

# WAITING GAME

## Equities swung on Presidential pronouncements

**Markets** declined in the month as equities were unsettled by a combination of weak economic data in the U.S. and repeated and at times contradictory declarations on U.S. trade policy coming from U.S. President Donald Trump. The MSCI World Index declined by 0.76% in the month, with the U.S. leading the declines. The MSCI USA index declined by 1.65% in the month as a sell-off hit previously high flying Magnificent 7 stocks such as Tesla and Amazon. Japanese equities also ended declining during the month, as rising trade war fears drove Japanese indices into negative territory during the last couple of days of the month.

In contrast to U.S. and Japanese equities, European equities demonstrated resilience despite the threat of tariffs being placed on European Union exports to the U.S. The MSCI Europe index rose by 3.63% in the month, with strength across most major European markets including France, Germany and the United Kingdom. European stocks performed well as markets drew hope from a couple of apparently productive meetings between President Trump and firstly President Macron of France followed by Prime Minister Starmer from the UK. Additionally, the prospect of peace in Ukraine, albeit one forced on the country, raised the prospect of a continent-wide peace dividend.

The Dollar weakened slightly in the month versus the Euro, Sterling and Japanese Yen as yields on U.S. Treasuries fell, reflecting market concerns that any potential tariffs were more an act of economic self-harm than a coherent attempt at reforming U.S. trade policy.

## Disappointing stock selection

**The Portfolio** rose by 3.42% in the month, broadly in line with the 3.63% gain of the MSCI Europe Index. A positive impact from the fund style was offset by negative stock selection. The MSCI Europe Value Index returned 5.59%, above the return of the fund. The underperformance of the fund relative to the MSCI Europe Value index was partly due to the small-cap tilt of the portfolio and a negative impact from stock selection.

Financials was the best performing sector with a gain of around 8% with bank shares in particular continuing a remarkable rally, driven by robust earnings growth, healthy balance sheets and a positive outlook for dividends and share buybacks. Communication Services and Consumer Staples also outperformed while Industrials overall performed in line with the broad market in spite of very robust returns in defense stocks. Information Technology was the weakest sector, with large benchmark names like ASML and SAP posting negative returns.

Among the largest individual detractors were a few large benchmark names not held by the fund, such as Novo Nordisk and Nestle whose shares rebounded in February. Among the portfolio holdings the advertising group WPP dropped 16% on one of the last days of the month as results were at the low end of the guided range and its 2025 outlook disappointed investors. However, the fund did have names that contributed positively. Steel maker ArcelorMittal performed well in the month as the company reported earnings that were ahead of expectations. Similarly, the Dutch brewer Heineken performed strongly as it recorded better than expected topline growth.

See performance and fund data

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## Strategy

European Value invests in European equities, 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 countries.

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