Fund report, November 2021
Global Short Dated High Yield EUR R
Fixed Income

Sparinvest

REDUCED RISK APPETITE

Omicron and China's crisis affected the market

Markets. Credit spreads widened by 53 bps in the High Yield (HY) Short Dated market in November. The benchmark index gave a return of -0.92%, which brought the year-to-date return down to -0.82%.

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 U.S., 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. 25% of November's negative index return.

Negative return, ahead of benchmark

The Portfolio had a negative return of 0.65% for November, which was 0.27 percentage points ahead of the benchmark. Year-to-date the return is 3.24%, which is 4.06 percentage points ahead of the benchmark.

Energy and Real Estate were the two sectors that generated the largest positive contribution to the portfolio relative to the benchmark, while Materials as the only sector contributed slightly negative relative to the benchmark. The largest positive contribution from Real Estate came again from the large underweight in Chinese real estate developers, as these had another tough month. This sector is shrinking in the index as the number of bankruptcies increases. Within Energy, the positive contribution came from a number of positions (however, Energy contributed slightly negatively to the fund's return in absolute terms, due to the falling oil price). The small negative contribution from Materials came primarily from a Ukrainian company that produces steel and has facilities close to the Russian border. In line with tougher rhetoric between NATO and Russia, the bonds have weakened. However, the company has almost as much cash as debt outstanding, which is why the financial leverage is close to zero.
In November, three bonds were called and seven positions were sold as they have reached their fair value. The proceeds were invested in one new issue and eight new bonds. The changes increased the fund’s overall credit spread and reduced the underweight the U.S.

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.