

Value Bonds 2018 - 50/50

FIXED INCOME

An eventful month in High Yield

High Yield sell-off and rebound

Markets November was a quite volatile month in High Yield lead by a few themes bringing the benchmark down by 0.75 percent at the worst point.

The month kicked off with the President of Venezuela announcing an intention to restructure the debts of Venezuela and the state owned Oil Company, which brought its bonds down significantly and spurred volatility.

Related or not, there were sizeable high yield redemptions in the beginning of the month including the largest one-day outflow in two years of approx. two billion euros. The five billion outflow over the first weeks combined with the weakness within telecommunications as well as poor results in Consumer Discretionary and Healthcare compounded the pain in the selloff.

As with previous sell-offs in recent years this quickly reversed, and the market rebounded by half of the lost.

Fund does well in volatile markets

The Portfolio The fund provided a negative return of 0.10 percent in November, which was quite strong compared to the broader markets. Investment Grade and High Yield markets ended the month respectively 0.21 and 0.46 percent lower. Year to date the fund reached 2.53 percent.

Last month's top performing sector – financials came in second in November surpassed by energy, last month's runner-up, as the oil price continued climbing another five percent in November.

No single issuer stood out among the pack, this month neither positive nor negative.

In November, two positions were called and one matured. Additionally, we decided to rebalance one position and take profit on another. The proceeds were reinvested in one existing name 10 new names.

We are very careful to balance the risk budget of portfolio with the short maturity, so are mainly targeting new investments with ratings of BB or better.

Return is calculated gross of fees and excluding swing.

See performance and fund data

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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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