Fund report, November 2023
Global Value
Equities

Sparinvest

LOWER YIELDS SUPPORTED EQUITIES

Cooling inflation and rallying markets

Markets recorded a very bullish November as moderating inflation fueled hopes that interest rates peaked. The MSCI World Index gained 5.96% in euros and almost 10% in USD and almost regained the summer losses. Although the so-called 'Magnificent 7' stocks outperformed again, it was a broad-based rally where cyclical sectors outperformed.

The Federal Reserve (Fed) left interest rates unchanged for the second consecutive meeting, and seemed to suggest that more rate hikes are not likely. Macroeconomic data seems to indicate tentative signs of economic moderation in the U.S. Jobless claims rose modestly, while retail sales slipped, and ISM manufacturing was unchanged and remained in contraction. Together with cooler than expected inflation this seems to have convinced investors that the Fed is done hiking and will soon turn to cutting rates.
All major regional indices posted strong returns. U.S. markets were boosted by likely end of the Fed tightening, but also a better-than-expected earnings season. European stocks were also supported by cooling inflation in the Eurozone and therefore hopes that rates could soon be cut. Despite somewhat disappointing GDP data and relatively weak domestic demand for the third quarter, strong corporate earnings positive momentum in companies disclosing plans for improving corporate valuations helped lift Japanese shares. Despite resilient economic data and the ongoing conflict in the Middle East, prices for oil were modestly lower in the month due to an increase in US supply and uncertainty over OPEC+ production quotas. Treasury yields tumbled for the first time since spring as investors reacted to the likely end of central bank tightening, on both the short and the long end of the curve. Yields on 10-year treasuries fell more than 50 basis points.

Growth stocks outperformed value

The Portfolio gained by 5.26% compared to the MSCI World increase of 5.96%. The underperformance of the fund was predominantly attributable to the fund style, with the value style significantly underperforming in the month. The MSCI World Value index returned 4.03% in the month, with the underperformance against the MSCI World index illustrating the weakness of the value style. Part of the underperformance of the portfolio against the MSCI World Index came from negative stock selection, although most of that negative selection was related to not owning large benchmark holdings such as Microsoft, Apple, Nvidia and Tesla. Compared against the MSCI World Value Index, the fund outperformance was linked to industry allocation, where the fund benefitted from having less Energy exposure and positive contribution from stock selection.

10 out of the 11 market sectors ended the month in positive territory with rate sensitive sectors such as Real Estate and IT posting the largest gains. Sector laggards included less economically sensitive sectors like Consumer Staples and Healthcare as investors preferred more cyclical industries. Energy was the only sector in negative territory as the sector followed a modest decline in the oil price.
Although stock selection was an overall detractor to performance for the fund against MSCI World, there were still several holdings that had good relative performance. An example was the U.S. retailer GAP whose shares were up more than 50% during the month as its turnaround story became more credible to market participants following a solid third quarter earnings release.

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.