

WHO NEEDS STATISTICS ANYWAY

Markets power ahead despite US data vacuum

After seven-year break, the government shutdown show returned to the US this month as Democrats refused to support Republican budgetary plans without an extension to health care insurance subsidiaries that were slashed by this summer's "Big Beautiful Bill", President Trump's signature tax and spending bill. Without agreement the US government officially shut down on October 1st, leading immediately to recriminations from each side, followed by threats of Federal employee lay-off's and a gradual shut down of key government functions, including the release of much macro-economic data.

Markets took the absence of any meaningful economic data for the world's largest economy as an opportunity to post a significant rally. The MSCI World Index rose by 3.84% in the month. The US market rose by 4.20% in the month, as strong earnings at some of the mega-cap AI related Magnificent 7 led to strong performance for those names. Nvidia achieved the distinction of a \$5 trillion market capitalization, leaving relative minnows such as Microsoft, Apple and Alphabet trailing at only \$3 or \$4 trillion in market capitalization. US markets were not even derailed by Jerome Powell, the Federal Reserve Chair, who when delivering another rate cut at the end of the month, cautioned that further rate cuts this year were not a "foregone conclusion".

However, the US wasn't the best performing major market in the month. Japan had a very strong month after its new Prime Minister, Sanae Takaichi, overcame some initial coalition struggles to become elected by the country's parliament. The first ever female Japanese PM, her perception as pro-growth led to a surge in Japanese equities in the second half of the month. Europe was a relative laggard, rising by only 2.56% in the month. European performance was dragged down by Germany, with the MSCI Germany declining in the month as the enthusiasm over the new Chancellor's economic policy waned in the face of continued economic stagnation.

European indices reached new highs

The portfolio returned 4.25% in the month, above the 2.56% return of the MSCI Europe that led European stocks to reach new highs in spite of mixed earnings and less exposure to the AI theme. Portfolio outperformance was primarily driven by idiosyncratic stock selection. On a smaller scale, the fund benefitted slightly from a marginally more pro-cyclical bias relative to the index, while sector allocation was mildly negative mostly due to an underweight in Utilities. The MSCI Europe Value index returned 2.76% in the month and outperformance was primarily driven by stock selection.

Information Technology and Utilities were the strongest performing sectors with robust gains for large benchmark stocks like ASML (AI theme) and Iberdrola. The worst performing sector was Communication Services with a negative return of 3%. Financial stocks and defense stocks (within Industrials) were also relatively weak following very strong gains earlier in the year.

A broad range of portfolio holdings contributed positively to performance this month, with several positions delivering exceptionally strong returns. Finnish technology company Nokia was the largest positive contributor, posting a remarkable 44% gain for the month. This performance was driven by robust financial results, continued strategic momentum, and, notably, the late-month announcement that Nvidia would invest \$1 billion for a 2.9% equity stake in the company. The news of Nvidia's partnership significantly boosted investor confidence, sending Nokia's share price up more than 20% in a single trading day. The second-largest positive contributor also came from Finland. Shares of mining equipment manufacturer Metso rallied sharply after the company released third-quarter results that exceeded expectations across all key metrics. Management also provided a constructive outlook despite acknowledging potential risks related to tariffs.

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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