

NEGATIVE END TO THE YEAR

Negative returns across the risk spectra

Markets. Credit spreads widened by one bps in the High Yield (HY) Short Dated market in December. Accrued interest almost made up for the negative impact of higher government bond rates resulting in the benchmark delivering a return of -0.07%. The benchmark return for the year 2022 thus ended at -10.19%.

The negative sentiment returned in the financial markets in December. The development led to relatively large and broad-based losses on both risky and risk-free assets. Credit performed relatively well as credit spreads were close to unchanged for the month. In December, the interest rate on Danish and U.S. 10-year government bonds rose from 2.1% to 2.7% and 3.6% to 3.9% respectively.

Confidence indicators across the OECD area gave a mixed picture in December. Within the manufacturing industry, business confidence fell further in the U.S. and Japan, while it rose from low levels in Europe. At an aggregated level, the trend is still one of declining business confidence. The authorities in China have finally decisively broken with their approach to corona going from one extreme to another. China shifted directly from a 'zero tolerance approach' to an approach that has lifted virtually all social restrictions regardless of developments in corona. Such a radical change means extraordinary uncertainty in a period - when it seems most likely that economic activity in certain areas has fallen further because of cautious behavior on the part of the Chinese population. The information value of the Chinese key figures will be low in the coming period.

Positive return and ahead of benchmark

The Portfolio delivered a positive return of 0.83% in December, which was 0.90 percentage points ahead of the benchmark. For the year of 2022, the portfolio delivered a negative return of 6.50%, which was 3.70 percentage points ahead of the benchmark which was at the level of the excess return last year

All sectors contributed positively or neutral relative to the benchmark in December. The most positive sector contributions relative to the benchmark came from Real Estate, Consumer Discretionary and Energy. The positive contribution from Real Estate primarily came from several of the fund's small positions in challenged Chinese real estate companies, which rose sharply on the prospect of China easing its lockdowns. Within Consumer Discretionary, the positive contribution came primarily from a Chinese conglomerate that owns a large number of Chinese and international companies. The re-opening reduced investors' fears about whether the company can refinance its short-term bonds. The positive contribution from Energy came from several oil companies, which benefit from the fact that the oil price remains at a good level and significantly above the companies' break-even costs and thus generate solid cash flows.

In December, one position was sold to fund two new positions. Further, there were two curve extensions, where the shorter maturity bond was sold in favor of longer maturity bond from the same issuer. The changes increased the fund's overall duration and U.S. underweight. The fund starts the New Year with a higher credit spread and lower duration than 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.

This material does not constitute individual investment advice and cannot form the basis for a decision to buy or sell (or an omission thereof) of investment certificates. The material has been prepared for information purposes only and investors are encouraged to seek necessary professional advice before buying or selling investment certificates. Sparinvest does not undertake any responsibility for the advice given and actions taken or not taken in respect of this material. The mentioned sub-fund is part of Sparinvest SICAV, a Luxembourg-based, open-ended investment company. Investors are urged to read the prospectus, the key investor information document and the current annual / semi-annual report of Sparinvest SICAV prior to investing. The documents are available at sparinvest.lu. There are always risks involved when investing and it is stressed that past performance or past return cannot be considered as a guarantee for future performance or return. Investors may not get back the full amount invested. Sparinvest makes reservations for possible typing errors, calculation errors and any other errors in the material.