BASE INVESTMENTS SICAV

BONDS VALUE

Interview with the Investment Manager
Giuliano Flematti

What were the drivers of 2024 performance?

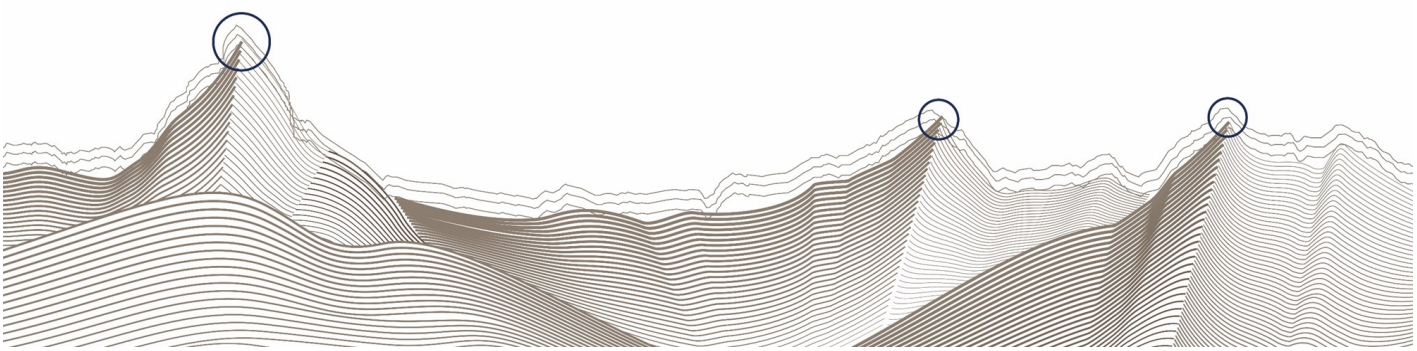
The 2024 outcome was primarily driven by allocation decisions in the credit market, which delivered steady returns with low volatility. However, the macro allocation strategy, which was optimistic in anticipating interest rate cuts, did not produce the anticipated results. This was largely due to a significant downturn in government markets towards the end of the year.

Which choices have brought the most value and any regrets?

The overweight at the beginning of the year of asset classes extremely rich in value (for example, both senior and sub financials) contributed significantly to the result. The regret is perhaps that of having reduced this exposure too early in order to rebalance the portfolio in favor of government issues.

Over the last three years, what have been the issues that have had the most significant impact on the sector's risk-return ratio?

Over the past three years, the themes that have had the greatest impact have been: for 2022, we significantly underestimated the resurgence of inflation which reached an unexpected magnitude. In 2023 we capitalized on the strong performance of credit that started from levels of heavy undervaluation. In 2024, as previously mentioned, we progressive reduced credit exposure in favor of increasing our exposure to government bonds, especially American ones.

What are the prospects for the reference market in 2025 and how do you intend to address it?

2025 is set to be a year of great uncertainty, both globally and geopolitically, creating important opportunities for those who adopt flexible strategies that are not strictly bound to benchmarks. Valuations in the credit sector appear less favorable and much of the developments will depend on the trend of interest rates in the United States. While we keep a positive approach on duration risk, we remain cautious regarding credit risk. In this volatile environment, the ability to quickly adapt to market fluctuations will be the key factor for success.