

BCV FONDS STRATÉGIQUE – BCV Stratégie Obligation

After 2011, a year dominated by the sovereign debt crisis, bond markets enjoyed a less eventful spell during the opening quarter of 2012. The ECB's wholesale interventions to support Europe's banks lessened the danger of a default. Against this backdrop, measures undertaken to resolve the Greek debt crisis further reduced the extent of financial uncertainty in the eurozone. As a result, yield spreads between the various categories of borrowers tended to diminish overall.

CHF-denominated bonds issued by non-Swiss borrowers delivered some decent returns in the first 3 months of the year. The extra yield these offer compared to top-quality bonds issued by Swiss borrowers (either Confederation or mortgage bonds) remains quite attractive. Given this, we persevered with our policy of favouring exposure to this category of borrower. However, overall, interest rates are at historically rock-bottom levels and, preferring to err on the side of caution, we decided to shorten the average duration on maturities to around 4 years.

Over the first quarter, we increased positions in bonds denominated in foreign currencies. Yields are higher and the currency risk remains acceptable, chiefly on account of the Swiss National Bank's setting of an upper limit for the franc's value against the euro. In response, we scaled back hedging relative to the euro, but did not eliminate it altogether. The markets are quite likely to want to test out the SNB's resolve again or gauge whether the SNB indeed has the resources to stick firm with this ceiling value for the franc should any crises flare up again in the eurozone.

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30.03.2012

