RATE INCREASES UPSET EQUITIES

Markets stopped trying to fight the Fed

Markets declined during April, with the MSCI World index declining by 3.29% in the month. The U.S. market led declines with the MSCI US index falling by 4.12% Rising interest rates in the U.S. were the most significant driver of negative market performance in the month. The Federal Reserve (Fed), which sets monetary policy in the U.S., raised rates by 0.25% in March. Since that rate rise, however, a consensus amongst economists formed that the Fed would increase rates by 0.50% in May and even possibly another 0.50% in June. The rising rate outlook led to concerns over the medium term health of the U.S. economy, with fears compounded by a series of disappointing quarterly earnings reports from highly valued large cap companies.

European markets outperformed U.S. markets, with the MSCI Europe index declining only 0.60% in the month. The outperformance of European markets came from a stabilization of energy prices after the prior month's jumps as well as a more muted approach to interest rate increases from the ECB. The priority of the ECB is to end quantitative easing in the second half of 2022, before even beginning to raise rates.

Bond markets responded to the increasingly hawkish stance of the Fed with rising yields across all maturities. However, the fears of the economic consequences of a fast rise in interest rates meant the yield curve remained flat, if not inverted. Within Europe, yields on German bunds also rose, with only the shortest maturity bunds trading at negative rates.

Rising U.S. rate expectations also impact currency markets, with the US dollar rising sharply against other major currencies. The Euro reached a low of $1.05/€ which benefitted the stocks of export orientated companies within Europe.

Value outperformed the declining market

The Portfolio returned 0.15% in the month, ahead of the MSCI World Index return of -3.29%. The value style of the fund accounted for a large amount of the outperformance versus the broad market, with the MSCI World Value index returning 0.22%. Value initially underperformed during the month, however, as further rate rises became consensus, and earnings for certain large growth stocks disappointed, the value style asserted itself and the growth style began to underperform.

Consumer Staples was the strongest sector in the month as stocks in the sector benefitted from the perceived defensive nature of their end markets as well as the ability for companies to offset inflation with higher prices. Energy was also a strong sector as commodity prices remained high, which allowed large energy producers to report strong earnings and cash flow. Large earnings related declines from individual companies led to sectors such as Information Technology and Consumer Discretionary being amongst the worst sector performers in the month.

As discussed above, style was an important return determinant in the month. However, the fund still generated a significant positive contribution from individual stocks selection. French food and nutrition company Danone performed well in the month as the company reported strong sales in the quarter. Good earnings also contributed to the stock performance of U.S. based home appliance manufacturer Whirlpool. UK pharmaceutical company GlaxoSmithKline also had strong performance as the company moved closer to a spin-off of its consumer business. Large benchmark names not held in the portfolio, such as Amazon and Netflix, experienced significant declines, which also contributed to the fund's relative performance.

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.