

## European Value

EQUITY

# Positive figures in the Eurozone

## Expectations of high growth

**Markets** During the month of August second quarter GDP figures for the Eurozone were revised up to 2.2 percent, which is the highest since the Euro-crisis in 2011. The manufacturing industry PMI rose to 57.4, which is also the highest in several years. The leading indicators for the Eurozone are pointing sharply higher, so a recession is definitely not around the corner. Despite a strong outlook, long German interest rates dropped about 20 basis points throughout the month. The drop might be explained by lower import prices and inflation expectations due to the stronger euro, which has rallied 13 percent since year-end.

For the U.S., leading indicators topped out and began to decline slowly – but the CLI is still high. U.S. growth is thus likely to moderate over the coming six to nine months, but negative growth or an outright recession is still unlikely.

Equity markets have been slightly weak since the summer, but most of the weakness was caused by a stronger euro, which has subtracted from the return of non-European markets. The volatility index (VIX) was rather nervous in August due to the missile launches in North Korea.

## Pressure on value and small cap

**The Portfolio** The fund lost 2.45 percent while its benchmark, MSCI World, lost 0.78 percent.

In the U.S., President Donald Trump continues to add to the uncertainty. The threat of pulling the U.S. out of the NAFTA-agreement and the controversy that followed the violent events in Charlottesville caused further uncertainty about what Trump decides to do about government spending and taxes. In Europe, the third round of negotiations between the UK and EU has begun, but in spite of the uncertainty, investors seem to feel comforted by the solid fundamental development. Nonetheless, market participants are aware that expectations globally are running a tad high, and due to the list of uncertainties, European markets ended up in negative territory, when measured in euros.

Reduced inflation expectations continue to weigh on bond yields and the corresponding poor environment for value and small-cap securities continue to weigh on fund performance. The same tendency was seen on a sector level, where European Utilities saw the strongest performance and rate sensitive Financials lagged the market. However, the overall exposures cannot explain the underperformance in August.

Stock selection was negative, and one of the larger contributors were food retailers like Sainsbury, Carrefour and Ahold Delhaize who witnessed competition from Amazon put further pressure on their shares. Maersk fell back after a strong month in July, while Ericsson continued to fall, as investors do not seem convinced about the story of topline stabilization and margin improvement from cost cutting. Ericsson continued the decline since its profit warning last month.

See performance and fund data [Click here >](#)

Return is calculated excluding swing and gross of fees.

### 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.

For further information we refer to the prospectus, the key investor information document and the current annual / semi-annual report of Sparinvest SICAV which can be obtained free of charge at the offices of Sparinvest or of appointed distributors together with the initial statutes of the funds and any subsequent changes to such statutes. Investments are only made on the basis of these documents. Past performance is no guarantee for future returns. Investors may not get back the full amount invested. Investments may be subject to foreign exchange risks. The indicated performance is calculated Net Asset Value to Net Asset Value in the fund's base currency, without consideration of subscription fees.