

Securus EUR

BLEND FUNDS

Trump leads to risk-on

Surprising US election

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 in some form of protectionism.

Since short interest rates and expectations were relatively stable, it appears that the bond market expects the Fed to not fully neutralize the inflationary impacts of Trump's policies. In the coming quarters, equities will thus have to price-in a double stimulus from both fiscal and monetary policies in the US. The US dollar has rallied as a result of higher inflation, and interest expectations and US equities have had the strongest geographical performance in November.

In November, we have also seen some important trend changes in the sense that the usual excess returns of large cap growth and defensive stocks has come to a grinding halt. Especially the value factor has shone brightly in November (at last).

Higher interest rates

The fund had a return of 0,51% before costs in November, which was 0,03% higher than its benchmark.

The return of the equity allocation was better than its benchmark, because the US allocation had an excess return of 2,88%. The equity allocations to Europe, Japan and the Far East, however, did worse than their respective benchmarks.

All of the fund's fixed income allocations (except to short European bonds) had excess returns. That is especially the case for convertible bonds and investment grade bonds.

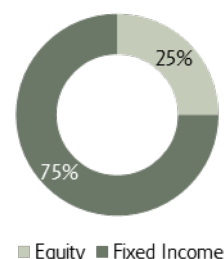
The reason that the fund's return was so close to its benchmark was the poor performance of the allocation to short European bonds, which is rather large for this fund.

See performance and fund data

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Strategy

Securus 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 25%, but a deviation of +/- 5% is allowed before the portfolio is re-balanced.



For further information we refer to the prospectus, the key investor information document and the current annual / semi-annual report of Sparinvest SICAV which can be obtained free of charge at the offices of Sparinvest or of appointed distributors together with the initial statutes of the funds and any subsequent changes to such statutes. Investments are only made on the basis of these documents. Past performance is no guarantee for future returns. Investors may not get back the full amount invested. Investments may be subject to foreign exchange risks. The indicated performance is calculated Net Asset Value to Net Asset Value in the fund's base currency, without consideration of subscription fees.