Fund report, February 2022
Global Value
Equities

Sparinvest

MARKETS ROILED BY RUSSIA

Russia ended uncertainty with Ukraine invasion

Markets declined during the month as the Russian military build-up on the border of Ukraine proceeded. As the world attempted to decipher the ultimate intentions of Russian President Vladimir Putin, the sell-off accelerated. In the pivotal final week of the month, European and U.S. allies initiated sanctions in response to Russian recognition of two breakaway Ukrainian republics. The drumbeats of war reached their tragic crescendo on February 24 as the Russian invasion of Ukraine began.

Equities rallied in the final week of the month despite the invasion and subsequent imposition of further sanctions that ejected large swathes of the Russian economy from the global market. A move into perceived safe haven assets and a rise in global commodity prices drove equity markets. The MSCI World Index fell by 2.72% in the month, although at its low for the month it had declined by over 5%. European markets were amongst the weakest, with German and French equities hit particularly hard. In contrast, the UK market was an outperformer, with the MSCI UK index rising slightly in the month reflecting its greater commodity exposure as well as some safe haven characteristics relative to other European markets.

Similar to equities, bond and currency markets focused on low risk assets. Classic safe havens such as the U.S. Dollar and U.S. Treasuries both strengthened markedly in the final week of the month. Commodities rallied, with the main attention on oil and gas and certain metals where Russia is a major exporter. Brent crude oil breached the $100/ barrel level at the end of the month. Aluminum and nickel also experienced significant upward price moves reflecting Russia's role as a major producer of the metals.

Underlying economy continued to favor value

The Portfolio returned -1.06% in the month, outperforming both the MSCI World index return of -2.72% as well as the MSCI World Value index, which returned -1.82%. The outperformance of the portfolio was concentrated in the early part of the month before the market focus shifted entirely away from the underlying economic conditions towards Russia. Early in the month, the U.S. reported higher than expected inflation levels of 7.5%, with the rise partly due to rising energy prices. The inflation figures led to rising interest rates in both the U.S. and Europe, which in turn drove the outperformance of the value style.

The Energy and Materials sectors were the best performing market sectors in the month, reflecting rising global commodity prices. Weakest sectors included Consumer Discretionary and Information Technology, two sectors that tend to have significant exposure to the higher valued growth style. The portfolio had positions in a number of stocks that had very positive performance. Alcoa and Mosaic, two U.S. materials companies focused on aluminum and potash respectively, were both very strong performers in the month. In times such as this, it is natural to consider the exposure of the portfolio to markets such as Russia. As a portfolio focused on Developed Markets there is no direct exposure to Russian equities. However, considering the size of the Russian economy pre-February 24th, it should be expected that many companies focused on global markets would have some level of financial exposure to Russia. Whilst monitoring closely our portfolio holdings, we see no systematic exposure within the portfolio to Russia beyond the level that is reflected by the broad global market indices.

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.