

SICAV-SIF High Yield Value Bonds Short Duration (2016)

FIXED INCOME

Final Report: Fund is closed

Focus on the UK

Markets The month of June was characterized by considerable volatility – both before and after the British referendum on the association to EU, which clearly was the most important event in June. The market was generally positioned for a “remain” and when news broke early in the morning of the 24th of June that the United Kingdom had chosen to leave the EU, a shock wave went through the markets.

The Pound immediately fell 8% compared to the Euro, which itself dropped vs. the US Dollar. Equity markets also showed large sell-offs – especially in Europe and especially for financial stocks. Interest rates and rate expectations dropped to new lows. The price of gold increased and the US Dollar and the Yen rallied – all of it in a significant turnaround from moderate risk-willingness to explicit risk-aversion. On the same day, however, the nervousness receded and most of the risky assets have already regained much of the lost territory.

Global government yields have continued to tighten and the number of bonds on negative yields continues to hit new

records. There was no rate hike in June in the US, not unexpectedly, as labour numbers in May were very weak. Market expectation remain for rates to stay lower for longer.

Emerging markets spreads have widened marginally during the month but that has been offset by rate compression.

Costs of exiting stressed situations weighs on June performance

Performance The fund performed poorly in the month of June as all bonds which had not matured or been repaid were sold in the market. Post June, the gross performance for the half year 2016 was marginally positive. As a number of these bonds were previously restructured or distressed positions, liquidity was poor and resulted in significantly re-pricings of bonds when selling in the market.

All positions sold

Portfolio Changes A total of 50 bonds was sold in order to close down the fund.

Strategy

The strategy aims to provide a positive absolute return on a mid-term horizon by investing in short-dated corporate bonds. The selection process is based on in-house bottom-up research with main focus on companies with strong cash flow and asset backing. The Buy-And-Hold approach also makes it possible to exploit market premiums from less liquid issues.