

HP Hedge

Danish Bonds

October 2018

Briefly put, September interest rate markets were roughly unchanged, whilst equity markets received heavy blows.

Market consensus has been for quite a while that economies, in general, are moving slowly, but steadily forward. This has in Europe been the case for most of this decade, albeit with significant differences in pace amongst countries. And economic activity has been unaffected by remarkable manifestations from political agents although financial markets increasingly are susceptible to such, this being preponderantly the case for equity markets, as bond markets still are seeing solid buying from agents with reduced price sensibility.

Augmented price fluctuations and the sheer duration of the upward trend prompt curiosity as to how soon we will see the next recession – and expressly to which means central banks are supposed to have left with interest rates below zero and swelling balances. A survey among analysts indicates that we could have one to two years until economic trends deteriorate. As of now, this seems close enough for markets to reduce risk.

Government bond yields were close to unchanged within the month despite the general risk-off mode. Mortgage bonds, however, underperformed up to three quarters of a percentage point.

Refinancing activity amongst mortgage debtors is still low in the high-coupon segment, but annoying increases in redemptions in 3% and 3.5% coupon bonds took place just before the deadline to the January payment.

The fund is not aggressively invested and saw a gain of 0.11% in the month and 4.70% in 2018.

For 2018 we expect a return around 5-7%, due to favorable funding rates and an anticipation of low prepayment figures. We expect a return of 4-9% for 2019.

Return %	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Avg. Yearly return
HP Hedge DKK	4.28	-27.53	54.24	19.26	8.65	18.65	15.84	2.52	-1.69	11.81	8.40	8.75
NAV DKK	104.30	75.59	116.56	139.01	151.03	179.19	207.57	212.81	209.22	233.93	253.58	

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	YTD
HP Hedge DKK	1.27	-0.46	0.72	0.62	0.37	0.55	0.70	0.22	0.52	0.11			4.70
NAV	256.79	255.61	257.45	259.05	260.01	261.44	263.28	263.87	265.23	265.51			

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Fund information

ISIN:	DK0060153369	Inception date:	31-03-2007
Type:	Accumulating	Subscriptive fee:	1.50%
Bloomberg ticker DKK:	HPDABND DC	Redemption fee:	0.75%
Bloomberg ticker SEK:	KAPDOSK DC	Risk indication:	No indicator