

INVESTORS JUMPY ON MIXED NEWS

Weak tech earnings weighed on markets

Markets eked out a positive gain in the month, with the MSCI World rising 0.76%. However, markets were significantly higher up until the final few days of the month, when earnings reports for some of the technology sector's stalwarts, such as Microsoft, disappointed, leading to a market sell-off.

Most markets, including Japan and the major European markets all declined in the month. Although the U.S. market rose in Euro terms during the month, it declined in Dollar terms, with the positive return for Euro investors resulting from a Dollar rally over the period.

Japanese equities declined in the month after newly appointed Prime Minister Shigeru Ishiba announced a snap election, which ended in the dominant Liberal Democratic party losing their parliamentary majority, heralding a period of heightened political uncertainty within Japan. European markets were generally weak as markets grew concerned over the rising probability of a Trump win in the U.S. presidential election, with the related uncertainty over U.S. trade policy. In addition, continued economic weakness in China impacted particularly export sensitive markets such as Germany.

Economic data in the U.S. continued to surprise positively, with GDP growth, consumer spending and jobs growth all showing resilience. This resilience led to rising bond yields in the U.S., fueling a rally in the Dollar against a range of major currencies. The yield on UK gilts also rose in the month as the UK Chancellor announced a budget focused on both taxes as well as spending, with markets concerned with the inflationary nature of the spending.

Individual stock moves dominated returns

The Portfolio returned -0.03% in the month, below the 0.76% return of MSCI World. The fund style was not a significant element of the underperformance. Stock selection was the most significant contributor to relative performance in the month, as the portfolio suffered from not owning highly priced Magnificent 7 members such as Nvidia and Alphabet, which were a major component of the index return. The fund also underperformed the 0.58% return of the MSCI World Value index, largely due to individual stock selection, with the fund's underweight to the United States market being an additional factor.

Communication Services was the best performing sector in the market during the month, a sector that is dominated by Alphabet and Meta. Financial stocks were strong, driven by economic growth and rising bond yields in the U.S. The Materials sector was amongst the weakest, as commodities such as copper and iron declined due to continued economic weakness in China. Health Care was also weak, reflecting the volatility in this sector that is typical when close to a U.S. presidential election.

Despite stock selection being a headwind to performance in the month, the portfolio did benefit from strong performance in some individual names. Wesco, a relatively new fund holding, is a U.S. based electrical distributor focused on industrial markets. Wesco stock performed well in the month as the company reported quarterly earnings ahead of market expectations. One portfolio holding, the U.S. based International Paper, is acquiring another holding, UK based DS Smith. Both stocks performed well in the month as International Paper reported strong earnings, which aided its stock price as well as that of DS Smith.

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.

This material does not constitute individual investment advice and cannot form the basis for a decision to buy or sell (or an omission thereof) of investment certificates. The material has been prepared for information purposes only and investors are encouraged to seek necessary professional advice before buying or selling investment certificates. Sparinvest does not undertake any responsibility for the advice given and actions taken or not taken in respect of this material. The mentioned sub-fund is part of Sparinvest SICAV, a Luxembourg-based, open-ended investment company. Investors are urged to read the prospectus, the key investor information document and the current annual / semi-annual report of Sparinvest SICAV prior to investing. The documents are available at sparinvest.lu. There are always risks involved when investing and it is stressed that past performance or past return cannot be considered as a guarantee for future performance or return. Investors may not get back the full amount invested. Sparinvest makes reservations for possible typing errors, calculation errors and any other errors in the material.