

## Global Value

## EQUITY

# The Euro dragged the result down

## Europe surprised positively

**Markets** During the month of July the positive, macroeconomic surprises continued in the Eurozone and the small but consistent disappointments from the US also continued. As a result, the spread in the long rates between the two regions also contracted somewhat in July and the euro continued to strengthen vs. the US dollar.

EURUSD is now at the highest level in more than two years, but in terms of purchasing power parity the euro is still undervalued vs. the US dollar. The newly found EUR-strength is eroding returns in global equity portfolios that naturally have a large exposure to US stocks and the US dollar. Thus, MSCI World (in EUR) yielded a negative 0.9 percent in July.

Despite the negative EUR-return, local currency equity market returns were strong in July where the VIX index posted its lowest reading ever (8.84), and EPS expectations for 2017 made new highs.

The German 10-year government yield continued its upward trend in July responding to strong Eurozone data – amongst others economic indicators like the German business confidence index IFO and the monthly surveys of private sector companies (PMI's). This picture was supported by the fact that the leading indicators from OECD are trending upwards for both the Eurozone, Japan and China, whereas only the US is experiencing a slight slowdown in the leading indicator from the OECD.

## A few shares disappointed

**The Portfolio** The fund lost 1.80% compared to a loss of 0.95% for the MSCI World Index.

Although the S&P500 index ended July in new record breaking territory, European equities outperformed relative to its US peers, when measured in euros, thanks to the currency move. Investors expect less and less from Donald Trump, who made the headlines again when he sacked several important members of his administration. Furthermore, Janet Yellen expressed surprise regarding continued weakness in US inflation, and market participants now seem to expect that FED hikes will happen later than anticipated while ECB tapering is getting closer.

Sector performance was mixed. Telecom and materials (especially basic resources) were the best performers while healthcare and consumer staples were the biggest laggards. Neither sector exposure nor the inherent value and small cap exposure had meaningful impact on the relative performance in July.

Second quarter earnings releases have generally been encouraging so far, which help support the overall market. While the majority of the of the fund's companies beat expectations, a few disappointments from companies like Ericsson, Whirlpool and Triumph Group, who was the worst performer of the month, contributed to overall negative stock selection in July. The second worst performer, Astrazeneca, fell due to a setback in trials of a new lung cancer treatment.

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.