

## SICAV-SIF High Yield Value Bonds Short Duration 2017

FIXED INCOME

# Final update

## Strong month for European assets

**Markets** The Corporate bond markets continued the positive streak and reached a positive return of 0.6% (High Yield) and 0.8% (Investment Grade) in May. Year-to-date the benchmarks are up with remarkable 4.2% and 2.5%.

During the month of May, macroeconomic releases still surprised analyst expectations positively – although not to the same degree as in prior months. The steepness 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.

European unemployment surprised by declining more than expected and reached 9.3%. The important German IFO survey also came out better than expected and is now at the highest level since 2014. The leading indicators from OECD are still showing an increasing trend – however not as much as in prior months.

The outstanding performer during the month was European assets and especially the periphery. European high yield spreads tightened 30 bps, the Euro strengthened nearly 3% against the dollar and European equities rallied more than 5%. Interestingly, European sovereign bonds also delivered positive returns despite the strong performance of risky assets.

Commodity markets had a much more mixed month meanwhile. The broad commodity index ended the month -1%. Oil ended -2 to -3% despite the OPEC production-cut extension.

## Fund performance

**The Portfolio** The Fund delivered a positive return of 2.9% (net of fees) in May. Although impressive, it is the result of a very condensed portfolio due to the accelerated redemption scheme introduced last year. Year-to-date return ended slightly above 5% - on a time-weighted basis.

All positions contributed with a positive return, but as for previous months, Energy was among the top performers. The impressive momentum, that we have experienced more or less all year, continued in May. As for last month, highest single contribution in May came from our investment in a Ukrainian Agriculture company, which went through a major restructuring back in 2016. We forced the company into debt to equity swap and the shares have surged significantly on the back of improved financial and operational performance. The position contributed with almost 75 bps in May.

End of May the fund was redeemed in full. We managed to sell all remaining positions at or in some instances even better than market price. We also managed to sell the few claims left from the unfortunate investments in bonds issued by Nordic Energy and Commodity exposed companies back in 2013 and 2014. Again, we exploited the positive sentiment to negotiate a decent premium compared to the booked value.

Since launch, the fund returned 2.6%, hence far from satisfying. Reason being the high exposure to the previous mentioned sectors and regions that suffered tremendously from the downturn in commodity prices in 2014-2015.

[See performance and fund data](#)
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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 May 31, 2017.

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