

## Balance EUR

## BLEND FUNDS

# Equity strategies with tailwinds

## Lax monetary policy and low inflation

**Markets** The month of October was characterized by a continuation of the strong trend in equity markets and the macro economy. Third quarter growth in the Eurozone was reported at 2.5 percent, while core inflation remains quite low at only 0.9 percent, which was below expectations.

The combination of strong economic growth and low inflation corroborates the current, supportive monetary policy from ECB, even though Draghi at the October meeting indicated that the QE-program would be reduced considerably in 2018. The fact that QE most likely is slowing down in 2018 is not currently seen as a threat in the stock market, since inflation remains so low. In other words, monetary policy – despite the coming tightening – will remain accommodative for risky assets.

The stocks market (MSCI World, EUR) returned 3.4 percent in October, but almost half of the movement was caused by a weakening EURUSD. Optimism can also be seen in the energy markets where the price of oil advanced by 5.0 percent in October.

The leading indicators are still showing that we can expect decent growth over the coming months. However, the U.S. economy will most likely decelerate somewhat after year-end.

## Solid returns continue

**The Portfolio** The fund delivered an excess return in October. The main driver was large excess returns in the equity strategies. Out of the four regional equity allocations, three delivered quite satisfactory returns (The U.S., Europe and the Far East). Only the Japanese allocation had a lower return than its benchmark.

The underweight to U.S. stocks did not pay off in October where the U.S. dollar continued strengthening versus the Euro.

The equity strategies are implemented in order to assure that the equities are both relatively cheap and experiencing a stronger momentum than their peers in the market. In October, especially the Momentum-factor made positive contributions, but the Value-factor also participated. The Small-Cap-bias of the fund did not work too well during the month.

Among the allocations to bonds, especially Investment Grade and Convertible corporate bonds did well. However, since the allocations to these segments are moderate, they did not have a noteworthy influence on the overall fund returns.

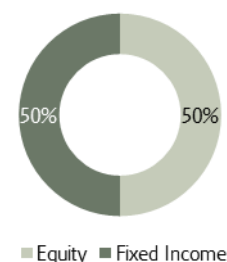
For once, the allocation to Danish mortgage bonds actually had a negative contribution to returns.

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 re-balanced.

Return is calculated gross of fees and excluding swing.



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.

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