

Value Bonds 2018 - 50/50

FIXED INCOME

Interest rates on the rise

US election outcome

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 increased modestly, 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".

Energy performs again

The Portfolio The fund delivered a return close to 0 in November. Despite interest rates increasing. Energy was by far the best performing sector in the portfolio. Health care and materials were the two worst performing sectors.

The best performing position in the portfolio in October was the usual high beta position in the portfolio - the oil service company that provides seismic surveys for major oil companies. The company announced an equity capital increase and an attractive tender of outstanding bonds. The company is the strongest in the sector with the most cost efficient vessels. The team recently met the company and remains very confident about the position. Another strong performer was an energy services company.

The worst performing position in the portfolio in October was an Australian mining company under restructuring. Another weak performing position was yet again another company under restructuring based in the E&P energy sector.

During November, two positions were called and the proceeds were reinvested in other names of the portfolio. Currently, the cash position in the portfolio is high in order to cover the negative value of FX hedges primarily related to USD hedging.

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

Strategy

Value Bonds 2018 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. Up to 50% of the portfolio are invested in Investment Grade bonds and up to 50% in High Yield. The maturity date of the Fund is December 31, 2018.

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.