Sparinvest

Global Short Dated High Yield EUR R

FIXED INCOME

The inflation theme continued

Positive month for risky assets

Markets. Credit spreads in the High Yield (HY) Short Dated market tightened 14 bps in June. As a result, the benchmark index yielded a positive return of 0.17%, bringing the year-to-date return for the index at 2.23%.

Developments in the financial market in June were characterized by positive returns on risky assets combined with a flatter yield curve, due to higher short-term government interest rates and lower long-term government interest rates. Business confidence indicators in the U.S. and Asia paint a picture of growth-momentum close to climax. In Europe, the overall positive development continued in June due to the delayed evolution of the Corona crisis. The return on risky assets relative to risk-free assets in the early summer did not follow the same unambiguous pattern that prevailed in the previous quarters, highlighting that the environment has become more complex.

The complexity goes beyond expectations of economic momentum. In the United States and Europe, mass vaccinations led to the reopening of societal activity - which over time will lead to a normalization of economies. The development is therefore increasingly contrary to maintaining the current monetary policy, which still includes monthly QE programs of USD 120 billion in the U.S. and EUR 80 billion. in Europe. The most recent FOMC meeting revealed that the central bank had to change its economic forecast towards higher inflation in 2021 once again and lower unemployment rates in 2022. At the meeting, several members expressed a desire to bring forward the monetary policy tightening. Credibility is declining both in the monetary policy manuscript and in the belief that rising inflation is temporary, as expected by the Fed.

Positive return, ahead of benchmark

The portfolio had a positive return of 0.51% for June, which was 0.34 percentage points ahead of the benchmark. Year-to-date the fund's return is 3.52%, which is 1.29 percentage points ahead of the benchmark.

Real Estate and Energy were the two sectors that generated the largest positive contribution to the portfolio relative to the benchmark, while IT and Industrials were the worst contributors to the funds return relative to the benchmark. The positive contribution from Real Estate came primarily from the fund's significant underweight in Chinese real estate companies, which generally had a tough month. One of the largest Chinese real estate companies has had its credit rating downgraded after uncertainty about the company's ability to pay its short bonds and several Chinese banks limiting the loan options for the company. In Energy, the positive contributions were broad based and driven by the continued rise in oil price in June. The small negative contribution from IT came primarily from a position in a Nordic company that offers solutions for sending auto-generated messages to a company's customers. The company announced an acquisition and in this connection increased the size of the bond, which increased leverage. The bondholders were compensated by receiving a fee to accept the changes. Within Industrials, there was only a marginal negative contribution relative to the benchmark.

In June, four positions were called and one sold, across five sectors. The proceeds were used in five new issues, a new name and in increasing the weight in existing positions. The changes led to the portfolio's spread being broadly unchanged, despite the general tightening.

·Return is calculated gross of fees and excluding swing.

See performance and fund data Click here ›

Strategy

Global Short Dated High Yield invests in short-dated (1-5Y) corporate bonds with a rating from BB-B, 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.

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