Fund report, December 2021
Global Value
Equities

Sparinvest

MARKETS FINISHED THE YEAR AT HIGHS

Omicron fears declined

Markets finished the year with strong returns in December. The MSCI World rose by 3.21%, which meant that for the full year the index returned an impressive 31.1%.

The spread of the Omicron variant dominated news early in the month with governments balancing the risks to health systems associated with apparent high transmissibility against early indications that Omicron symptoms were milder than that of prior COVID variants. By the end of the month, market opinion had fallen on the side of optimism and a strong rally ensued for the final two weeks. European markets had suffered the most during November when Omicron appeared, and European markets subsequently outperformed other regions in the December recovery.

Following on from the change in tone on inflation at the end of November, during December the U.S. Federal Reserve announced a further tapering of its quantitative easing and suggested the potential for three rate hikes during 2022. This move to rate tightening prompted an immediate bond market response, with yields rising across all maturities.
Despite a more muted inflation outlook from European Central Bank president Christine Lagarde, European yields also rose with yields on 30 year German government bonds rising from -0.06% at the beginning of the month to positive 0.20% by the end of the month.

Commodities mostly recovered from their Omicron inspired selloff with Brent crude oil, copper and iron ore all rising during the month. European natural gas softened driven by geopolitical factors as US President Biden spoke with Russian President Putin about the purported Russian threat to Ukraine.

Value beat Growth and took the year

The Portfolio returned 5.73% in the month, ahead of the MSCI World Index return of 3.21% as well as the MSCI World Value Index return of 5.49%.

For the full year, the fund returned 37.81%, ahead of both the MSCI World Index return of 31.07% and the MSCI World Value return of 31.20%. The, admittedly small, annual outperformance of the MSCI World Value over the broader index was the first time that had happened since 2016 and only the second time since the end of the global financial crisis.

In the month, as in the year, the interest rate outlook was the primary driver of value style outperformance. In December, the stronger focus on tightening monetary policy, particularly in the U.S., drove rates higher across many developed markets and this in turn benefitted lower priced value stocks.

Defensive sectors such as Consumer Staples and Utilities were the strongest market sectors in the month. Despite the interest rate moves, the Financials sector only managed to post market average returns. The weakest sectors were the growth orientated Information Technology and Consumer Discretionary sectors.

Despite the value style being a key driver of outperformance in the month, stock selection was also a significant positive contributor to returns. U.S. healthcare company CVS Health had positive performance in the month after a new strategy presentation to analysts was well received. Finnish telecommunications equipment company Nokia also had a strong month as momentum increased behind the global rollout of 5G cellular services.

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.