

Value Bonds 2019 - 50/50

FIXED INCOME

A month of negative return

Strong markets despite political noise

Markets In March, macroeconomic figures continued their improving streak. In many cases, we saw the highest or strongest numbers for consumer confidence since the financial crisis. Long interest rates increased in the beginning of the month, but they almost fell back to the starting point at the end of the month.

In US, the new administration's ability to deliver its policy agenda was put to the test with recent failure to replace the Obama care act. The outcome of the political negotiations in Washington is likely to remain in the markets' focus over the rest of this year. Despite the political noise, it does seem clear is that both US consumers and businesses are significantly more positive about the future.

Across Europe, business surveys have risen to their highest levels in over five years and consumer confidence has recovered close to pre-crisis levels. Furthermore, European elections have so far rejected anti-euro parties, with the results in both Austria and the Netherlands showing that a potential break-up of the Eurozone is not as eminent as predicted. Recent polls on the French presidential election indicate an about 22% likelihood that Marine Le Pen will be the next president. If that would happen, the euro would most likely drop.

While growth has improved across most of the world, UK has seen a deterioration in business confidence since start of the year. In addition, inflation numbers has been picking up sharply and salary growth has been slowing. With the activation of Article 50 we will likely witness even more uncertainty for the UK economy.

Sells non-performing position

The Portfolio The fund delivered a negative return of -0.19 %, net of fees, in March. Energy was the best performing sectors in the portfolio contributing with 0.1%. Consumer staples were the only sector that contributed negatively to the portfolio return losing 0.34%. This loss was driven by 1 position.

During the month of March it was the broad mix of positions that contributed to the 0.17% positive return. No single position stood out and the energy names topped the list.

The dominating factor of the month's negative fund return is the loss attributed to the largest retailer in Croatia. During the month, we lost 0.36% on this position and we decided to lock in the loss and sold our entire position as information about possible fraud starting to emerge from one of the company's banks. We were anticipating rescue financing or asset disposals in the short term. Instead, the banks are in the process of taking control and initiating a restructuring of the company's capital structure.

During the month, we have sold two of the risky positions, had one position called and sold of some of the low yielding emerging markets investment grade names. We have reinvested the proceeds into some of our existing positions and added a new name to the portfolio that we had been monitoring for some time and decided to add the position on the back of some weakness in the market.

[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.

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.