

Securus EUR

BLEND FUNDS

Strong US figures

Stocks rally and the EUR weakens

Markets The month of September was characterized by several changes in recent trends. Long interest rates increased as a result of especially stronger European macroeconomic figures. U.S. macro releases have not impressed analysts in recent months, but in September, the U.S. economy regain some traction and U.S. 10-year rates increased 20 basispoints, whereas German rates only increased by about half that.

The interest rate spread between the German and U.S. government bonds widened again in September, which led to a halt in the rally in EUR/USD. Higher growth expectations led to a rally in the price of oil of almost 10 percent and long-term inflation expectations (5Y5Y inflation swaps) increased moderately.

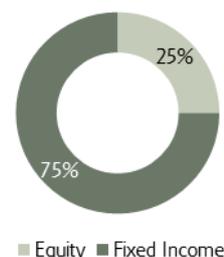
Equities did well in September with MSCI World (EUR) rallying 2.9 percent. Both Small Cap and Value equities performed well and investors could also benefit from the Momentum factor. Minimum Volatility stocks underperformed in September.

In credit markets, High Yield corporate bonds were doing well – helped by the macroeconomic outlook, where leading indicators still showed that we could expect further improvement in growth rates across the OECD countries over the

Return is calculated gross of fees and excluding swing.

Strategy

Securus is targeted at investors with a short investment horizon and/or low risk tolerance. The fund has a well-diversified exposure to equities, mortgage credit bonds, developed market treasury bonds, emerging market treasury bonds, corporate bonds and cash. The equities exposure is tilted to benefit from the value, small cap and momentum factors, and the exposure to corporate bonds is sought to be obtained through small issuers, low net debt and strong asset backing. For treasury and mortgage credit bonds, the strategy is to maintain a constant portfolio duration within a tight range. The overall exposure to the different asset classes is strategic and no attempt is made to time the market. The target equity exposure is 25%, but a deviation of +/- 5% is allowed before the portfolio is re-balanced.



coming six months – but especially in Europe and Japan.

Solid returns in September

The Portfolio The fund delivered solid returns in September and beat its benchmark.

The overweight to European and Japanese equities in the fund contributed to the excess return, but the investment strategies also delivered solid excess returns.

The macroeconomic climate is characterized by optimism, higher inflation expectations and higher interest rates. The fund's tilt towards the Value and Small-Cap risk premia is – as expected – paying off in this environment, but also the Momentum-tilt is working quite well.

The fund's allocation towards corporate credits is outperforming, but no particular segments in the IG and HY exposures stand out. The convertible bond allocation, however, delivered very solid returns due to the above mentioned factor premiums that it is exposed to.

Due to the longstanding overweight to Danish mortgage bonds, the fund again managed to benefit from the high credit quality in this segment as well as higher carry and spread compression vs. government bonds as well as country spread compression vs. the rest of the European high grade debt markets.