

Balance EUR

BLEND FUNDS

Japan and Europe did well

Preparing for the US election

During the month of September, stock market investors were – as expected – experiencing somewhat higher volatility than in August. The VIX index increased from below 12 to above 20 in the first half of the month. This increase was primarily caused by speculations about whether or not the FED would hike interest rates on their September meeting. The FED decided to postpone a hike, which the market now prices in at either the November or December meeting with about a 60% likelihood.

MSCI World (EUR) delivered a total return of -0.37% in September. The US presidential election is now getting closer (8th of November), and it seems the stock market is not overwhelmingly optimistic with regards to the abilities of either candidate to create an investor friendly environment. There is still a sizeable uncertainty surrounding the election with bookmakers giving odds that indicate a 21% likelihood that Donald Trump will be elected president.

Another source of uncertainty is Deutsche Bank, which is currently trading at a price/book of only 0.26. This is indicating that the bank is under immense stress, which is not too comforting considering that it is one of the biggest and most important, systemic banks in the world. It is not pleasant to witness speculations of whether or not a bank of this size is going to be bailed-out in order to avoid a new “Lehman scenario”.

The Eurozone saw the release of slightly better than expected macroeconomic figures during the month of September. The US macroeconomic figures were mixed. The leading indicators for the Eurozone are falling, but according to our models, they should be turning higher soon. The leading indicators for the US are now increasing again and according to our models, they should accelerate even more over the coming six months.

Performance over benchmark

The fund benefitted from the exposure to especially Japanese equities, which performed about 1,7%-points better than their benchmark in September. Also the European equity-exposure did rather well with an excess return of 0,7%-points. Far east equities performed somewhat worse than their benchmark, but the fund’s allocation to these is moderate so it didn’t have a material impact on overall performance.

The fund’s exposure to both short and long European bonds solidly outperformed their respective benchmarks – primarily due to the exposure to Danish mortgage bonds. In this market, credit spreads to government bonds continued to narrow in September.

Overall, the gross performance of the fund was at 0,26%, which was 0,13% better than benchmark.

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.

