

## Emerging Markets Corporate Value Bonds

FIXED INCOME

# Good performance in February

## Is the FED about to hike ?

**Markets** The strong macroeconomic US figures continue to improve in January and February. Rhetoric from the central bank in the US has turned somewhat more hawkish during February. The FED has recently highlighted that the employment mandate – more or less – has been achieved. Looking at inflation, the other mandate of the FED, it is getting closer to their target of 2.0%, indeed.

With Trump giving his first address to Congress in February, no further details were given about his plans to stimulate the economy and cut regulation. On the last day of February, remarks from the influential New York FED chairman, William Dudley, said the case for raising rates had become “a lot more compelling”, causing speculation about an early March rate increase. The stock market was happy about the news and the USD rallied.

EM corporate credit markets continue to ride on the positive momentum from last year and the concerns over negative implications from US trade/tax policies has decreased, as Trump seems to be focusing on other aspects of being the US president.

On energy and oil, the picture in February were mixed. The oil price remained stable in a range of 54 to 53 USD a barrel. Reports were out in February that the build in US inventories was less than expected. Normally this would support the price of oil, but the report also said that crude stockpiles were at a record high of more than 520 million barrels. This made the oil price drop somewhat towards the end of February.

## Good performance in February

**The Portfolio** The portfolio followed the benchmark up in February, slightly underperforming net of fees, 1.2% vs 1.3%. With most metals up in price, from gold and silver to aluminum and copper, it was metals and mining companies that outperformed in February.

Looking at geography, Latin America continues to outperform the rest of the Emerging Market regions. Africa came in second and Europe third. In Latin America it is worth mentioning that credits from Brazil is continuing to perform well as the credits are recovering from the country wide corruption scandal. In February, credits from Mexico did outperform the rest of the region as the conflict with Trump has not materialized.

The portfolio has an overweight to Latin American countries and in particular to credits from Mexico and Brazil. This benefited the performance. As the portfolio was a bit underweight metals and mining companies, the performance was dragged a bit down and the fund underperformed slightly.

In February, two new companies were added to the portfolio. An agricultural company in Ukraine that mostly produces cooking oil. Also, a Croatian company running a supermarket chain was added.

Best performing credit was a Ukrainian poultry company and an Indian bank. Worst performer was a pharmaceutical company in Israel.

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

### Strategy

Emerging Markets Corporate Value Bonds primarily invests in Emerging Markets 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. The investment universe includes Investment Grade bonds, High Yield bonds and to a limited extent non-rated corporate bonds.

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