

FED STARTS TO EASE

Fed surprises markets with large rate decline

Markets had positive returns for the fifth month in a row as markets rebounded from weakness in the first week of the month. Markets began the month with declines due to concerns related to continued economic weakness in China, weakening US economic data and a fizzling of the artificial intelligence related market enthusiasm. However benign US inflation data raised market hopes that the US Federal Reserve could begin to reduce interest rates to support a softening economy. Later in the month, the Fed duly delivered and more, with a cut of half a percent, which was above market expectations. This interest rate cut, combined with more tangible evidence of government support of the economy in China, led to strong markets in the final two weeks of the month.

The MSCI World returned 1.00% in the month. The US was a strong performer as US equities strengthened with the rate declines. Although European markets in aggregate declined, with the MSCI Europe index falling by 0.44%, several major markets, most notably Germany, posted strongly positive returns. German equities closed the month at close to record highs buoyed by an improving export environment due to stimulus in China as well as some takeover activity for German companies.

Despite stimulus measures around the world, oil prices declined during the month as anemic demand failed to push major supplier countries to cut production. However, major industrial metals experienced strong rallies as expectations rose of demand increases from an improving Chinese economy. Copper, aluminum and nickel all rose significantly in the month.

Style impact muted in a cyclical market

The Portfolio returned 1.82% in the month, ahead of the MSCI World return of 1.00%. The fund's value style was a net positive contributor to performance in the month, however, overall the fund style was a modest component of the outperformance, with strong stock selection a major contributor. Sector selection was also a modest positive in the month, driven by the fund's underweight to Information Technology and Energy. The MSCI World Value index returned 0.86% in the month, below the return of both the portfolio and the MSCI World Index. Relative to the MSCI World Value the stock selection was the major contributor to the fund's outperformance, with both style and sector allocation a very small positive.

Only the Energy and Health Care sectors declined in the month. Energy stocks declined due to the weak oil price, and the Health Care sector was impacted by sharp declines from some large pharmaceutical companies. The Materials and Consumer Discretionary sectors were strong in the month due to the economic sensitivity of the companies within these sectors.

The portfolio experienced strong stock selection in the month. US technology company Oracle was a strong performer as it reported earnings that were ahead of expectations. US aluminum smelter Alcoa performed well in the month as the price of aluminum rose significantly. Dutch medical device manufacturer Philips was also a strong performer as market expectations grew that the company would continue to benefit from its operational efficiency investments.

See performance and fund data

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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.

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