

Value Bonds 2019 - 50/50

FIXED INCOME

A month with satisfactory returns

US Elections ahead

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.

Although agreed to cut oil production, OPEC members are still struggling to formalize the deal internally, which prevents them from reaching an agreement with members outside OPEC.

Positive performance

The Portfolio The fund delivered a satisfactory positive return in October where all sectors (except Health Care) contributed

positively. Energy was by far the best performing sector in the portfolio followed by materials and consumer staples.

The best performing positions in the portfolio in October was from the high beta segment of the portfolio. The best performer was an oil service company that provides seismic surveys for major oil companies. The company announced an improved earnings announcement for Q3. It is a company that the team follows closely and it is good to see that the company performs by delivering better than expected earnings. Two companies from the oil E&P sector also delivered solid return these where joined by a position in the mining industry.

The worst performing position in the portfolio in October was a US pharmaceutical company. The bond dropped by 3 % due to weaker expected earnings and the Department of Justice mounting a criminal charge on accounting fraud towards ex senior management. We, however, remain confident in our position in the company, as the company is still generating cash and have the possibility to divest assets.

During October one position was called and two HY names were reduced as the yield of those two positions is now very close to 0%. Furthermore, the weights in two existing high yielding positions were increased.

See performance and fund data

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Strategy

Value Bonds 2019 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. At least 50% of the portfolio are invested in Investment Grade bonds. The maturity date of the Fund is December 31, 2019.

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