Fund report, Q4 2021
Minimum EUR
Blend Funds

Sparinvest

INCREASING RISK APPETITE

Increasing number of corona infections

Markets. The appetite for risky assets returned at the end of Q4. The news stories were again dominated by the development of the Coronavirus. On the negative side, the rise in infected people led to the well-known societal restrictions especially in Europe and Asia. On the positive side, there were some indications that this did not burden the hospital system to the same extent, as was the case early in the pandemic. Overall, this gave hope that the effects on the economic momentum would be limited and of a more short-term nature.

Most of the growth-related indicators continued to decline during December. The order components in the so-called Flash PMI's, which were published recently, showed declines in the U.S., Europe and Japan. It extended the period of loss of momentum in input orders that set in in the early summer of 2021. For the growth picture in the OECD area, levels were not critical, but the direction characterized a slowdown in recent quarters. Corresponding key figures from China suggested some stabilization. The manufacturing industry still operated close to the critical level, which reflected stagnation. On a Chinese scale, the general economic momentum fell to uncomfortable levels. The debt problems in the Chinese real estate sector have been going on for a long time. Data from November showed lower activity in the housing market in China and at the same time a negative effect on prices. For the first time in a number of years, the housing sector is challenging economic policy in China, where the authorities partly want to curb speculation trends and partly want to curb debt build-up in the sector. For that reason, interventions have so far been on the defensive side and probably mostly aimed at stabilizing development.

Decent returns in 4th quarter

The Portfolio delivered a return of 1.2% in the 4th quarter, which is in line with the fund's benchmark index. Equities had an excellent 4th quarter, with the global stock market given by MSCI World All Countries yielding a return of 8.7% measured in EUR. Overall, the equity component delivered a return in line with the portfolio's benchmark index for equities. The high jumper, performance wise, was global equities SRI, which delivered a return of 12.8% while emerging markets could not keep up with the other regions and ended with a return of 0.6%. The allocation in private equity yielded a return of 7.6%.

Convertible bonds yielded a return of 0.4%, which was 2.5 percentage points more than its benchmark index. In absolute terms, the convertible universe was hit by falls in small cap, China as well as fears of new shutdowns due to Omicron. The relative return was primarily helped along by an underweight in the most expensive growth companies, particularly in the U.S.

The government and real estate bond component delivered an absolute return, as well as relative, of 0.2%. The excess return came from short-term bonds. Emerging markets bonds yielded negative returns, relatively as well as absolute. High yield bonds yielded a return of 0.3%, which was 0.9 percentage points more than the high yield reference benchmark. The return on investment in infrastructure delivered a return of 2%.

Strategy

Minimum 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 rebalanced.