

## European Value

EQUITY

# Equities continued to rally

## Markets rose at a moderated pace

**Markets.** During April equity markets continued their rise, albeit at a moderated pace as compared with the prior month. The MSCI World rose by 2.18% in the month supported by an improving economic outlook driven by a very high vaccination rate in the U.S. and generally strong quarterly earnings reports, led off by U.S. banks that began to reverse much of the COVID-19 loss provisions taken in the same period last year. Macroeconomic data was more mixed, with some indicators in the U.S. suggested that the recovery, whilst still robust, is decelerating, with manufacturing indices coming in at unexpectedly lower levels compared to their March highs.

Despite the failings of the EU vaccination program and the continued state of lockdown across many European countries, European equity markets performed broadly in line with the U.S. market. Amongst major markets, Japan was the laggard, declining 3.86% in euro terms. The declines in Japanese equities were due to rising COVID-19 infection rates and increased fears around lockdown measures potentially impacting the Olympics, due to be held in three months' time.

After several months of sharply rising yields, bond markets were more mixed in April. Yields on U.S. Treasuries declined as Congress negotiated down in size President Biden's potentially inflationary recovery plans and the Federal Reserve tightened prior language on inflation targets. Yields on German Bunds rose in the month; however, the yield on 10 year Bunds remains significantly negative.

Commodities trended higher in the month, with economically sensitive commodities copper, oil and iron ore all rising in the month.

## The value rotation took a pause

**The Portfolio** gained 0.91% during the month while the MSCI Europe index was up 2.07%. Although the portfolio underperformed the broad market index, it outperformed the MSCI Europe Value index, which only returned 0.51% in the month. The underperformance of the value style, as evidenced by the performance of the value index, marked a pause in the strong rotation to value that had been ongoing since the fourth quarter of 2020. Although long term inflationary risks in the economy remain, reduced fears of an imminent inflationary environment led to declining rates, with the decline in rates the driver of the recovery in longer duration growth stocks. The underperformance of the value style explains most of the portfolio's underperformance relative to the MSCI Europe index.

All sectors gained in value except Energy, which fell more than 3% despite the strength in oil prices. IT, Real Estate and Consumer Staples were the best performing sectors in a month where there were no clear return differences between cyclical and defensive sectors.

Stock selection had a minor negative effect, although there were also good individual performing stocks such as Nokia, the Finnish communications equipment manufacturer. Its shares gained more than 8% on the day of its excellent Q1 results suggesting that its new strategy seems to be bearing fruit. Among the detractors was the French automotive group Renault whose shares were down almost 10% in April. The company reported Q1 revenue numbers in line with expectations, which were already low, and the uncertainties tied to the pandemic, the chip shortage and rising raw material prices seem to weigh on sentiment.

See performance and fund data [Click here >](#)

Return is calculated gross of fees and excluding swing.

### Strategy

European Value invests in European equities, cf. the fund's prospectus. Stocks are selected using the value strategy, meaning that through careful fundamental analysis, the team strives to identify companies that trade at healthy discounts relative to intrinsic value. A risk-aware approach to the portfolio construction ensures a well-diversified portfolio and broad exposure across sectors and countries.

For further information we refer to the prospectus, the key investor information document and the current annual / semi-annual report of Sparinvest SICAV which can be obtained free of charge at the offices of Sparinvest or of appointed distributors together with the initial statutes of the funds and any subsequent changes to such statutes. Investments are only made on the basis of these documents. Past performance is no guarantee for future returns. Investors may not get back the full amount invested. Investments may be subject to foreign exchange risks. The indicated performance is calculated Net Asset Value to Net Asset Value in the fund's base currency, without consideration of subscription fees.

