

Global Value

EQUITY

Global stocks rebounded strongly

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.

Risk appetite boost performance

Performance Global equity markets recovered well from the sell-off related to the British referendum, returning 3.54% in

July when measured by the MSCI World. The fund gained 4.64% - 1.10 percentage points more than the benchmark, and regained some of the relative losses from June.

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 to support equity prices. Japanese stocks had a strong month in which the Upper House election indicated a vote of confidence in Abenomics. The market expectations to the timing of the Federal Reserve’s potential tightening of the monetary policy fluctuated in line with the economic data and news from Europe, which added to volatility in July.

Energy stocks were down as crude oil prices declined and was the worst performing sector. In the other end of the table, the technology sector led markets higher with takeovers and strong Q2 results. The fund benefited from its overweight within outperforming consumer discretionary and materials sectors.

The more company-specific returns were generated within consumer discretionary, where especially our auto-related stocks rebounded strongly. Within materials, our steel producers ArcelorMittal and BlueScope benefited from an improved market environment and added to July’s excess return. 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 invests 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.