Fund report, January 2022
Global Short Dated High Yield EUR R
Fixed Income

Sparinvest

NEGATIVE START TO THE YEAR

Negative returns across asset classes

Markets. Credit spreads increased by 52 bps in the High Yield (HY) Short Dated market in January, which resulted in a negative return for the benchmark of 1.69%.

Risk aversion among investors dominated the financial markets in January. The general negative development came in the wake of announcements from the U.S. Federal Reserve, which warned of changes in the monetary policy process (less dovish). Investors reduced the share of risky assets, which has put particular pressure on stock prices and credit spreads. Government bonds were also hit, causing an overall rise in interest rates- for example, the 10-year U.S. government yield rose to its highest level since the start of the pandemic.

The latest growth-related economic data continues to give a mixed picture – though maintaining a declining trend overall. On the manufacturing side, the majority of business confidence indicators in the United States are falling, while in Europe, there are signs of some stabilization, led by Germany. On the services side, the development in January has been somewhat more negative. Indicators are falling relatively sharply in both the United States and Europe. With a fall in the U.S. PMI to 50.9 in January, there is, according to this indicator, only weak progress in the sector. The high infection rates with coronavirus have likely had a particularly negative effect on the services sector up to and over the turn of the year. In China, there was a decline in business confidence indicators in January in both the manufacturing and services sectors. The manufacturing indices are 50.1 according to NBS and 49.1 according to Caixin. The levels testify to a Chinese manufacturing sector that is currently in a zero growth area. Similar to developments in the OECD area, it is likely that coronavirus has also played a negative role.

Negative return ahead of index

The Portfolio had a negative return of 0.97% for January, which was 0.73 bps ahead of the benchmark.

The most positive sector contributions relative to the benchmark came from Communications and Energy, while Materials contributed negatively in relation to the benchmark. The positive contribution from Communications came both from the fund's underweight towards the subset having high duration and low spread, as well as from a Georgian telecommunications company. The company redeemed their outstanding bond at a premium and in turn issued a new bond, which rose in price. In Energy, the positive contribution came largely from an American oil company, which benefited from rising oil and gas prices. The negative contributions from Materials came primarily from a Ukrainian company, which produces steel and has facilities close to the Russian border. In line with tougher rhetoric between NATO and Russia, bonds have weakened. However, the company has almost as much cash as debt outstanding, and thus has net financial leverage is close to zero.

In January, one bond was sold and one was called. The proceeds were invested in five new issues as well as one new position. In addition, the fund did two "extension trades" – i.e. sold a short bond in exchange for buying a slightly longer one with a higher yield.

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.