

Procedo EUR

BLEND FUNDS

April a good month for value

Consolidation and higher risk appetite

Markets The month of April was characterized by increased risk willingness in markets and further weakness in the USD. The reason was probably that we saw macroeconomic consolidation in April after a somewhat disappointing first quarter in especially the US.

The growth in US industrial production was still negative (-2%) in March, but we expect improvement going further into second and third quarters. For the Eurozone, the growth in industrial production was still positive (0,8%) and we also expect a gradual improvement for the Eurozone over the coming 12 months.

The tightening of both the European and US labor markets continue in the latest data points. In the US, we saw that initial jobless claims were at the lowest level since 1973. The unemployment rate for the Eurozone also dropped more than expected (to 10,2%) for the month of February.

Most macroeconomic data points are still showing moderate or stabile improvement for the Eurozone. Both PMI-surveys and ZEW-surveys are at expansionary levels and retail sales are still showing solid growth, although the growth is slightly lower than at the end of 2015.

Inflation figures are still flirting with deflation in the Eurozone (0,9% in the US), but 5Y5Y-inflation swaps show that long-term inflation expectations are growing slightly during April, which is probably primarily a result of a large increase in energy prices from the bottom in first months of the year.

Value was fine – Momentum not so

Performance The month of April was strong for the equity markets with an increase in MSCI World (in EUR) of 1,65%. The fund's slight overweight to European equities benefitted from a performance in these of 2,08%.

Momentum as a factor didn't do too well in April, but Value worked just fine. Size (i.e. small cap) gave a contributing close to zero. Long interest rates on government bonds increased slightly through April, which subtracted a bit from performance, but Danish mortgage bonds performed well compared to government bonds.

The exposure to HY corporate bonds finally paid off in April – due to higher energy prices – but benchmark nevertheless gave an outperformance of 1% in April. Investment Grade corporate bonds increased by about 1% in the month. Risk-willingness also characterized the market for EM government bonds, which yielded about 1,5%.

Strategy

The fund offers investors with long term investment horizons and/or high risk willingness a well-diversified portfolio with exposure to both equities, government bonds, mortgage bonds, corporate bonds and EM government bonds. The investment strategies are, where possible, implemented to ensure that investors benefit from academically and empirically well-proven factors, which lead to superior long-term risk-adjusted returns than a pure market exposure. For the equity allocation, this means that investors are exposed to both Momentum, Value and Size. The overall exposure to the different asset classes is strategic and no attempts to time the market are done. The equity exposure target is 65%, but deviations of up to 5%-points from the target allocation are allowed before rebalancing the portfolio.