

Balance EUR

BLEND FUNDS

Good performance from equities

Rising Inflation Expectations

A further strengthening of macroeconomic figures was broad-based in January. This included higher retail sales growth and industrial production growth in the Eurozone combined with a further drop in the unemployment rate to 9.6% (from 9.8%). GDP growth in the Eurozone came out at 1.8% - slightly higher than expected. On this background, the EUR appreciated about 2.5% vs. the USD. Long-term inflation expectations for the Eurozone are continuing to normalize towards their historical average – due to e.g. higher energy prices – and are now around 1.8%.

Inflation expectations also increased in the US. The 5Y5Y inflation swap is now trading at 2.4% and ISM Prices Paid (a survey capturing inflation expectations) came out at 65.5, which is the highest since 2011. The so-called NFIB Small Business Confidence came out at 105.8, which resulted in the largest monthly increase in the survey since 1980.

Coinciding with fears of growing protectionism in the market, the Morgan Stanley Global Trade Indicator came out at the highest level since 2010, which also supported energy prices.

MSCI World (EUR) was about unchanged due to the strengthening of the EUR in January, but German 10-year government bond yields increased 23 bps, while US 10-year government bond yields were effectively unchanged.

Strong equity performance

In the month of January, the fund returned 0.5% before costs, which somewhat better than its benchmark, which returned 0%. Most of the outperformance was due to all four of the regional equity exposures that all outperformed their respective benchmarks. Especially the European allocation did well.

The largest negative contribution to the fund's performance was from Long European Bonds – despite the fact that the allocation did much better than its benchmark. Once again, the allocation to Danish mortgage bonds paid off.

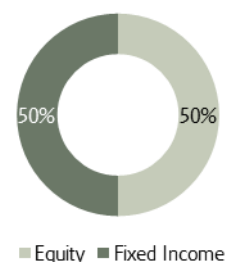
The largest allocation in the fund is towards Short European Bonds, which also benefitted from the strong performance in Danish mortgage bonds.

See performance and fund data

[Click here >](#)

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.



For further information we refer to the prospectus, the key investor information document and the current annual / semi-annual report of Sparinvest SICAV which can be obtained free of charge at the offices of Sparinvest or of appointed distributors together with the initial statutes of the funds and any subsequent changes to such statutes. Investments are only made on the basis of these documents. Past performance is no guarantee for future returns. Investors may not get back the full amount invested. Investments may be subject to foreign exchange risks. The indicated performance is calculated Net Asset Value to Net Asset Value in the fund's base currency, without consideration of subscription fees.