FUND REPORT

May 2021

Sparinvest

Global Short Dated High Yield EUR R

FIXED INCOME

Momentum flattened out

Breathing space to "cut the coupon"

Markets. Credit spreads in the High Yield (HY) Short Dated market were unchanged in May and are still at 360. As a result, the benchmark index yielded a positive return of 0.39%, which alone could be attributed to coupon payments. The year-to-date return for the index is 2.06%.

During the spring, there has been a tendency for more sideways movement in the financial markets. This applies to a wide range of areas, including credit spreads on corporate bonds, U.S. government interest rates, leading stock indices and cyclical versus defensive stock sectors. These may be initial reactions to "max. momentum" in the growth-related key figures, which in turn coincide with confidence indicators, which have recently expressed high investor optimism.

Growth-related key figures rose to levels that are typically characterized by a climax in economic momentum. The high-frequency data series published by the Federal Reserve rose almost vertically until mid-April in connection with the reopening of the societal activity in the United States. Since mid-April, the index has moved sideways. This is reflected in market expectations for the growth profile of U.S. GDP over the coming quarters. According to Bloomberg, growth is expected to peak in the current quarter. It is market expectations that growth will slow but remain high in the third quarter - before falling to somewhat lower growth rates until the end of 2022. The latest business confidence indicators from Asia paints the same picture of growth-momentum close to the climax. This is reflected in declines in PMI's in South Korea, Taiwan and a mixed development from the Chinese indicators.

Return is calculated gross of fees and excluding swing.

Positive return, ahead of benchmark

The portfolio had a positive return of 0.59% for April, which was 0.20 percentage points ahead of the benchmark. Year-to-date the fund's return is 3.0%, which is 0.94 percentage points ahead of the benchmark.

Energy and Industrials were the two sectors that generated the largest positive contribution to the portfolio relative to the benchmark, while Consumer Discretionary and Financials were the worst contributors to the funds return relative to the benchmark. The continuation of higher oil prices, led by strong demand from re-opening of societies, drove a broad-base positive contribution to the funds relative performance from the Energy sector, which benefited from both selection and an overweight in the sector. The most positive contribution within Industrials came from a position in a global provider of safety and survival training, which showed positive momentum within their latest reported results. In Consumer Discretionary the negative contribution stemmed mainly from the fund's position in an Indian retail company, which is in the process of being acquired, and is facing uncertainties regarding the price and timeline initially agreed upon. The negative contribution from Financials stemmed mainly from the general underweight in the sector.

In May, three positions were called within the Industrials and Consumer Staples sector, increasing the fund's underweight in these sectors, and one position was sold as it has reached its expected return potential. The proceeds were used for two new issues, two new positions and increased weight in existing positions. The changes increased the portfolio's credit spread, which remains at a higher level than the benchmark while the portfolio's duration is close to that of the benchmark.

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.