

Corporate Value Bonds

FIXED INCOME

Performance close to benchmark

Volatility increased

Markets After a rather dull August, volatility increased in September - not just in High Yield, but across asset classes. This was triggered by concern about the future path of the monetary policy, especially in Japan and in the US, but also at the ECB. The FED decided to postpone a hike, which the market now look to price in at either the November or December meeting with about a 60% likelihood.

The US presidential election is now getting closer (8th of November), and it seems the market is not overwhelmingly optimistic with regards to the abilities of either candidate to create an investor friendly environment. There is still a sizeable uncertainty surrounding the election despite bookmakers giving odds that indicate a 21% likelihood that Donald Trump will be elected president.

Another source of uncertainty was (or is) Deutsche Bank, which is currently trading at a price/book of only 0.26. This is indicating that the bank is under immense stress, which is not too comforting considering, since it is one of the biggest and most important, systemic banks in the world. It is not pleasant to witness speculations of whether or not a bank of this size is going to be bailed-out in order to avoid a new "Lehman scenario".

The Eurozone saw the release of slightly better than expected macroeconomic figures during the month of September, while the leading indicators for the Eurozone are falling. In the US, macroeconomic figures were mixed, while the leading indicators are now increasing again.

Positive return and several changes

The Portfolio The fund delivered positive performance of approx. 0.3% for September, closely in line with the benchmark. The sectors contributing the most to the fund's return were Information Technology and Energy, although Energy on a relative basis contributed most negatively to relative performance, while Telecommunications and Consumer Discretionary contributed negatively to the fund's return.

The best performing position was a Norwegian company in the Energy sector, which repaid part of a bond in its capital structure which benefitted our position. The second best performing position was an American company in the Information Technology sector, which benefitted from being acquired by a Private Equity firm. Together they contributed with approx. 0.2% to performance. The worst performing positions were a Telecommunications company and a Healthcare company, both in the US, which declined more than the market early in the month and didn't recover. Together they contributed negatively with less than 0.1% to the funds return, however. We made several changes to the portfolio over the month across several sectors. The two largest additions were an American company in the Energy sector focused on oil and gas exploration and an American company in the Healthcare sector focused on biopharmaceuticals. One large position in the Real Estate sector was called during the month and we exited the remaining of another large position in a Healthcare company, which was also reduced last month, as there is only small further return potential.

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

Strategy

Corporate 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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