Fund report, February 2024
Global Value
Equities

Sparinvest

EQUITIES CONTINUED THE CHARGE

Some stocks more magnificent than others

Markets followed a strong start to the year with a further rally in February. The MSCI World index rose by 4.63% in the month. Strong U.S. economic data and continued fascination with all things AI led stocks higher despite disappearing market expectations of imminent rate cuts by the major central banks.

U.S. equities once again led global markets, with the MSCI USA index rising by 5.72%. The S&P 500, a key domestic market index of U.S. stocks hit a record high in the month. Japan also continued its strong run of market returns, with February marking the point that the domestic Nikkei 225 index finally made a new high, 34 years after the prior peak.

As in much of 2023, U.S. stocks, were driven by a small handful of technology focused stocks. However, membership of the Magnificent 7 group of stocks that drove market performance last year has been dwindling. Since the beginning of the year, stock performance for founder members of the 7; Apple, Alphabet and Tesla, has been disappointing, whereas notably NVIDIA has charged on, rising 65% in the first two months of 2024 alone.

Europe was a laggard in the month, with the MSCI Europe only rising by 1.94% Despite moderating inflation and wage pressures as well as declining forecasts for European economic growth, European Central Bank president Christine Lagarde refused to be drawn on the potential for rate declines, leading to a more subdued equity market in the month. The MSCI Europe index was also dragged down by poor performance in the UK, which is struggling with recession and political uncertainty related to the forthcoming general election, which must be held within the next 11 months.

Value underperformed in a growth market

The Portfolio returned 2.19% in the month, behind the MSCI World return of 4.63%. The underperformance of the portfolio was predominantly due to the fund style, with the value style underperforming growth during the month. The MSCI World Value index returned 2.80% in the month, behind the return of the MSCI World but ahead of the portfolio return. The underperformance of the portfolio relative to the MSCI World Value index was due in part to the portfolio having a greater value style exposure than the MSCI World Value index. Additionally, small-cap stocks performed poorly in the month, impacting the portfolio due to its higher small-cap exposure than the index.
Communication Services, Consumer Discretionary and Information Technology were the best performing market sectors in the month. These sectors each have a high weight in one of the remaining Magnificent 7 stocks that performing strongly, respectively Meta, Amazon and Nvidia, and the performance of these three stocks drove their sectors. Utilities and Consumer Staples were the weakest sectors in the month, with stocks in these sectors suffering from the expectation that interest rates will remain higher for longer.

Stock selection was not a positive for the portfolio, due to the portfolio not owning the handful of highly valued growth stocks that experienced high returns in the month. The portfolio did have individual holdings that performed well, including U.S. semiconductor equipment manufacturer Applied Materials that performed well after reporting better than expected earnings. Japanese industrial automation producer Toyota Industries was also a strong performer in the month as market appreciation grew for its ownership stake in its parent, Toyota Motors.

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.