

## Balance EUR

## BLEND FUNDS

# August was a quiet month

## Low volatility in August

The month of August was characterized by unusually low volatility in the stock market. The volatility index (VIX) for the S&P 500 mainly traded in a range between 11 and 13. It normally trades between 13 and 18.

The fixed income market volatility was also quite low. Long interest rates in Europe were more or less unchanged, whereas long interest rates were generally a bit higher at the end of the month. This development was primarily caused by the fact that macro data in Europe in general came out as expected, and data in the US (especially Nonfarm Payrolls) was slightly stronger than anticipated.

MSCI World (EUR) delivered a return of only 0.12% and was not materially impacted by the currency markets. The trend in equity markets is still higher and is broadly based with momentum across the global markets, which still indicate risk-willingness. The price of oil (WTI) increased by 8.7% in August, which also serves to indicate optimism.

In currency markets the Pound finally found willing buyers after an almost continuously declining trend since the British decision to leave the EU. The most liquid British property funds also increased throughout August and are now almost back at the pre-Brexit decision levels. In other words, the market is no longer troubled by the Brexit decision.

Rate expectations in the US were increasing throughout the month and it appears increasingly likely that the Fed is going to hike interest rates before year-end. The Fed governor Janet Yellen is recognizing the progress of the US labor markets and is also indicating that the rate decisions are depending on further progress.

## Strongest returns in stocks

During the month of August, stocks generated the strongest returns with our portfolios in Europe and the US leading the pack. Also the allocations to High Yield corporate bonds and Emerging Market sovereign bonds contributed to the returns. The equity allocation (50%) yielded a gross return in August of 0.75% (slightly ahead of benchmark) and the fixed income components (50%) all in all generated returns of 0.34%, which was also a tad better than benchmarks. The total gross return (before costs) of the fund in August was 0.5%.

	Allocation %	Return %
Equities	24.90	0.19
High yield corporate bonds	6.00	1.61
Stable bonds	17.53	0.12
Investment grade corporate bonds	6.01	0.75
Short-term bonds	17.53	0.11
Long-term bonds	3.51	0.28
Medium-term bonds	17.52	0.17
Emerging market bonds	5.00	1.51

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.

