FUND REPORT

August 2016

**Sparinvest**

Value Bonds 2016

FIXED INCOME

# Credit markets continues to perform

## Calm markets, strong performance

**Markets** So far, 2016 has turned out to be much more hectic than anticipated by the beginning of year. In August, the macro-economic and geopolitical news flow finally slowed down and markets returned to normal business and focused on half-year reports.

The reporting season has so far not offered any surprises, so it is still the central banks that are making the headlines. On the back of the surprising Brexit vote in June, the Bank of England announced a package of supportive measures in August. Lowering the interest rate by 0.25% in the current environment is a clear signal that the central bank sees some dark clouds ahead for the UK economy.

Signals from the US economy fuel the anticipation of a rate hike this year. So far the US central bank has not been provided the necessary evidence to tighten the monetary policy, but recent indicators suggests that the economy is moving in the right direction. Jobless claims were close to the lowest level in almost 40 years and new home sales rose to the highest level since 2007. Whether this is sufficient to convince the FED will be revealed on the next meeting taking place mid-September.

All in all, credit markets continued the strong performance from previous months. Investment Grade and High Yield bonds rose respectively by approx. 0.40% and 2.00% in August.

The hunt for yield has now pushed almost 13 trillion USD of fixed income assets in to negative yield territory, making it increasingly difficult for investors to source positive yielding bonds.

## Portfolio performance as expected

**The Portfolio** The portfolio provided a return of 0.02% in August which is satisfactory compared to the fact that the underlying bonds have an average maturity of 3-4 months.

Energy was the best performing sector with a positive contribution of almost 0.10% - especially bonds issued by Norwegian oil-service companies rebounded, as a combination of increasing oil prices and appetite for risk assets.

We keep reinvesting the proceeds from matured bonds in short-term money market-like bonds that provide better yield than cash deposit. During August, 4 bonds matured or were called, and 4 new bonds maturing prior to end 2016 were added.

We expect performance to remain neutral until December 2016 – which compared to other short-dated investment alternatives still is considered quite attractive.

See performance and fund data Click here ›

### Strategy

Value Bonds 2016 invests in short-dated 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 50% of the bonds are selected within the Investment Grade segment. The maturity date of the fund is December 31, 2016