FUND REPORT

October 2016

Sparinvest

Balance EUR

BLEND FUNDS

Uncertainty ahead of US election

Strong European figures

Markets During the month of October, macroeconomic releases were generally better than expected for the Eurozone. Especially Germany surprised positively with better than expected PMI-numbers, ZEW-survey, industrial production, IFO-survey and retail sales. The rest of the Eurozone figures were not quite as impressive, but overall figures for the Eurozone were strong enough to push the Bloomberg composite of European government bonds about 0.25 percentage points higher in October.

In the US, key figures were somewhat weaker and generally disappointing. That was especially the case for the change in Nonfarm Payrolls, which came out at only 156.000 vs. 172.000 expected.

The US unemployment rate increased to 5,0%, which is the highest since April, but this was primarily caused by an increase in the number of job seekers. Initial Jobless Claims remained at the lowest level since the 60s.

Despite the overall key data, EUR dropped about 2.5% compared to the dollar. The reason is probably more speculation that the FOMC is going to hike interest rates in the near future (even this year). The British pound dropped to a new low-point and the Ruble continued moving higher, supported by higher energy prices. The WTI price of oil is now at 48 USD per barrel, which is about 80% higher than at the beginning of the year.

MSCI World (in euro) gave a total return of 0.5%, but the majority of the increase was caused by the weakening of euro. Long inflation expectations in the Eurozone crept higher to about 1,47%. In the US, long inflation expectations have increased to about 2.17%.

Solid equity performance

The Portfolio The fund gross return was 0.87% better than its benchmark in October. All of the exposures in the fund yielded better returns than their respective benchmarks. All geographical equity exposures had positive returns, but especially Japanese equities did well with 4.47% return. The European equity exposure had the strongest relative excess return (1.95%).

All the fixed income exposures (except High Yield corporate bonds) yielded negative returns, but their returns were all better than their benchmarks.

See performance and fund data **Click here ›**

Strategy

Balance 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 50%, but a deviation of +/- 5% is allowed before the portfolio is rebalanced.