

DPAM L Bonds EUR Corporate High Yield - W

Institutional Factsheet | 31 May 2019

MANAGER COMMENT

Market Overview

May proved to be a difficult month for risk assets, mostly due to the escalating tariff war. Also, the market took a breather after its strong year-to-date (YTD) rally. The Bloomberg Barclays, 3%-capped, ex-financials, Euro High Yield Index declined by 134 basis points over the month, bringing its year-to-date return to 5.34%.

The news out of Italy did not help sentiment over the month, the US and Canadian yield curves remained inverted, and bund yields touched all-time lows, indicating that the macro-economic backdrop is not as strong as what had been expected earlier in the year.

However, the first-quarter earnings season is gradually coming to an end and on average, earnings announcements were more or less in line with expectations with a few notable exceptions, like Thomas Cook, Lecta and Diversey.

Idiosyncratic risks are also coming to the fore again, with Casino's parent Rallye going into creditor protection and S&P and also Moody's downgrading Casino to single B with a negative outlook. Some of the weaker credits also suffered over the month.

The primary market was open, but after having been very issuer-friendly over the past few months, the balance in terms of pricing (and to a lesser extent covenants) shifted a bit, turning more investor-friendly. Some deals like Altice and United Group even priced wider than the initial price talk, a significant departure from the first months of the year. In total, EUR5.9 billion was printed over the month. Year-to-date, issuance in European currencies totals EUR26.9 billion, down 14% compared to the same period last year.

Performance

In this difficult environment, the fund (F share) outperformed by 37 basis points over the month. YTD, the fund is up 5.94% vs. 5.34% for its benchmark, an outperformance of 60 basis points.

What worked?

- The more stable BB-rated names like SPIE and FNAC did quite well over the month.
- Cirsia continued to do very well after the acquisition of a competitor in its home country Spain.

What hurt?

- Some of the remaining exposure to Casino (which we had been underweighting for quite some time) hampered our performance.
- Some profit-taking on higher beta names such as SPCHEM (ex-Akzo Nobel specialty chemicals) also weighed over the month.

Strategy & Outlook

Stress levels are going up in the markets due to the tariff war and the effect it will have on growth. On the bright side, monetary policy remains very constructive for risk assets.

Overall, we would rather be positioned in lower-beta risk for the time being, given the rally year-to-date and potential downside risks. From a sector perspective, we are rather cautious on retail and construction. Overall, defaults remain very low however.

We continue to actively manage the fund for capital preservation, limiting downside risk thanks to our time-tested investment process.

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OVERVIEW

Asset Class	Fixed Income
Category	High-Yield
Strategy	Active Strategy
Fund Of	DPAM L
Legal Structure	SICAV
Domicile	Luxembourg
Reference Currency	EUR
Liquidity	Daily
Sub-fund launch	23.09.2013
First NAV date	10.02.2017
Countries notified for public sale	AT, CH, DE, ES, FR, IT, LU, NL
ISIN	LU0966250812
Entry Fee	Maximum 2%
Exit Fee	0%
Ongoing charges*	0.72%
*included management fee	0.40%
Minimum investment	0.001 share
NAV (Capitalisation)	139.48
Assets (all classes)	mn EUR 191.77
Number of positions	128

	Fund	Index
PERFORMANCES (%)		
1 month	-0.97	-1.34
YTD	5.92	5.34
1 year	3.92	2.42
3 years annualised	-	-
5 years annualised	-	-
10 years annualised	-	-

	Fund	Index
PORTFOLIO CHARACTERISTICS		
Maturity (Years)	2.67	2.76
Duration (Years)	3.77	3.38
Modified Duration (%)	3.64	3.27
Yield to Worst (%)	3.35	3.42
YTW (ModDur Weighted) (%)	3.56	3.71
Number of Issuers	39	125

INVESTMENT UNIVERSE

The fund principally invests in fixed or floating rate, short, medium and/or long term bonds and/or other debt securities (including, but not limited to, perpetual notes, subordinated bonds, zero coupon bonds and bonds whose interest may be capitalised or paid in kind by the issue of new bonds ("PIK bonds"), denominated in euro issued by companies (outside the financial sector) from any part of the world and which offer a high yield.

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Bloomberg Barclays Euro High Yield 3% Capped ex Fin

BREAKDOWNS (%)

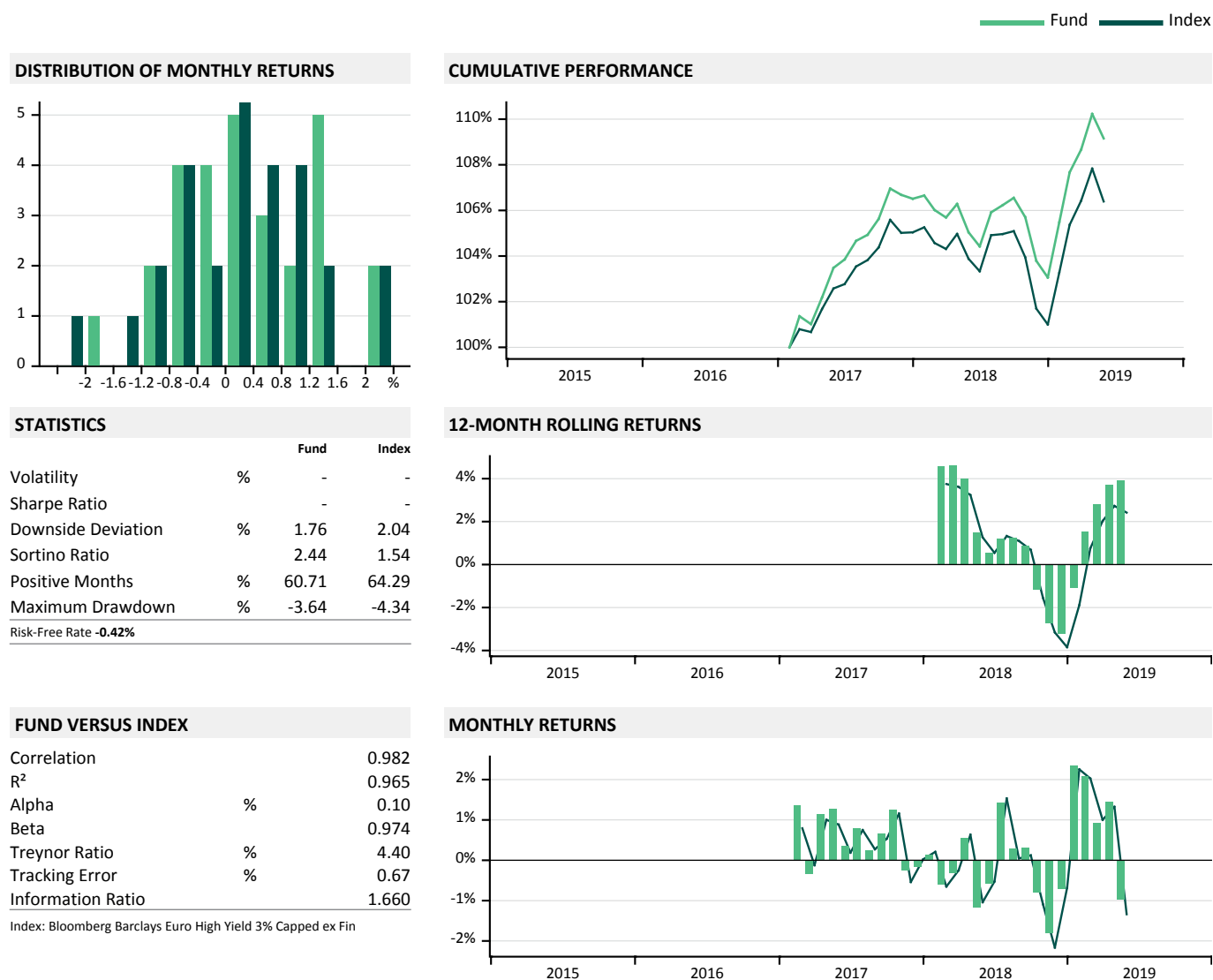
Sectors	Fund	Index	Credit Ratings (Scale S&P)	Fund	Index
Industrials	33.4	31.2	BBB	0.0	0.5
Consumer Cyclical	28.1	18.2	BB	56.6	64.2
Communication	20.2	26.4	B	30.1	27.8
Consumer Non-Cyclical	8.9	12.6	C-Category	11.1	6.7
Technology	4.0	4.5	Not Rated	0.0	0.9
Utilities	2.0	3.7	Cash	2.2	0.0
Energy	1.0	2.9			
Financials	0.0	0.4			
Other	0.0	0.0			
Cash	2.2	0.0			

Modified Durations	Fund	Index	Countries	Fund	Index
< 3%	29.1	48.8	France	26.4	13.8
3 - 5%	53.4	35.8	United States	10.4	17.5
5 - 7%	13.6	12.2	Netherlands	9.4	5.2
7 - 10%	1.3	2.9	Italy	8.2	10.0
> 15%	0.4	0.4	Germany	7.7	13.3
Cash	2.2	0.0	Luxembourg	7.5	5.9
			Spain	6.4	8.8
			Belgium	5.2	1.5
			United Kingdom	4.1	6.9
			Ireland	3.9	3.6
			Other	8.5	13.6
			Cash	2.2	0.0

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Reference Currency EUR | Since Inception (10.02.2017)



	2015		2016		2017		2018		2019	
	Fund	Index	Fund	Index	Fund	Index	Fund	Index	Fund	Index
January							0.13	0.21	2.35	2.25
February					1.36	0.79	-0.59	-0.65	2.08	2.03
March					-0.34	-0.12	-0.31	-0.25	0.92	1.00
April					1.15	1.00	0.56	0.63	1.44	1.33
May					1.27	0.88	-1.17	-1.04	-0.97	-1.34
June					0.36	0.19	-0.59	-0.53		
July					0.78	0.75	1.43	1.53		
August					0.25	0.27	0.30	0.05		
September					0.66	0.53	0.30	0.12		
October					1.26	1.16	-0.79	-1.09		
November					-0.26	-0.54	-1.81	-2.16		
December					-0.16	0.02	-0.70	-0.68		
Year					6.51	5.04	-3.24	-3.85	5.92	5.34

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