Fund report, November 2021
Global Ethical High Yield
Fixed Income

Sparinvest

REDUCED RISK APPETITE

Omicron and China's crisis affected the market

Markets. Credit spreads widened by 46 bps in the High Yield (HY) market in November. The benchmark index gave a return of -1.15%, which brought the year-to-date return down to 0.81%.

In November, a reduced risk appetite dominated the financial market. The development of coronavirus left its mark in the form of rising infection rates in Europe and the U.S., as well as parts of Asia. The virus variant called Omicron created doubts about the effectiveness of existing vaccines. Oil prices fell 16% in the wake of the U.S. decision to supply oil from the country's strategic reserves and concerns about further "lock downs". Finally, investors began to recognize a tighter monetary policy stance in the United States, as the U.S. Federal Reserve is now seriously beginning to question the conclusions of its economic analysis with the common denominator "transitory". After just a few weeks, the central bank is now rejecting the proposed plan to phase out QE (Quantitative Easing), which was decided at the FOMC (Federal Open Market Committee) meeting on 3 November. The question is now whether the ECB will come to the same concession. Changes in economic policy are considered important signals for the economic momentum and thus the financial market.

The developments in China stabilized in November. Several Chinese property developers have either gone bankrupt or are on the verge of bankruptcy. Data continue to testify to lower activity in the housing market in China. However, the government came with supporting statements and in contrast to general panic in October, investors began to differentiate between the stronger and weaker developers, which was reflected in the price moves. The sector therefore amounted to "only" approx. 10% of November's negative index return.

Negative return, ahead of benchmark

The Portfolio had a negative return of 0.52% in November, which was 0.63 percentage points ahead of the benchmark. Year-to-date the return is 4.74%, which is 3.93 percentage points ahead of the benchmark.

In November, all sectors contributed positively to the portfolio relative to the benchmark. Energy and Communication Services were the two sectors that generated the largest positive contribution to the portfolio relative to the benchmark. The positive contribution from Energy was broad based (however, Energy contributed slightly negatively to the fund's return in absolute terms, due to the falling oil price). Within Communication Services, the positive contribution was also spread across several positions, while there was also several positions in the benchmark index that had a tough month.

In November, two bonds were called and ten positions were sold as they have reached their fair value. The proceeds were invested in three new issue and five new bonds. The changes, along with market movement, increased the fund's overall credit spread and reduced its underweight in the U.S.

See performance and fund data Click here >

Strategy
Ethical High Yield Value Bonds 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 High Yield bonds. Up to 15% may be invested in corporate bonds issued by companies operating in Emerging Markets.