Fund report, Q4 2024
Global Short Dated High Yield EUR R
Fixed Income

Sparinvest

RESILLIENT CREDIT MARKETS

Unchanged spreads, but lower yields

Markets. Credit spreads tightened by 14 basis points in the Short Dated High Yield (HY) market in Q4. Accrued interest was the largest positive contributor to the benchmark return for the quarter followed by tighter spread, however higher government bond interest rates pulled down the benchmark return to 0.36% in Q4, bringing the full year 2024 return to 6.25%.

Risk assets experienced mixed performance over the quarter. While the period began on a strong note, momentum varied across regions and asset classes. U.S. equities faced their first monthly decline in six months during October but rebounded sharply in November, driven by optimism following the U.S. elections and a strengthening dollar. European equities struggled, weighed down by weak economic indicators, political instability, and divergent PMI data, highlighting contrasting economic trajectories across the Atlantic. Government bond yields rose significantly, especially in the US, influenced by improving economic data, diminished expectations of aggressive rate cuts, and renewed inflation concerns. In December, a hawkish stance from the Federal Reserve and subdued actions by the European Central Bank intensified market uncertainty, pushing yields to multi-month highs. The U.S. 10-year Treasury yield closed at its highest level since April, while spreads between French and German bonds widened to levels unseen since 2012 amid political turbulence in France.

Credit markets showed relative resilience, with high-yield spreads tightening. However, regional disparities persisted, as U.S. corporates benefited from economic optimism while European counterparts were pressured throughout November by weaker fundamentals and political discord. Despite some headwinds, credit instruments outperformed government bonds, supported by higher yield accruals and spread tightening. The high level of issuance activity in the high-yield market persisted, despite rising government bond interest rates as companies took advantage of declining spreads to refinance existing debt. This strong issuance during the year resulted in issuance volumes for 2024 surpassing the combined total for 2022 and 2023, thus reducing the number of bonds maturing over the next two years.

Positive return ahead of benchmark in Q4 and the year

The Portfolio delivered a positive return of 0.77% in Q4, which was 0.41 percentage points ahead of the benchmark. For the full year of 2024 the fund's return was 9.00%, which is 2.75 percentage points ahead of the benchmark.

The most positive sector contributions relating to the benchmark came from Financials and Materials, while only Communications contributed marginally negative. The positive contribution from Financials was broad based and came from a combination of the overweight to the sector as well as positive selection. The largest single contributor within Financials was a Swedish conglomerate which managed to extend its maturity on the outstanding bond, thus reducing liquidity concerns around repayment of the bonds, while it is in the sales process of assets to reduce debt levels. The extension came with a payment to bondholders. Within Materials the positive contribution was also broad based with a tilt towards gold miners. These companies have benefited throughout the year from the rising gold price, while at the same time having relatively high credit spreads in relation to their low debt levels. The negative contribution from Communications was primarily due to the fund's underweight to the sector as selection was positive for the quarter. Overall all sectors had a positive selection in the quarter, which contributed nicely in the quarter.

In Q4, the fund participated in eight new issues, of which some were part of a refinancing. Furthermore, five new positions were added in the secondary market. The new issues were funded by reducing or exiting several positions with lower return potential and nine bonds which were called or matured. The changes increased the fund's overall spread, duration and weight in Materials and Consumer Discretionary.

See performance and fund data Click here >

Strategy
Global Short Dated High Yield invests in short-dated (1-5Y) corporate bonds with a rating from BB-B, 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.