

High Yield Value Bonds Short Duration 2017

FIXED INCOME

Steady in turbulent times

Trump happened – now what?

Markets The market had been nervously awaiting the US presidential election on the 8th of November. Ahead of the election, consensus was that Hillary Clinton would be the best president from an equity market perspective. At the same time, though, she was seen as the worst candidate for bond markets. None the less, when Donald Trump was elected, the equity market rallied strongly. Short-term interest rates were relatively stable, while long interest rates increased strongly.

Even ahead of the election, macroeconomic variables were improving in both the US and in Europe. The bond market's reaction is an indication that Donald Trump's proposed economic policy is seen as a potentially big easing of fiscal policy through large infrastructure programs, underfinanced tax reliefs and some form of protectionism.

The election of Trump affected emerging markets in a negative way. Especially his rhetoric regarding protectionism which will – if executed – have a direct negative effect on trade relations with the US.

It seems that OPEC agreed on an oil production cap. The news was released by the end of November and oil prices went from around 45.5 USD to 49 USD on the very last day

of the month. More news is expected about this and the market is still in a "wait and see mode".

Positive Performance

The Portfolio The fund had a positive return in the month, as short duration high yield performed extremely well during the month. The single best position in the portfolio was a stressed mining operation which continued to perform strongly. The worst performer was the same as last month, a vessel operator which is in the middle of a restructuring. None the less the best performing sector during the month was Energy.

The performance of the portfolio over the next few months will be driven by the performance of stressed situations as all performing positions are close to zero yielding. Even given the recent widening in yields, this has only increased demand for short dated bonds in the market.

During the month we had 6 bonds being called and none were added ahead of the 25% redemption in December 2016.

[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.