

Value Bonds 2016

FIXED INCOME

Interest rates on the rise

Markets waiting for election day

Markets As election day in the US is getting closer, markets seems to be holding its breath. Whereas Clinton had a decent lead in beginning of October, the Trump Camp gained significant ground during the last couple of weeks, leaving the contenders very close. As a consequence, markets have definitely become more nervous, with less trading and more intraday volatility. Estimates of the financial impact of the election varies in magnitude and size. One thing everyone agrees to, is that the impact of Trump elected president will be more significant on the financial markets.

During the month of October, macroeconomic releases were generally better than expected for the Eurozone and after a long period of the declining rates, the European government bonds increased approx. 0.25 percentage points in October.

In the US, key figures were somewhat weaker and generally disappointing. The US unemployment rate increased to 5.0%, which is the highest since April, but this was primarily caused by an increase in the number of job seekers. Initial Jobless Claims remained at the lowest level since the 60s.

Despite the overall key data, EUR dropped about 2.5% compared to the dollar. The reason is probably more speculation that the FOMC is going to hike interest rates in the near future (even this year).

Although agreed to cut production, OPEC members are still struggling to formalize the deal internally, which prevents

them from reaching an agreement with members outside OPEC. As a result the oil price dropped almost 10 pct. during October.

Low duration benefitted the fund

The Portfolio Getting closer to maturity, the impact from interest rate volatility becomes less visible. The Fund performance in October was just slightly above zero, which was better than market performance of respectively 0.3% (High Yield) and -1,0% (Investment Grade).

Just as last month, Industrials and Materials were the best performing sectors during the month. Especially our position in a UK miner with activities in Norway and Senegal provided decent return on the back of good performing assets. No single sector provided negative return.

We remain very cautious on how to spent cash from maturing positions. With just 2 months to final maturity transaction will kept at an absolute minimum and only bonds providing a better return than cash deposits after trading fees will be considered.

We expect performance to remain neutral until December 2016 – which compared to other short-dated investment alternatives still is considered quite attractive.

[See performance and fund data](#)
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Strategy

Value Bonds 2016 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, 2016.

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