Sparinvest

Investment Grade Value Bonds

FIXED INCOME

# A strong beginning to the year

## Double tailwind

**Markets** January's very strong benchmark return of 1.57 percent was due to a combination of both tightening credit spreads, especially in the U.S., and lower German and American government yields.

Spreads tightened across the board. Best sectors were Oil & Gas, Health Care and Personal & Household Goods, whereas Construction & Materials, Media and Retail underperformed the market.

Softer rhetoric from the Fed, strong equity markets, very good headlines from the U.S. job market and higher oil prices all fueled the strong sentiment within corporate credits. In addition, long Italian interest rates dropped, as the government's quarrel over the budget deficit with the EU further subsided.

However, the political and economic challenges of the Eurozone are unsolved, a hard Brexit is moving closer and the immigration issue remains outstanding. In addition, several confidence surveys from the Eurozone were disappointing, so in general American fundamentals look more appealing in comparison to the Eurozone.

## Ahead of benchmark

**The Portfolio** January's return of 1.89 percent was 0.32 percentage points better than benchmark (1.57 percent). This was due to a combination of tailwinds within the portfolio's overweight of American non-financial corporate hybrid bonds, legacy (i.e. regulatory outdated) financial subordinated debt and some long dated blue chip American issuers. A material part of the outperformance stem from bonds bought within the past two months as we took advantage of some attractive buying opportunities.

We remain cautious (i.e. underweight) on the Eurozone part of the credit universe for fundamental valuation reasons and continue to tilt the portfolio somewhat towards capital preservation. The fund continues to be underweight in Germany and France and has no exposure to Italy, Spain, Portugal and Greece.

We took profit by divesting a position in a leading Philippine bank. This contributed to lower the Asia/Pacific exposure to 13 percent from 14 percent. The North American decreased to 49 percent form 50 percent, whereas the Western European exposure remained at 31 percent.

Return is calculated gross of fees and excluding swing.

See performance and fund data Click here ›

## Strategy

Investment Grade Value Bonds invests in global 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 Investment Grade bonds.