

## European Value

EQUITY

# Strong outperformance in 2016

## Good month despite interest hikes

**Markets** The market reacted positively in December, which was not characterized by any large surprises. As expected, the Fed reacted to strengthening macroeconomic data – e.g. higher inflation expectations – by hiking the interest rate by 25 bps. to 75 bps. Subsequently, the USD continued its strengthening vs. the EUR, also helped by a large drop in the US unemployment rate.

Macroeconomic data from the Eurozone were also strong in December – and generally better than expected. Especially figures from the manufacturing industry showed improvements, but also growth in the money supply, Eurozone GDP and employment were stronger.

The stock market recorded another month of strong performance in December with MSCI World (EUR) increasing by 2.98%. MSCI Emerging Market (EUR) gave investors a return of 0.80%. Long inflation expectations gradually increased throughout the month to 1.74% at the end of the month.

Interest rates generally increased in December – especially at the beginning of the month. German 10-year rates increased to about 0.4%, but in the latter part of the month, they came down to 0.2% again. In the US, 10-year rates increased to 2.6%, but ended the month at 2.4% despite strong macroeconomic figures.

## Well ahead of benchmark

**The Portfolio** The fund gained 6.84% while the MSCI Europe index gained 5.84%. This means that in the full year 2016, the fund rose 8.47%, well ahead of the benchmark which rose 2.58%.

The aforementioned sector and style rotation within the European equity market was more muted in December. Sector as well as geographic exposures had little impact on performance. Meanwhile, the fund picked up about half of its out-performance from its inherent value exposure, as value stocks in general continued to generate relative returns concurrent with the bond yield increases.

Regarding the performance of individual stocks, two of the biggest contributors are worth mentioning. The biggest detractor from last month, Devro, recovered 34% during the month and ended up being the second largest contributor in December. Not a lot has changed, but it seems investors overreacted on the profit warning last month. The biggest contributor was Maersk, who held a well-attended investor day with a focus on the ongoing strategic shift. Many analysts seemed to welcome the initiatives and the cash discipline and sent out positive reports, which helped the stock gain more than 21% for the month.

[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.

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.