ASR ESG IP Inst. Euro Bedrijfsobligatie Fonds (B)

31-12-2019

Market analysis

For most of 2019, growth prospects for the global economy were under pressure, mainly due to uncertainty about the trade war and, to a lesser extent, Brexit. Towards the end of 2019, there was good news on both fronts, at least at first sight. The British general election produced a clear victory for Prime Minister Johnson's Conservatives, and nothing seems to stand in the way of the UK leaving the European Union at the end of January 2020. In the short term, this removes a major factor of uncertainty for the UK economy (and that of the eurozone), although the question of future relations between the UK and the European Union remains unanswered for the time being. Prime Minister Johnson has stated that he wants to conclude a trade agreement with the EU before the end of 2020, but that seems rather optimistic. It is more likely that he will have to reconsider this intention during the course of 2020, which may then usher in a new phase of uncertainty. In addition, the election result and the agreements reached with the European Union on the post-Brexit transitional phase are not conducive to the stability of the United Kingdom. Prime Minister Johnson's 'Brexit deal' actually brings Northern Ireland closer to the European Union than to the UK, while Scotland's election results have not ruled out a new referendum on Scottish independence. On balance, all this does not bode well for the British economy. More important for the world economy was the announcement by US President Trump, in the same week as the British elections, of a 'Phase One' trade agreement between the US and China. On closer examination, this agreement appears to be less comprehensive than President Trump, in particular, wanted to make it appear, but it seems, in any case, to put a halt to the downward spiral of deteriorating trade relations. In the short term, the fact that an increase in trade tariffs as of 15 December 2019 was not implemented is a big plus for both the Chinese and US economies. A downside may be that, with the agreements that have now been made, the pressure to reach a more far-reaching 'Phase Two' agreement has diminished. In the run-up to the U.S. presidential elections in November 2020, it may be politically more advantageous for President Trump to take a tougher stance against China again, at least as long as this does not harm the U.S. economy. For President Trump, preventing a recession in 2020 is the best guarantee for re-election. After all, on every occasion in the past 40 years that the party of the incumbent president lost the elections, this was accompanied by a recession. The only exception to that rule was 2016, when the Democrats lost the elections despite the fact that the US economy was in good shape at the time. The way things stand at the moment, the US economy could be an important weapon for President Trump in his fight for re-election. Unemployment in the US is still at a 50-year low of 3.5%, and both the housing market and stock market are in good shape. As far as the US economy is concerned, the main concern is that, after a steady decline during most of 2019, producer confidence has fallen below the 'neutral' 50-point mark. In agriculture and industry in particular, business confidence has fallen sharply, which seems to be largely due to the negative impact of the trade war. These sectors are particularly well represented in the Midwest of the United States that gave President Trump his surprising election win in 2016. For his possible re-election in 2020, he will need the support of these states once again. On balance, it therefore seems more advantageous for Trump not to let the trade war escalate again in 2020. European corporate bond yields were, on balance, reasonably flat in the fourth quarter. Corporate bond investors benefited from the sustained search for yield among investors through lower credit spreads, although higher interest rates had a dampening effect on total corporate bond yields. Broadly speaking, this picture not only applied to European, but also to US, Japanese and Australian 'credits'. In addition, it not only applied to investment grade corporate bonds, but also to high yield bonds.

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Fund strategy and results

December was a very positive month for corporate bonds, with spreads coming in at eight basis points and reaching the lowest point of the year. Investors were optimistic about the imminent trade agreement ('Phase one') between the U.S. and China. Election results in the UK were also well received, due to the increased hope for an orderly, soft Brexit. All this was supported by predominantly positive macro figures.
As is the case every year, December, especially the second half, was a month with little liquidity and few new bonds issued. At the beginning of the month, loans from, among others, Chubb, Ageas and Barclays, were participated in.

The fund is three basis points better than the benchmark. This outperformance was mainly due to the slight overweight spread risk, such as that in subordinated financials and corporate hybrids. Other divisions did not show any significant peaks in relative performance.

Outlook

From the perspective of our base scenario of persistently moderate economic growth and limited to slightly rising inflationary pressure, corporate bonds are in a relative sense still the most attractive asset class at the moment in our opinion. In addition, European investment-grade bonds can benefit from the ECB's renewed asset purchase programme. On the other hand, 2019 was a record year for new corporate bond issues, and many new offerings are expected for 2020 as well. This can be detrimental to demand-supply ratios, and thus to the valuation of corporate bonds. Corporate bonds are still fundamentally in reasonable shape, although this is less the case for the riskier segments of the market (particularly leveraged loans in the US).

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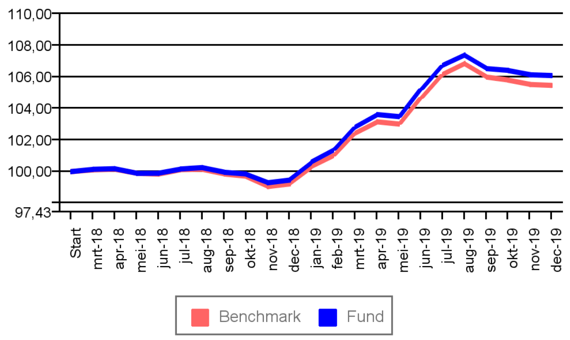
Investment strategy

The policy of the ASR ESG IndexPlus Institutioneel Euro Bedrijfsobligatie Fonds is focused on achieving a total long-term return that is comparable to the benchmark return. The benchmark for the ASR ESG IndexPlus Institutioneel Euro Bedrijfsobligatie Fonds is the iBoxx EUR Corporates Index. The iBoxx EUR Corporates Index consists of investment-grade bonds denominated in euros. This means that it involves relatively large, liquid bonds with a relatively high credit rating. The iBoxx EUR Corporates Index is a widely-used benchmark for portfolios containing investment-grade bonds denominated in euros.

Historical indexed return

Indexation based on returns of not more than 3 years



Return *)	Fund	Benchmark
1 month	-0,05 %	-0,06 %
3 months	-0,42 %	-0,51 %
6 months	0,84 %	0,77 %
1 year	6,66 %	6,29 %
Since start (*)	3,28 %	2,95 %
YTD	6,66 %	6,29 %
Sinds start	3,28 %	2,95 %

(*) period exceeding 1 year is annualised and is net based

Essential fund information

NAV calculation	Daily
Date of incorporation	01-06-2017
Performance calculation started on	06-03-2018
Fund administrator	ASR Vermogensbeheer N.V.
Fund manager	Egbert Buitink
Entry charge (maximum)	0,40 %
Exit charge (maximum)	0,00 %
Ongoing Charges Ratio (OCR)(*)	0,25 %
Country of domicile	NL
Currency	EUR
Benchmark	Iboxx € Corporates Index
ISIN	NL0012294102

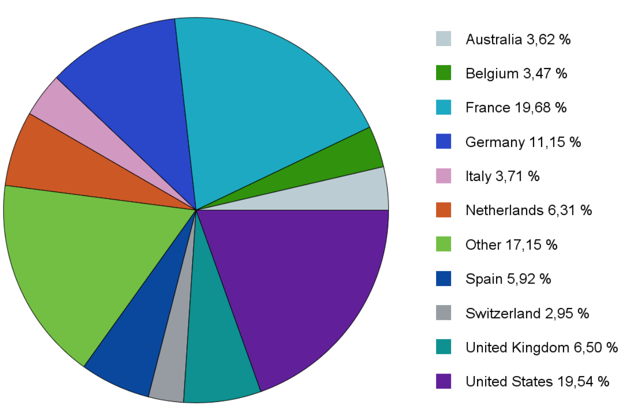
(*) The Ongoing Charges Ratio (OCR) consists of the management fee (0,20%) and the service fee (0,05%) (excluding costs which can be allocated directly to transactions) and the costs of the underlying investments.

Fund facts and prices

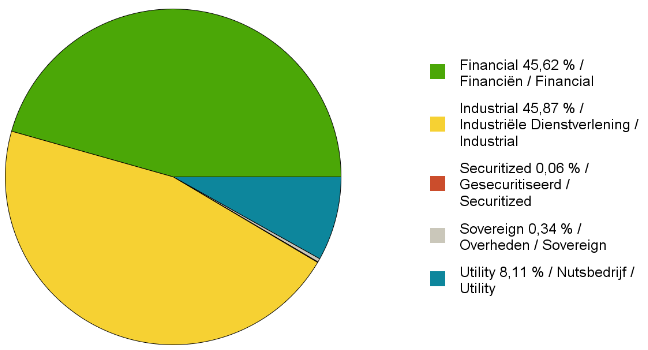
Total assets (x 1,000)	€ 119.285,72
Number of outstanding units (x1,000)	2.244,31
Net asset value per unit	53,15
Highest price in period under review	53,33
Lowest price in period under review	53,05
Dividend	None

10 largest holdings	ISIN	Country	%
JP MORGAN CHASE 1.09% 11/03/2027	XS1960248919	United States	0,83 %
GEN ELECTRIC 0.875% 17/05/2025	XS1612542826	United States	0,74 %
COCA COLA 0.75% 22/09/2026	XS1955024713	United States	0,72 %
JP MORGAN CHASE 0.625% 25/01/2024	XS1456422135	United States	0,62 %
FRTEL 5.25% 07/02/2199	XS1028599287	France	0,62 %
ABN AMRO 0.875% 15/01/2024	XS1935139995	Netherlands	0,57 %
BFCM 0.75% 15/06/2023	FR0013386539	France	0,57 %
ENEL 1.5% 21/07/2025	XS1937665955	Italy	0,54 %
NATIONAL AUSTRALIA B 0.25% 20/05/2024	XS1998797663	Australia	0,54 %
CITI 1.5% 24/07/2026	XS1859010685	United States	0,54 %

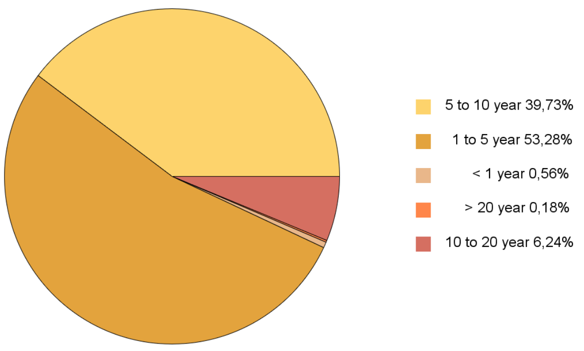
Country concentration



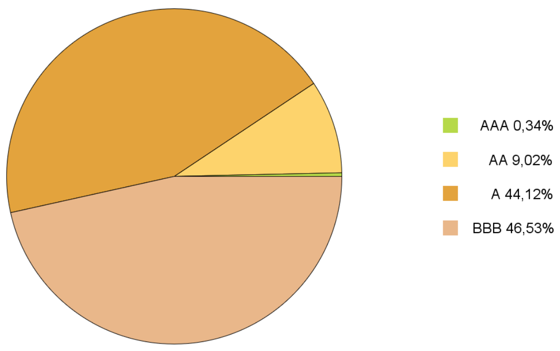
Industry concentration



Duration



Rating



Fund Governance

To ensure to participants that the Fund is managed in a controlled and integer way and to provide services with due care as defined in the Financial Supervision Act (FSA; in Dutch Wft) the Manager will act according to the code of conduct as laid out by branch organization DUFAS (Dutch Fund and Asset Management Association). The code of conduct describes good practices for fund governance en provides specific guidelines for organizational setup and conduct of business for investment fund managers to accomplish that the manager will act in the interest of his fund participants and sets up his organization in a way that prevents conflicts of interest.
The Manager has laid his principles of fund governance down in a Fund Governance Code. Furthermore the Manager has set up policies for conflict of interest cases for all his activities. The purpose of the policies is to prevent and control conflicts of interest that could disadvantage clients of the Manager and to deal with clients in a just and equal manner.

Sustainability Policy

a.s.r. is an institutional investor that show its social responsibility, for instance by applying ethical and sustainability criteria to investment selection. All assets under management by ASR Vermogensbeheer N.V. are screened using the a.s.r. SRI (Social Responsible Investment) policy, such as social and environmental aspects. Countries and corporations that do not meet these requirements are excluded. The screening of corporations is based on external independent research by Vigeo Eiris (www.vigeoeiris.com/en/vigeo-eiris-rating/) certified to the independent ARISTA standard. Furthermore, the ASR Vermogensbeheer N.V.’s asset portfolio is externally and independently certified by Forum Ethibel (forumethibel.org/content/home.html) in semi-annual audits.
a.s.r’s asset management selects investments based on best practices en products according to ESG-criteria (Environmental, Social and Governance). This applies to all investments in countries (sovereign debt) and in corporations (shares and corporate bonds) that score the best in and are appropriate to the policy guidelines. Furthermore, a.s.r invest in corporations that make sustainability contributions to society.
a.s.r. also have a strict policy excluding controversial activities of countries and corporations. This applies to producers if controversial or offensive weapons, nuclear energy, the gambling industry, tobacco and coal. Furthermore, a.s.r. require that corporations comply with international agreements concerning environment, human and labor rights. For sovereign debts investments a.s.r exclude countries that score low in the Freedom in the World Annual Report and the Corruption Perception Index. a.s.r have signed the UNPRI and UNGC. Furthermore, a.s.r. comply with the Code Duurzaam Beleggen (Code for Sustainable Investing) for the insurance industry issued by the Vereniging van Verzekeraars (Union of Insurers), that came into force January 1, 2002.