Sparinvest

All THAT GLITTERS CAN ALSO BE SILVER

Volatility in precious metals highlight fears

Precious metals stole the news at the end of the month, as the price of gold and silver spiked and then crashed, as market participants searched for safe havens from perceived risks in equity, bond and currency markets. The gold rally, which began in the post COVID years as a fairly classic inflation hedge, accelerated during 2025 as market concerns grew over the political independence of the US Federal Reserve, the willingness of the US government to tolerate a weak dollar, and the consequences for treasury markets from the geopolitical machinations of the US government. In the latter half of 2025 silver rose even more dramatically than gold, fueled by retail investor purchases through ETFs.

The precious metal rally took a severe hit late in January, when US President Donald Trump nominated the relatively conventional Kevin Warsh to be the new Chair of the Federal Reserve. Other potential candidates had been viewed as less hawkish on inflation, and more subject to the influence of the US President.

Despite the spike in precious metals reflecting broader concerns, equity markets rose with the MSCI World index rising by 0.93%. Mirroring the start of 2025, Europe and Japan outperformed the US. The MSCI Europe index rose by 3.11% vs. the -0.03% decline of MSCI USA, which was impacted by fears over AI spending excesses. The United Kingdom was the standout European market, due to strength in materials and energy stocks, which constitute a large part of the UK market. However Japanese equities outperformed even Europe, due to a rising belief in the proposed fiscal stimulus from the new Japanese Prime Minister, despite the calling of an early election in Japan raising political risks.

The dollar weakened during the month due to concerns over monetary policy. The nomination of Kevin Warsh led to a rally in the dollar, however it still ended the month with declines against the Euro and Yen. US government bonds were also weak in the month, driven by the same inflation fears.

Value starts the year positively

The portfolio returned 3.23% in the month, above the 0.93% return of the MSCI World index. The largest contributor to the positive relative returns was the style of the fund, with the value style performing well in the month. The fund's modest small-cap tilt was also a positive contributor to performance, a notable change after 2025 proved to be a very tough year for small-caps, particularly in the US. Stock selection was relatively neutral vs. the MSCI World. The MSCI World Value index rose by 3.36% in the month, reflecting the outperformance of the value style. Relative to MSCI World Value, the fund benefited from its style, with the fund having a value style exposure greater than the index. However, against the value index, stock selection was a negative, due to strong share price rises in stocks not held by the fund, such as Alphabet and Meta, both recent additions to the value index. This negative stock selection offset the benefits from the style and led to the modest underperformance against the value index.

Energy and materials were the two strongest sectors in the market, as rising commodity prices, particularly for oil and metals, buoyed stocks in both sectors. Industrials were also strong, as expectations rose for stronger than expected economic performance in markets such as the US and Japan. Technology was the weakest performing sector in the market, as stocks were dragged down by fears that over investment in AI would reduce returns.

Despite the relatively muted contribution from stock selection relative to the broad market, the fund had a number of holdings that experienced strong returns in the month. Computer storage companies SanDisk and Western Digital began the new year as they ended the last, with strong performance driven by the expectations that data centers supporting AI would need increasing amounts of their storage products. Steel company Arcelor Mittal also performed well, as sell-side analysts raised the earnings outlook for the company after the European Union announced improved protection for the sector from imports.

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.