

## Ethical High Yield Value Bonds

FIXED INCOME

# An eventful month in High Yield

## High Yield sell-off and rebound

**Markets** November was a quite volatile month in High Yield lead by a few themes bringing the benchmark down by 1.15 percent at the worst point. With a small rebound, the benchmark ended the month returning minus 0.45 percent, bringing the year-to-date return to 5.83 percent.

The month kicked off with the President of Venezuela announcing an intention to restructure the debts of Venezuela and the state owned Oil Company, which brought its bonds down and solely pulled the index down by 0.1 percent.

The telecommunications sector has been challenged recently with investors questioning the value in traditional landlines and the ability of broadband cable companies to keep high margins as customers continue to deselect TV packages. This is being questioned on a sector already running with a high degree of financial leverage and has sent some of the land-line telecommunication bonds into distressed territory.

Related or not, there were sizeable high yield redemptions in the beginning of the month including the largest one-day outflow in two years of approx. two billion euros. The five billion outflow over the first weeks combined with the weakness within telecommunications as well as poor results in Consumer Discretionary and Healthcare compounded the pain in the selloff.

As with previous sell-offs in recent years this quickly reversed, and the market rebounded by more than half of the lost.

Return is calculated gross of fees and excluding swing.

## Good relative performance

**The Portfolio** The fund provided a negative return of 0.31 percent for November, 0.15 percent better than the benchmark and thus 0.88 percent ahead of the benchmark year-to-date.

The Energy sector stood out this month, as it was the best contributor to both absolute and relative performance (approx. 0.1 and 0.2 percent respectively). On an absolute basis, this was driven by almost all positions within the sector contributing positively while on a relative basis the key driver was having no exposure to Venezuela.

Telecommunications on the other hand stood out as the worst sector on an absolute basis contributing negatively with approx. 0.1 percent due to the large sell-off within this sector, which was slightly better than in the benchmark.

It was a quite active month in the portfolio as five bonds were called and seven positions sold as they had reached our target levels. To balance that, nine new positions were added over the month including two new issues (one refinancing one of the called bonds). Furthermore, we added to several of the existing positions.

As we currently find good value within Industrials the changes resulted in an increase in the overweight in the industrials sector. Furthermore, the changes resulted in an underweight in Consumer Staples leaving all other sectors fairly unchanged.

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

## Strategy

Ethical High Yield Value Bonds invests in global 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. Up to 15% may be invested in corporate bonds issued by companies operating in Emerging Markets.

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](http://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.