

High Yield Value Bonds Short Duration 2017

FIXED INCOME

Steady in turbulent times

Trump happened – now what?

Markets The market had been nervously awaiting the US presidential election on the 8th of November. Ahead of the election, consensus was that Hillary Clinton would be the best president from an equity market perspective. At the same time, though, she was seen as the worst candidate for bond markets. None the less, when Donald Trump was elected, the equity market rallied strongly. Short-term interest rates were relatively stable, while long interest rates increased strongly.

Even ahead of the election, macroeconomic variables were improving in both the US and in Europe. The bond market's reaction is an indication that Donald Trump's proposed economic policy is seen as a potentially big easing of fiscal policy through large infrastructure programs, underfinanced tax reliefs and some form of protectionism.

The election of Trump affected emerging markets in a negative way. Especially his rhetoric regarding protectionism which will – if executed – have a direct negative effect on trade relations with the US.

It seems that OPEC agreed on an oil production cap. The news was released by the end of November and oil prices went from around 45.5 USD to 49 USD on the very last day

of the month. More news is expected about this and the market is still in a "wait and see mode".

Positive Performance

The Portfolio The fund had a positive return in the month, as short duration high yield performed extremely well during November. The single best position in the portfolio was a mining position in the portfolio, while the weakest name in the portfolio was a distressed equity position from a previous restructuring situation. Nonetheless, Energy was the best performing sector in the portfolio. The performance of the portfolio over the next twelve months will be driven by the performance of stressed situations as all performing positions are close to zero yielding. Even given the recent widening in yields, this has only increased demand for short dated bonds in the market.

During the month we had 6 bonds called and one distressed position was sold in the market. As we get closer to the maturity of the fund next year, we expect to continue to have a high volume of bonds called. As we manage our limits and cash balances we will may choose to add some very short (1-2 months) bonds into the portfolio.

[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 December 31, 2017.

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