

Value Bonds 2018 - 50/50

FIXED INCOME

Another strong month from energy

Global economy remains strong

Markets May was yet another positive month, despite being filled with more political tug of war, a slowing in economic data momentum and a stuttering month for commodity prices. The broad corporate bonds markets, High Yield and Investment Grade, delivered a return of respectively 0.7% and 0.9%.

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.

Meanwhile, commodity markets had a much more mixed month. The broad commodity index was down 1% by the end of month, while oil was down 2 to 3% despite the OPEC production cut extension.

Energy was main return driver

The Portfolio The fund delivered a return of 0.3% (net of fees) in May, while the broader markets, High Yield and Investment Grade, delivered a return of respectively 0.7% and 0.9%. Year-to-date the fund is up by 1.6%.

All sectors contributed with a positive return, with energy, consumer non-cyclical and telecommunications. The stand out sector was, once again, energy-related companies that had a particularly good month and contributed with 50% of the total return.

Half of the positive contribution from the energy sector came from one of the companies drilling in Kurdistan, where the positive momentum from previous month's positive announcement from the local government continued. No other specific company stood out in the performance contribution where most companies added a few basis points to the portfolio return.

During May, five bonds were called and one bond matured. The proceeds was used to top up two existing energy positions and add a new consumer non-cyclical investment grade name.

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

Strategy

Value Bonds 2018 50/50 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. Up to 50% of the portfolio are invested in Investment Grade bonds and up to 50% in High Yield. The maturity date of the Fund is December 31, 2018.

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