Sparinvest

High Yield Value Bonds Short Duration 2018

FIXED INCOME

Short maturity outperformed

Russian sanctions

Markets Credit markets did well during the month of April. Excess returns compared to government bonds with matching maturity were positive for both Investment Grade (IG) and High Yield (HY) of respectively 0.2 percent and 0.9 percent in local currency. However, on a total return basis, bonds in general were in a tough spot, as similar government bonds returned -0.7 percent for the similar IG maturities and -0.5 for the HY maturities. This resulted in negative total return for IG during the month whereas HY managed to stay positive.

The 10-year government bond yield in the U.S. increased from 2.75 percent to more than three percent for the first time since the beginning of 2014. Long, European rates also increased, albeit more moderately due to the persistently low inflation in the Eurozone.

The main story during the month came from Emerging Markets as U.S. partially surprised the markets with more sanctions against a number of individuals but also specific mining companies such as Rusal – a Russian aluminum producer. This resulted in significant price drops of 5-15 percent across sovereign and corporate issuers. As fear of further sanctions from the EU faded and the U.S. started to soften the rhetoric most bonds moved up from the lows.

Capital preservation

The Portfolio The portfolio performed relatively well in the current environment with focus on preserving capital. The mix of investment grade, high yield and short maturity in particular provided the cushion in a difficult market. The fund return in April was 0.1 percent gross of fees.

In April, once again the energy sector had the largest contribution to the fund return.

In terms of single issuers, April saw no significant news flow moreover, no market movers in either direction. As mentioned, Russian sanctions were the big story of the month and naturally, the fund's Russia exposure underperformed during the month. However, compared to the overall repricing of Russian risky assets, the fund exposures did well, as the largest impact resulted in 0.3 bps negative contribution to the fund return.

In April, one position was called and three matured. The proceeds were reinvested into one new name within the financial sector.

We are very careful to balance the risk budget of the portfolio with the short maturity, so we are mainly targeting new investments with ratings of BB or better.

Return is calculated gross of fees and excluding swing.

See performance and fund data Click here ›

Strategy

High Yield Value Bonds Short Duration 2018 invests in short-dated corporate bonds, 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. At least 2/3 of the portfolio are invested in High Yield bonds. The maturity date of the Fund is December 31, 2018.