

## High Yield Value Bonds Short Duration 2018

FIXED INCOME

# Summer Boost

## Monetary policy focus

**Markets** Credit markets were strong through July with a sharp tightening of credit spreads across the board. The broad markets, High Yield and Investment Grade, surged respectively 0.9 percent and 0.5 percent during the month.

The positive markets were prompted by a solid start to the Q2 2017 earnings release season. Earnings growth among European and US blue chips amounted to 20 percent and 11 percent respectively. The good reporting season swept away concerns about June's wind-down of two Italian and one Spanish bank as well as the muddy outcome of the UK general election. In addition, the persistent uncertainty related to the ongoing Brexit process as well as the Eurozone's fundamental challenges were pushed out of the market agenda.

The president of the ECB - Mr. Draghi - made comments about a possible wind down of the quantitative easing policy at the very end of June. The arguments that support this is a lower rate of unemployment and encouraging economic growth figures in the Eurozone. The comments from Mr. Draghi triggered some outflows from Emerging Market bond funds and we saw some underperformance in the beginning

of July. This quickly turned around, money was flowing back into the asset class and the month ended on a very positive note.

The dollar continued its slide versus other currencies in July and dropped over three percent against the Euro. The price of oil increased in July from a low of 44 USD a barrel to 50 USD adding further to the positive sentiment in emerging markets.

## Good Performance

**The Portfolio** The portfolio performed well during the month, especially in light of the very short maturity profile. One energy bond performed well and there was no specific underperformers in the portfolio. The underlying movement in the USD has created significant performance attribution noise, but is hedged at a fund level.

During the month we have had one position leaving the portfolio because of a call and one position was sold as a result of deteriorating fundamentals in the issuer. These bonds were replaced with four new blue chip additions to portfolio across mining, energy and industrials.

[See performance and fund data](#)
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## Strategy

High Yield Value Bonds Short Duration 2018 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, 2018.

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