Fund report, August 2021
European Value
Equities

Sparinvest

MARKETS CONTINUED THEIR MARCH

Markets shrug off growth uncertainty

Markets continued their run of strong performance with another positive month for equity returns. The MSCI World Index rose by 2.95% in the month, leaving year to date performance at 22.24%. The positive performance came despite a mid-month sell-off as fears over yet more COVID-19 outbreaks lowered the outlook for global economic growth.

Japan was one of the strongest of the major markets, as equities looked past increasing domestic political risks. Despite the fact that Japan has had low infection and mortality rates from COVID-19 relative to many other countries, domestic approval for the manner in which the Japanese government has managed the pandemic has declined, with a particular focus on the wisdom of hosting the Olympics in July. European markets were amongst the weakest of the major markets, as a post summer malaise driven by growth concerns capped equity returns.

Within bond markets, all eyes during the month were focused on the annual central bankers' shindig. Traditionally held at Jackson Hole, the highlight of this years' virtual meeting were remarks from Federal Reserve Chairman, Jay Powell. Bond yields spiked twice in the weeks preceding the meeting. Ultimately the Fed chairman used his speech to plot a course between rate doves and hawks. Markets however, focused more on the near term dovish intentions and rates declined after the speech.

Commodities softened in the month as global growth prospects faltered. Oil, copper and iron ore all declined in the month. However, industrial metals such as aluminum showed strength as supply remained constrained.

Fed policy favors the usual suspects

The Portfolio rose by 2.32% in the month and slightly outperformed the 1.97% increase of the MSCI Europe Index. The MSCI Europe Value Index rose 1.79% and lagged both the portfolio and the MSCI Europe Index. The value style as well as the fund's performance was generally stronger in the first half of the month as bond yields rose. However, in the middle of the month an increase in concern over global economic growth reduced market expectations for near term rate rises. This led the market to rotate away from value stocks back towards higher valued growth stocks.

Information Technology was the strongest performing sector in the month with semiconductor and semiconductor equipment makers benefitted from continued high demand. Materials, a sector that tends in the short term to trade in lockstep with rate expectations, was among the weaker sectors, but the worst performing sector was Consumer Discretionary. Luxury goods stocks came under pressure when the Chinese government announced a crackdown on wealth inequality, which could hit demand for luxury products.

There was modest tailwind from the fund's sector orientation, but stock selection was a minor negative. Among the worst performing stocks and a relatively large detractor was the German insurer Allianz. On the first day of the month, the share dropped 8% on the news that the U.S. Department of Justice had begun an investigation relating to its Structured Alpha funds that caused investors significant losses during the pandemic-related downturn last year. Meanwhile the largest relative detractors were a few benchmark names like ASML Holding and Novo Nordisk, which are not held in the fund. They were up 8-10%.

See performance and fund data Click here >

Strategy
Global Value invests in global equities from developed markets, 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 regions.