher level than before the "Brexit" vote in the UK which is quite impressive. Another strong performing position was a US consumer company that provides automated retail solutions. A capital fund is in the process of buying the company. In that connection, the capital fund has offered all bondholders to buy their bonds at a favorable price. The team plans to accept the price and sell the bonds.

The worst performing position in August was an oil service company followed by a shipping company. Both positions only incurred minor losses during the month. The uncertainty within the oil sector is still high. So far this year, the bonds within oil service have not rebounded as much as the rest of the energy space. The team therefore sees a good return potential in oil service from current prices.

During August, two bond were called and one bond matured. The team sold all bonds in the shipping company mentioned above.

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

## Strategy

Value Bonds 2018 50/50 invests in short-dated corporate bonds. Bonds are selected using the value method, 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 underlying bonds are diversified across sectors and regions. Up to 50 % of the bonds are selected within the Investment Grade segment and up to 50 % are selected within the High Yield segment. The maturity date of the Fund is December 31, 2018.

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