

## Corporate Value Bonds

FIXED INCOME

# Nervous end to a positive month

## US elections ahead

**Markets** High Yield markets were positive in October driven mainly by the Energy and Materials sectors. Oil ended down on the month despite the continued rally in the start of the month as the OPEC members are still struggling to formalize the deal internally. Despite the move the bonds in the Energy sector traded relatively firm.

During the month Eurozone macroeconomic releases were generally better than expected and after a long period of the declining rates European government bonds increased approx. 0.25 percentage points. In the US, key figures were somewhat weaker and generally disappointing. 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.

As election day in the US was getting closer, markets seems to be holding its breath. Trump gained ground during the last couple of weeks, leaving the contenders very close. As a consequence, markets have become more nervous, with less trading and more intraday volatility. Estimates of the financial impact of the election varies in magnitude and size. Market consensus seems to be that the impact of Trump elected as President will be negative on the financial markets.

## Active in the primary market

**The Portfolio** The fund delivered a positive gross return 0.58% approx. 0.1% ahead of the benchmark. The sectors contributing most positively to the fund's return were Energy

and Information Technology. Within the Energy sector several positions performed well but in particular one position in an Oil Services company did well as the company extended some contracts reducing the downside risk. Within the IT sector the company mentioned in the previous month contributed with further performance but do not expect further performance from this position and will look to replace the position. Together the two sectors contributed with approx. 0.4% to the funds return.

The sectors contributing most negatively were Industrials and Telecommunications. Within Industrials a position in a Turkish industrial contributed with all the negative performance from this sectors. The bonds dropped on negative news but has rebounded on later good news after month end and we expect this to contribute positively next month. Within Telecommunications the overweight in a large American company traded very weak into the end of the month.

There were several changes in the portfolio during the month as some bonds were called and bonds trading with a low yield to call were sold. We deployed the cash across several sectors in both the primary and secondary market. The largest additions were in the primary where we participated in an African telecommunications infrastructure issue that came on attractive terms, and was a top contributor to performance during the month, and an issue in an American Oil Exploration & Production company placed very well on the cost curve.

The changes did not change on the regional weights as US continues to be approx. 60% of the portfolio, but did increase the duration of the fund slightly bringing it in line with the benchmark.

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

### Strategy

Corporate 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.