

## Balance EUR

## BLEND FUNDS

# Moderate returns in quiet market

## French election almost over

In the month of April, macroeconomic figures were generally decelerating a tad. This, admittedly, happened from very lofty levels. The curve steepness for government bonds flattened, which should be seen as an indication that the market is expecting a lower probability for a successful implementation of president Trump's fiscal policies.

The first round of the French presidential election was held at 23<sup>rd</sup> of April. Emmanuel Macron and Marine Le Pen won and are now headed for the second and last round to be held on the 7<sup>th</sup> of May. At the release of the result, the book-maker odds for a Marine Le Pen final victory declined to around 11%. The market thereby postponed one of the biggest risks against EU stability to the next French election.

The Euro rallied as a result of the French election and French stocks (CAC40) immediately surged 4% higher after the release of the result. In April, the MSCI World (EUR) gave a return of -0.31%. The return was negative due to the strength of the EUR, which gained 2.3% during the month. The volatility index (VIX) fell to the lowest level in months and is now trading below 11.

## Lower rates and strong credits

In April, the fund returned 0,23%, which was lower than its benchmark. The allocation to equities contributed with about half of the return and bonds the other half.

In the equity allocation it was especially the Small Cap segment that delivered solid returns. The exposure to Value-stocks delivered sub-par returns. Non-European equities were also dragging returns lower due to the stronger EUR.

Regarding the bond allocation, it was especially the High-Yield exposure that did well with a monthly return of 1,4%. The exposure to EM government bonds were also contributing positively, while the IG bonds were suffering from a lack of exposure to European bonds in a strong European market after the first, French presidential election round.

The exposure to Danish mortgage bonds did well compared to its benchmark, but the exposure to callable bonds has now been reduced, since the price of the segment is now too high compared to the risk from negative convexity.

See performance and fund data

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## Strategy

Balance is targeted at investors with a short investment horizon and/or low risk tolerance. The fund has a well-diversified exposure to equities, mortgage credit bonds, developed market treasury bonds, emerging market treasury bonds, corporate bonds and cash. The equities exposure is tilted to benefit from the value, small cap and momentum factors, and the exposure to corporate bonds is sought to be obtained through small issuers, low net debt and strong asset backing. For treasury and mortgage credit bonds, the strategy is to maintain a constant portfolio duration within a tight range. The overall exposure to the different asset classes is strategic and no attempt is made to time the market. The target equity exposure is 50%, but a deviation of +/- 5% is allowed before the portfolio is re-balanced.

