Sparinvest

Global Investment Grade

FIXED INCOME

9 March 2021, the fund changed name from "Investment Grade Value Bonds" to "Global Investment Grade".
The name change took place as part of a name reform among our investment products. All other conditions are unchanged.

First positive month of the year

Tighter credit spreads

Markets. In April, tightened credit spreads and lower American government yields generated a positive benchmark return of 0.69%. However, year to date benchmark return remains in the red (minus 2.80%). Automobiles & Parts, Construction & Materials and Retail outperformed the market in April, whereas Travel & Leisure, Personal & Household Goods and Chemicals lagged behind.

The corona vaccines rollout continued to spark optimism across the board. However, we see a mounting risk of negative surprises related to the vaccines, due to four big unknowns: The immunity towards new variations of the virus, the long-term side effects, the duration of the immunity, and non-specific effects on other diseases.

The technical support remains very strong, in terms of gigantic fiscal recovery packages across the board, very low interest rates and central banks directly buying financial assets in the market, including corporate bonds. However, the EU stimulus packages and slump in the economies pushes the Southern European countries into even higher debt levels, combined with a tourist industry melt down, low growth, high unemployment and an overvalued currency. In 2020, Greek government debt reached an all-time high at 206% of GDP, up from 181% in 2019 and 172% in 2011. New peaks were also set by Italy (156%, up from 135% Y/Y), Portugal (135%/117%) Spain (120%/96%) and France (116%/98%). This adds to a lack of structural reforms as well as the negative impact of Brexit completion and mounting demographic challenges.

The U.S. is also facing challenges. However, the U.S. starting point in terms of economic activity, interest rate levels and demographics is comparatively robust. In addition, the dollar serves as the world's reserve currency. In the longer term, the U.S. economy may also benefit from a repatriation of American manufacturing jobs. Thus, we continue to view U.S. fundamentals as more appealing than that of the Eurozone.

Ahead of benchmark year to date

The Portfolio. April's return of 0.40% was 0.29 percentage points behind benchmark (0.69%). Year to date, the fund's return of minus 2.06% was 0.74 percentage points better than benchmark (minus 2.80%). The year-to-date outperformance was mainly attributable to the portfolio's defensive qualities. Thus, the monthly volatility in return has been lower than the benchmark measured over the past year, three years and five years.

Gross trading (7% of AUM) was above the normal 3-5% range. About half was attributable to the process of divesting all tobacco holdings to meet updated ESG-criteria. The remaining exposure amounted to 1.6% by end-April. Regional exposures were stable.

The fund remains underweight of the Eurozone for the above-mentioned reasons. In addition, ECB's massive purchase program is essentially crowding out traditional corporate credit risk from the Eurozone credit space replacing it with concentrated political risk. Over the past two-three quarters, the fund has gradually moved towards having a moderate capital preservation tilt.

Return is calculated gross of fees and excluding swing.

See performance and fund data Click here ›

Strategy

Global Investment Grade 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 Investment Grade bonds.