

## Emerging Markets Corporate Value Bonds

FIXED INCOME

# Positive performance

## Rates and the dollar dropped

**Markets** The US central bank (Fed) held its May meeting in the beginning of the month. The minutes from that meeting reveals that a hike in the policy rate would “soon be appropriate”. This points to a hike in June. Now, it looks like the Fed believes the US economy will be strong enough for two more percentage-point increases this year.

The volatility regarding the Trump agenda in May made the market less convinced – yet again – about the success of the implementation of his economic reforms. US rates were down slightly on the back of this and the dollar followed suit against the EUR.

The shape of both the US and German yield curves continued to flatten – especially due to lower long-term inflation expectations, which caused long interest rates to decline slightly. The EUR continued its rally in May, which was caused by a combination of strong macroeconomic releases from the Eurozone and less political uncertainty after a number of elections, where Euro-skeptics were sidelined.

The price of oil dropped by 2% in May but there was a lot of intra-month volatility reflecting news on US oil stock and production caps in OPEC.

In May, the asset class performed very well and the benchmark returned a total return of 0.5%. The asset class is supported by a “hunt for yield”, favorable macroeconomic conditions and accommodating monetary policy worldwide.

## Good performance in May

**The Portfolio** The fund did well in May outperforming the benchmark before fees. The portfolio returned 0.5% before fees.

A couple of regional stories influenced the market in May. Europe, Croatia and Azerbaijan saw negative returns because of restructuring of a large bank in Azerbaijan and because of a continued deteriorating situation for a Croatian food and supermarket chain. The portfolio does not have any holdings in Croatia and Azerbaijan but maintains an overweight to Russian corporates, which continues to be supported by technicals. This benefitted the relative performance.

The president in Brazil is suspected of being part of a corruption scheme that also implicates the chair of beef producer JBS. Long story short, the equity and bonds of JBS dropped significantly on the back of accusations made by the president. Brazil did not perform well in May in the benchmark, mostly because of JBS. As the portfolio does not hold JBS bonds, the portfolio managed to make a positive return in Brazil.

Overall, the portfolio also has an overweight to credits in Africa, which did very well in May as demand for higher yielding credits drove the market up, which also were positive for the relative performance.

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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