

European Value

EQUITY

Another year of outperformance

Strongest growth in years

Markets The global, synchronized expansion continued and we are currently experiencing the strongest growth in years in many countries and regions. Generally, we need to go all the way back to before the Euro crisis or even before the IT bubble to find growth rates this high. The same goes for expectations and confidence.

The growth in European industrial production is now running at 3.7 percent and in the U.S., it is at 3.4 percent. We are also experiencing rapid growth in employment and income in all regions. MSCI World (in euros) was up 0.64 percent during December, but equity markets were even stronger in local currencies, as the euro rallied around one percent vs. the U.S. dollar in December.

Benchmark 10-year government bonds rates rose in December – but mostly in Europe. Rates are going higher because the bond markets expect a faster normalization of the monetary policy.

The geopolitical uncertainty related to tensions between North Korea and the U.S. have not had a noteworthy impact on bond markets in December and the price for insurance against a South Korean government default has continued to decline in December.

Well ahead of benchmark

The Portfolio It was a good month as well as a satisfying year. The fund gained 2.64 percent in December while the MSCI Europe index only gained 0.79 percent. This means that for the full year 2017, the fund was up 15.18 percent, well ahead of its benchmark, which rose 10.24 percent.

The global synchronous growth and corporate earnings acceleration continued to support European markets towards the end of the year. An interesting event was the progress in Brexit negotiations. Although the future relationship between the UK and the EU is far from determined, December's news on progress clearly helped lift UK stocks, which were up more than four percent. Due to the fund's relative underweight in the UK, it had a small negative impact on relative performance. Meanwhile, in terms of style exposures, European small caps outperformed strongly and tailwinds from the fund's inherent small cap exposure overshadowed the geographic headwinds.

Industry allocation had a meaningful impact as well. Materials were the best performers with gains of more than four percent while Utilities were rock bottom with a four percent loss. With no exposure to utilities and a substantial exposure to high flying stocks within metals and mining, that mirrored a surge in underlying ore prices, the fund saw more than half a percent tailwind from its active industry exposures.

Finally, individual stock selection was a positive contributor. It was broad based, with particularly good results within industrials and financials. Within industrials, German airport operator Fraport was one of best performing stocks as it continued to present sound growth in passenger traffic. It returned more than 65 percent in 2017.

Return is calculated gross of fees and excluding swing.

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

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.