

High Yield Value Bonds Short Duration 2017

FIXED INCOME

Credit markets rallied in July

Reporting season off to a good start

Markets Credit markets were strong through July with a sharp tightening of credit spreads across the board. The broad markets, High Yield and Investment Grade, surged respectively 0.9 percent and 0.5 percent during the month.

The positive markets were prompted by a solid start to the Q2 2017 earning reporting season. Earnings growth among European and US blue chips amounted to 20 percent and 11 percent respectively. The strong performance in Europe was expected, since the earnings surprise ratio was a modest three percent, while in the US it was five percent. The good reporting season swept away concerns about June's wind-down of two Italian and one Spanish bank as well as the muddy outcome of the UK general election. Also, the persistent uncertainty related to the ongoing Brexit process as well as the Eurozone's fundamental challenges were pushed out of the market agenda.

The positive, macroeconomic surprises also continued in the Eurozone and the small but consistent disappointments from the US 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.

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.

Fund performance flat in July

The Portfolio The fund delivered a flat to slightly negative return of -0.05 percent (net of fees) in July. Year to date the fund is up by two percent.

All sectors contributed with a positive return, but Materials and Energy accounted for 70 percent of the total return. The recent positive momentum in commodity prices and in particular copper and oil, benefitted our metal miners directly and our oil-service companies indirectly. Oil was up almost 10 percent on the news of declining US inventory and increase in demand.

Copper futures rose nearly seven percent in July on stronger demand from China and emerging markets. Also the weak dollar helped driving copper upwards.

In July, two more bonds were called and four bonds matured, converting approx. 10 percent of the portfolio into cash.

As the fund is getting closer to final redemption, we are very careful in reinvesting cash in risky assets. The continued hunt for yield have made it increasingly difficult to find attractive investment ideas that meets the fund's investment policy.

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

Strategy

High Yield Value Bonds Short Duration 2017 invests in short-dated 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 High Yield bonds. The maturity date of the Fund is December 31, 2017.

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.