

## European Value

## EQUITY

# Strong rebound in Europe

## Markets regained momentum

**Markets** The beginning of June was characterized by nervousness in the wake of the Brexit vote in the UK. The turmoil following the surprising “leave” decision quickly caused fixed-income markets to expect that central banks would cut interest rates. Only the Bank of England, however, has lowered interest rates, and both the ECB, FED and Bank of Japan have kept rates unchanged, causing an upward pressure on short-term interest rates.

Stock markets were also marked by some volatility in the beginning of July, but regained momentum relatively quickly, and the MSCI World delivered a total monthly return of approximately 3.5 %.

US macroeconomic data has picked up considerably during July, as data has been beating analyst expectations with a handsome margin. Fixed-income markets are increasingly starting to price in not only one, but two, rate hikes already in 2016. Also in Europe, data has beat expectations, albeit not to the same degree as in the US. Germany still tends to be the driver behind European growth, while the predicaments of Southern Europe appear to remain unsolved.

## Broad-based excess return

**Performance** European equity markets recovered well from the sell-off related to the British referendum, returning 3.51% in July when measured by MSCI Europe.

The fund gained 5.08% - 1.57 percentage points more than the benchmark, and regained some of the relative losses from June. Measured since the beginning of the year, the fund has lost 1.40% - an excess return of 2.58 % compared to its benchmark.

The driver for the absolute and relative returns was an increase in overall risk appetite following positive rhetoric from both the ECB and BOE about potential fiscal stimulus if necessary. In addition, economic data from the US and China helped support equity prices.

Energy stocks were down as crude oil prices declined, while other more cyclical sectors such as consumer discretionary, materials and industrials performed above average, which contributed to the fund's outperformance.

The more company-specific returns were generated within consumer discretionary, where especially our auto-related stocks rebounded strongly, and within materials, where our giant steel producer ArcelorMittal benefited from a recovery in steel pricing and presented good quarterly results at the end of the month. Overall, we have seen decent earnings reports so far in this earnings season with many companies beating both revenue and earnings forecasts.

### Strategy

The fund invest in value stocks. Through careful fundamental analysis, the team strives to identify companies that trade at healthy discounts relative to intrinsic value. A risk-aware approach to portfolio construction ensures a well diversified portfolio. The Fund pursues an active value investment strategy, which is the reason why performance may deviate from benchmark.