

Ethical High Yield Value Bonds

FIXED INCOME

Market trend continues

Another month of tightening

Markets In October high yield markets continued the positive momentum as spreads tightened further. Macroeconomic figures released during the month supported the broadly accepted perception of self-sustainable economic growth. The benchmark returned 0.49 percent in October bringing the year-to-date return to 6.32 percent.

The best performing sectors were Energy, Financials and Industrials, while the Healthcare sector had a challenging month, mainly driven by weakness in U.S. hospitals.

The big monetary policy event of the month was the ECB meeting, where Draghi announced the extension of QE to September 2018, although lowering the purchase to EUR 30 billion from January. Despite downsizing the monthly bond purchases, sovereign bonds in the region gained 1.1 percent over the month. Inflation readings in the Eurozone will be crucial for the QE outlook, given the unexpectedly cooler headline inflation release in October of 1.4 percent for September's year-on-year figure.

In the U.S., unemployment fell further, reaching 4.2 percent - a level last matched in February 2001. The leading indicators are still showing that we can expect decent growth over the coming months. However, the U.S. economy will most likely decelerate somewhat after year-end.

Positive return with flat performance

The Portfolio The fund provided a positive return of 0.49 percent for October, flat to the benchmark and thus continues to be 0.72 percent ahead of the benchmark year-to-date.

All sectors apart from Healthcare contributed positively to the funds return, but as the fund had little exposure to U.S. hospitals, the relative performance from this sector was positive. Energy and Financials contributed most to the funds return and both in the better half in terms of relative performance.

Two names stood out during the month - both within the Energy sector. The position (several bonds) in a large Brazilian oil company contributed positively with 0.10 percent on continued improvement of fundamentals, while the position in a Norwegian oil services company contributed with minus 0.09 percent as the bond traded down on no news. We added in the latter bond at the low point in the middle of the month.

During the month, three bonds were called and five positions were exited as they had reached our target. The proceeds were invested in new positions as well as adding to existing positions. The new names were predominately within the Industrials sector, bringing the weight up in this sector to a slight overweight compared to the benchmark.

Apart from the change in Industrials, there were no other large changes in the risk profile of the fund, and the fund continues to be underweight the Eurozone and has a higher spread and slightly lower duration than 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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