

## Value Bonds – Global Ethical High Yield

FIXED INCOME

# Strong month for high quality HY

## Trade rumors sparked risk rally

**Markets** During November most asset classes posted strong gains, which lead to an overall credit spread tightening in global high yield. The benchmark thus showed a positive return of 0.33%, which brought the year-to-date return to 9.46%.

The market rally – yet again – came on the back of optimism regarding the prospects of a trade agreement between the U.S. and China. At the end of November, president Trump signed a petition of support for rights of the population in Hong Kong. This was seen as a move that could jeopardize the trade agreement trajectory, but so far, the response from mainland China has been moderate. Despite the high returns in risky assets, long interest rates did not change much.

The macro economic development is showing signs of stabilization. The growth in monetary aggregates is solid and most PMI numbers have stopped falling – some are even slightly higher compared to last month. Furthermore, the number of building permits issued is showing a remarkable strength in the U.S., which is also pointing to an improvement in near-term economic prospects.

Most sectors contributed positively to the benchmark during the month except for Communication Services and Energy. Within rating categories, BB's and B's contributed positively to the benchmark, while CCC's contributed negatively and continued the trend from last month indicating investors are reducing exposure to the lowest quality within high yield.

## In line with benchmark

**The Portfolio** delivered a positive return of 0.35% in November, which was 0.02 percentage points better than the benchmark. As a result, the fund is now behind its benchmark by 0.68 percentage points year to date.

Communication Services and Financials were the two sectors that provided the largest positive contribution to the portfolio relative to the benchmark, while Energy and Consumer Discretionary were the worst contributors to the funds return relative to the benchmark. In Communication Services, the positive contribution came from an underweight in a satellite company that lost more than 75% of its equity value during November. The positive contribution from Financials came primarily from our positions in a U.S. student debt company and a UK debt collector company – both companies presented very strong Q3 numbers. In Energy, the negative contribution came primarily from a U.S. oil and gas company that suffers from low gas prices in U.S. and in addition wants to restructure its bond debt. The negative contribution in Consumer Discretionary was broad based.

During the month, the fund exited four positions, reduced two positions and two positions were called. The proceeds from this were invested in 12 new positions and into three existing positions. The changes did not have a significant impact on the fund's sector positioning. Overall, the fund has a higher credit spread and a slightly lower duration compared to the benchmark.

Return is calculated gross of fees and excluding swing.

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

### Strategy

Ethical High Yield Value Bonds invests in global 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. Up to 15% may be invested in corporate bonds issued by companies operating in Emerging Markets.

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