

Global 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.

Market rotation continues

The Portfolio The fund gained 3.92% while the MSCI World index gained 2.92%. This means that in the full year 2016, the fund rose 14.60%, well ahead of the benchmark which rose 10.73%.

The aforementioned sector and style rotation within the European equity market was more muted in December. Meanwhile, the fund continued to benefit from its overweight in rate-sensitive financials and its inherent value exposure, as value stocks in general continued to generate relative returns concurrent with the bond yield increases. Combined with a small benefit from our US underweight, these factors contributed about half of the excess return.

The performance of individual stocks that generated the rest of the outperformance was mainly due to a handful of stocks. Other than three US financial stocks, Travelers, Discover and Regions Financial, home appliance maker Whirlpool enjoyed a healthy ride due to a positive court ruling (against Samsung and LG) along with favourable macro conditions. However, the biggest contributor was Maersk, who held a well-attended investor day, focusing on the ongoing strategic shift. Many analysts seemed to welcome the initiatives and cash discipline and sent out positive reports, which helped the stock gain more than 21% for the month.

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

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.

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.