

European Value

EQUITY

Outperformance in January

Inflation expectations normalising

Markets A further strengthening of macroeconomic figures was broad-based in January. This included higher retail sales growth and industrial production growth in the Eurozone combined with a further drop in the unemployment rate to 9.6% (from 9.8%). GDP growth in the Eurozone came out at 1.8% - slightly higher than expected. On this background, the EUR appreciated about 2.5% vs. the USD. Long-term inflation expectations for the Eurozone are continuing to normalise towards their historical average – due to e.g. higher energy prices – and are now around 1.8%.

Inflation expectations also increased in the US. The 5Y5Y inflation swap is now trading at 2.4% and ISM Prices Paid (a survey capturing inflation expectations) came out at 65.5, which is the highest since 2011. The so-called NFIB Small Business Confidence came out at 105.8, which resulted in the largest monthly increase in the survey since 1980.

Coinciding with fears of growing protectionism in the market, the Morgan Stanley Global Trade Indicator came out at the highest level since 2010, which also supported energy prices.

MSCI World (eur) was about unchanged due to the strengthening of the EUR in January, but German 10-year government bond yields increased 23 bps, while US 10-year government bond yields were effectively unchanged.

Good performance in January

The Portfolio The fund gained 0.32%, while the MSCI Europe index lost 0.37%.

While the reflation theme from late 2016 was still on top of the agenda in January, the rotation from defensives to cyclicals and from growth to value stalled, as investors seemed to await more details on US fiscal policies. A significant decrease in global stock-to-stock correlation confirmed that market participants are hesitant regarding how to position themselves.

Meanwhile, stocks within materials continued to perform strongly on the back of increased growth expectations and Chinese capacity cuts. The relative overweight in materials combined with no exposure to underperforming real estate and utility stocks contributed positively to this month's out-performance.

The fund also benefitted from its inherent small cap exposure. European small cap stocks that are typically more domestic oriented outperformed as European economic data improved.

Contribution from stock selection was slightly negative. Although reporting season has generally begun positively, some companies have disappointed investors. In spite of beating expectations, Finnish forest industry company, UPM, was for example down 12% on the last day of the month, making it the biggest detractor.

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.