

High Yield Value Bonds Short Duration 2017

FIXED INCOME

The positive start of the year continues

Strong markets despite political noise

Markets The already strong macroeconomic figures were continuing at high levels in February. In many cases they even strengthened further – especially for business and consumer confidence surveys. Several of these surveys have now reached the highest levels in many years and the leading indicators across regions all point to higher growth in the coming months.

MSCI World (EUR) gave a return of 4.6% in February. Part of the increase was due to a weakening of the euro, which is again being outpaced by the US dollar, but in general, the equity market did well due to an improvement in the income growth outlook.

Across the G10-countries, economic releases continue to surprise positively and the surprises have actually not been seen stronger since 2010. Despite the improving macroeconomic figures, long interest rates actually dropped throughout the month.

This was especially the case in the Eurozone where financial uncertainty in Southern Europe reappeared. Greece is again negotiating with the Troika, which is so far not turning out as hoped. Government bond spread vs. Germany are therefore widening again.

broad IG and HY markets gave returns of respectively 1.92% and 2.66%.

The previously mentioned positive contribution from the seismic companies continued during the month of February as the biggest contributor to the portfolio return was from this sector. In addition, we saw a strong return contribution from our subordinated utility exposure where investors increasingly are pricing an early call of the bond. Finally, the materials sector also contributed strongly.

During the month, we had one position called in the portfolio and we have reduced our exposure to a mining company where we have seen a very strong return during the last 6 months, as we perceive expected return is skewed to the downside due to refinancing risk of the company's outstanding bond issue. However, we continue to believe the bonds will be redeemed at maturity, but thought it prudent to reduce some of the exposure following the strong performance.

Good performance in February

The Fund continued the positive trend from recent months and delivered a return of 0.77% in February, net of fees. The

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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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