

## Value Bonds 2019 - 50/50

FIXED INCOME

# Another strong month from energy

## Strong markets despite weakening macro

**Markets** May was yet another positive month, despite being a 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 (HY) and Investment Grade (IG), 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 ended the month -1%. Oil ended -2 to -3% despite the OPEC production cut extension.

## Energy continues to perform

**The Portfolio** The fund delivered a positive return of 0.3 %, net of fees. Year-to-date the fund is up by 0.8% net of fees.

All sectors contributed with a positive return, where energy, telecommunications and financials made the largest contributions. 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 the month, we have sold three IG names maturing in 2018 and two bonds were called. The proceeds has been reinvested in two US telecom names, a Brazilian bank, a Greek cement producer and an Indian refinery. By performing this rebalance, we have been able to extend maturity and rebalanced our IG and HY exposures.

[See performance and fund data](#)
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## Strategy

Value Bonds 2019 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. At least 50% of the portfolio are invested in Investment Grade bonds. The maturity date of the Fund is December 31, 2019.

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