

High Yield Value Bonds Short Duration 2017

FIXED INCOME

Strong performance in December

Positive signs for the global economy

Markets With no major surprises, December was a very strong month for corporates, and in particular high yield. The broad high yield market tightened and returned approx. 1.5% and more than made up for the losses in the first two months of the fourth quarter.

As expected, the Fed reacted to strengthening macroeconomic data – e.g. higher inflation expectations – by hiking the interest rate by 25 bps. to 75 bps. Subsequently, the USD continued its strengthening vs. the EUR, also helped by a large drop in the US unemployment rate. US 5- and 10-year interest rates increased by 5-8 bp which was more or less canceled out by German 5- and 10-year interest rates decreasing by about 8 bp, making the difference the largest since the late 1990's.

Macroeconomic data from the Eurozone was also strong in December – and generally better than expected. Especially figures from the manufacturing industry showed improvements, but also growth in the money supply, Eurozone GDP and employment were stronger.

In 2017, political risk related to the viability of the Eurozone is likely to pick up due to the upcoming Brexit negotiations and elections in the Netherlands (March), France (April & May) and Germany (most likely September). Combined with the ongoing challenges within the Italian banking system, we generally take a cautious stance on Eurozone credits. The

outlook for North American and Asian credits appear more attractive from both a pricing perspective, an economic growth perspective and a political risk perspective.

Positive Performance

The Portfolio The fund delivered very strong performance in December, up 0.70%, thus ending the year just above 3 % net of fees. The positive contribution during the month was spread across several names, but primarily from some of the more risky situations.

The highest single name contribution came from a mining company, that was restructured back in 2015 and that continues to report improved operational momentum. In addition, we received good news on a Dutch media company, where a long-lasting tax dispute finally was settled at a significant lower level than expected.

Energy was also among the best performing sectors in the portfolio over the month of December. Some relieving company specific news combined with a 10% increase in the oil price provided strong momentum for the sector.

During the month, we had two positions getting called in the portfolio. We added one new position where we saw attractive upside given the short time frame to maturity in 2017.

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

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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