

Corporate Value Bonds

FIXED INCOME

Active and volatile month

Increased volatility and confidence

Markets After a very strong start to the year the High Yield markets saw a small selloff in the beginning of the month partly driven by a large number of new issues (increasing supply) and close to record high outflows (decreasing demand). By mid-month, the market started to recover and ended approx. 0.25% down for the month.

In the US, the new administration's ability to deliver its policy agenda was put to the test with recent failure to replace the Obama care act. The outcome of the political negotiations in Washington is likely to remain in the markets' focus over the rest of this year. Despite the political noise, both US consumers and businesses seem significantly more positive about the future. Long interest rates increased in the beginning of the month, but almost fell back to the starting point at the end of the month.

Across Europe, business surveys have risen to their highest levels in over five years and consumer confidence has recovered close to pre-crisis levels. Furthermore, European elections have so far rejected anti-euro parties, with the results in both Austria and the Netherlands indicating that a potential break-up of the Eurozone is not as eminent as feared. Recent polls on the French presidential election indicate an about 22% likelihood that Marine Le Pen will be the next president. If that would happen, the euro would most likely drop.

Contrary to Europe and US, UK has seen a deterioration in business confidence since the start of the year. In addition, inflation numbers have been picking up sharply and salary growth has been slowing. With the activation of Article 50 there continues to be uncertainty for the UK economy.

Positive and active month

The Portfolio The Fund generated a slight positive return of 6 bps in March (net of fees incl. swing) despite the benchmark gave a negative return of 23 bps. Year to date the performance is lacking 17 bps compared to the benchmark.

The sector contribution was mixed for the month, with Energy and Financials contributing most positively. As last month, Energy contributed with approx. 0.3% to the total return, mainly driven by smaller Nordic and larger US positions that have been added during this year. Financials contributed with approx. 0.1% and was primarily driven by the repricing of a larger position in a Danish bank's Tier 2 bond after it reported positive full year results.

The worst performer with approx. 5 bps was a Telecommunications company in the US, which bonds were weaker than the market on the back of full year reporting that came short of market expectations. Healthcare was the worst sector for the month with just over 5 bps negative contribution fairly even distributed across the sector positions.

During the month, we were active spending cash during the weakness in both new and existing positions as well as participating in new issues. We exited a position in a US restaurant chain after good performance, while one bond was partially called. The changes were primarily in North America increasing the overweight here and reduced the underweights in Consumer Discretionary, Energy and Materials, while increasing the overweight in Healthcare. Duration increased by 0.2 in line with the benchmark.

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

Strategy

Corporate Value Bonds invests in global 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. Up to 15% may be invested in corporate bonds issued by companies operating in Emerging Markets.

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