

## Emerging Markets Corporate Value Bonds

FIXED INCOME

# Justified Volatility

## Month ends just below zero

**The Market** Emerging markets had a very volatile month driven by a number of situations across the markets in addition to interest rates events.

Despite strong macroeconomic figures in both the Eurozone and the U.S., long interest rates have been almost unchanged throughout the month, which is due to the still persistently low inflation figures. We also saw Jerome Powell get appointed as the new Federal Reserve head which was in line with recent expectations.

Early in the month, we had the president of Venezuela announced the restructuring of the countries and its oil companies debts. This led to a significant repricing of the close to 50 billion dollar of international bonds. The process going forward is very unclear and is likely to be a significant driver of benchmark performance in the coming months.

At the same time, we had an escalation of tensions between Saudi Arabia and Iran in the Middle East and not least a purge of corrupt royal family members in Saudi Arabia itself. Historically a highly rated and stable region in terms of credit, but this came under pressure especially in Lebanon.

Three other regions where we saw news driven volatility were North Korea, South Africa and Turkey.

## Overweight high yield

### The Portfolio

In November, the fund lagged the benchmark, both of which had negative performance given the volatility in the market.

Our overweight in high yield and relative underweight in Investment Grade, also duration adjusted, was a major driver of underperformance. The interest rate exposure did not make up for weakness across the credit space.

Sector wise the fund benefited from positioning in Communications and Financials and performed worst on exposure to basic materials.

On a company level, our best overweight contributors were our position in Nigerian telecom service business followed by our exposure to Saudi Arabia, which we purchased following recent headlines. The weakest performance came from a position in an Ukraine farming company.

In October we closed out of a number of short dated bonds in the portfolio across both high yield and investment grade. We then rebalanced some of our existing holdings reducing our underweight in investment grade. During the month, we also had a large position in a Chinese automotive group called.

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.

Return is calculated gross of fees and excluding swing.

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