Sparinvest

Value Bonds 2019 - 50/50

FIXED INCOME

Credit markets continued to be soft

Volatilty continued to make impact

Markets Credit markets continued to be soft during the month of June. However, spreads did not widen as strongly as they had in May. Credit spreads widened so excess returns compared to government bonds with matching maturity were negative for both Investment Grade (IG) and High Yield (HY) of respectively -0.4 percent and -0.1 percent in local currency. On a total return basis, the picture did not change as rates, basically, remained unchanged on the month.

A major contributor to the unease in markets was the fear of further escalation of the trade war instigated by Trump. As a result, volatility continued its upward trend across the different asset classes. Furthermore, the first actions of the new, Italian government also led to increased volatility and cracks in the European community. This initiated a widening of European high yield spreads that are now 30 basis points wider than U.S. high yield having started the year some 40 basis points tighter.

The Fed decided to hike its target rate from 1.75 percent to 2.00 percent in mid-June. This hawkishness continues to weigh heavily on Emerging Markets (EM). Outflows across all EM funds were very high during the month adding significant pressure and volatitilty to the asset class. Argentina's currency continued to weaken on the back of the IMF program and limited central bank intervention. Turkey had an election where the incumbent president Erdogan was re-elected and continued to strengthen his control over the country.

Capital preservation

The Portfolio The fund performed well in an environment of increasing interest rates and risky asset volatility. The mix of IG, HY and short maturity in particular provided, once again, the cushion in a difficult market.

In June, the financial and energy sectors provided the largest contribution to the fund return as oil prices increased by 10 percent during the month. On an issuer level, no specific issuers stood out from the pack with the majority adding to the fund return.

In June, we did not make any major changes to the portfolio composition. During the month, one position was called and one matured.

The proceeds will be carefully reinvested when the right opportunities presents themselves, with respect to the fund risk budget and considering the short maturity.

Return is calculated gross of fees and excluding swing.

See performance and fund data Click here ›

Strategy

Value Bonds 2019 50/50 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 50% of the portfolio are invested in Investment Grade bonds. The maturity date of the Fund is December 31, 2019.