

Balance EUR

BLEND FUNDS

Stronger EUR and higher rates

Solid growth in the Eurozone

Markets During the month of July the positive, macroeconomic surprises continued in the Eurozone and the small but consistent disappointments from the US also continued. As a result, the spread in the long rates between the two regions also contracted somewhat in July and the euro continued to strengthen vs. the US dollar.

EURUSD is now at the highest level in more than two years, but in terms of purchasing power parity the euro is still undervalued vs. the US dollar. The newly found EUR-strength is eroding returns in global equity portfolios that naturally have a large exposure to US stocks and the US dollar. Thus, MSCI World (in EUR) yielded a negative 0.8 percent in July.

Despite the negative EUR-return, local currency equity market returns were strong in July where the VIX index posted its lowest reading ever (8.84), and EPS expectations for 2017 made new highs.

The German 10-year government yield continued its upward trend in July responding to strong Eurozone data – amongst others economic indicators like the German business confidence index IFO and the monthly surveys of private sector companies (PMI's).

This picture was supported by the fact that the leading indicators from OECD are trending upwards for both the Eurozone, Japan and China, whereas only the US is experiencing a slight slowdown in the leading indicator from the OECD.

Value and Momentum work again

The Portfolio The fond delivered solid returns in the month of July, which was caused by a combination of the style factors in the fond's equity exposure and the geographical exposure, which benefited from the strengthening EUR.

Especially the so-called Value/Momentum-double-sorting (exposure to stocks that are both cheap and enjoy a strong momentum) contributed to the solid returns in July.

Regarding the exposure to corporate bonds, both the allocation to High Yield and Investment Grade bonds suffered slightly from an underweight to European issuances.

The allocation to both short and long government and mortgage bonds outperformed their respective benchmarks – again supported by the overweight to Danish mortgage bonds, which performed well despite generally higher interest rates.

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.

