

Corporate Value Bonds

FIXED INCOME

A positively dull month

Spreads grind tighter

Markets Credit markets were calm in August with low activity and volatility compared to the first seven months of the year. A Q2 reporting season didn't produce any major disappointments and the continued support from ECB's purchase program created a good environment that benefited credit. With "Brexit" out of the news, the only shadow of excitement came from the FED as some of the members were vocal about the case for rate hikes coming sooner than the market expects. FED chairman Yellen indicated the same after the Jackson Hole Symposium but markets took it with ease.

Oil was volatile and ended up in August on hopes that OPEC will succeed in implementing a production cap or similar that will stabilize oil prices although correlation to the High Yield markets have dropped.

In Brazil, it was decided to move forward with the impeachment of the now former President Rousseff. The new president in favour of reforms and taking painful, but necessary decisions, now needs to show he can deliver on his promises.

Positive return & active in Healthcare

The Portfolio

The fund delivered positive performance of approx. 1.6% for August just lagging the benchmark with approx. 0.4% primarily due to the Materials and Energy sectors performing better in the benchmark. Energy was the best performing sector in the fund on an absolute basis. On a relative basis, the two best performing sectors were Information Technology and Health Care.

The best performing position was a Brazilian company in the Energy sector benefitting from the general momentum in the sector. The second best performing position was an Information Technology company in USA which benefitted from investors getting more comfortable with the Semiconductor sub-sector. This is a bond we bought earlier this year. Together they contributed positively with just over 0.2%. The worst performing positions were a Norwegian Energy company and a Media company in the USA which both drifted down, contributing negatively with a few basis points.

In August, there were changes across few sectors. We exited two larger positions during the month while a large position matured. One exit was in the Financial sector as the company, which is a diversified holding company, bought a gaming company thus falling outside the ethical universe. The second exit was in the Energy sector and a Russian oil production company, which through further analysis and investigation did not live up to the ethical standards of the fund. Furthermore, we reduced our position in the Healthcare company mentioned above as it repriced this month and resulted in an expensive valuation.

We added two new positions in the US in the Materials and Healthcare sectors. In Materials, we added a salt miner which mainly supplies road salt to government entities and in Healthcare we bought a medical technology company trading weak due to an ongoing acquisition.

With the fund having a little less risk than the benchmark, we look to take advantage of opportunities as they arise.

See performance and fund data [Click here >](#)

Strategy

Corporate Value Bonds invests in global corporate bonds. Bonds are selected using the value method, 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 underlying bonds are diversified across sectors and regions. At least 2/3 of the bonds are selected within the High Yield segment. Up to 15% of the fund's total net assets may be invested in corporate bonds in Emerging Market countries

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.