

European Value

EQUITY

Political worries resurfaced

Strong economic momentum

Markets During November, the euro rallied almost two percent vs. the U.S. dollar. The rally was caused by a continued bout of strong Eurozone macroeconomic figures that also continued to surprise analysts. Retail sales, GDP-growth and PMI-figures were all quite strong in November.

The figures from the U.S. economy were also quite strong. While Japanese figures were slightly more mixed, the machine tool orders growth is now running at 50 percent year and year, which is a good indication of the global optimism in the industrial sectors and regarding corporate investments.

The MSCI World (EUR) return was flat in November, but this was primarily caused by the euro strength, as virtually all other regions saw strong equity markets in local currency terms.

Despite strong macroeconomic figures in both the Eurozone and the U.S., long interest rates have been almost unchanged throughout the month, which is due to the still persistently low inflation figures. Another reason might be sabre rattling in North Korea, which again tested its missile capabilities.

Selection drove outperformance

The Portfolio It was a somewhat disappointing month for European equities. After two consecutive months of positive returns, markets (MSCI Europe Index) were down 2.08 percent. The fund outperformed by 0.82 percent with a loss of 1.27 percent.

While economic momentum in Europe seems to be robust, political uncertainty resurfaced, as the formation of a coalition government in Germany failed. While Brexit negotiations show signs of progress, Angela Merkel's new challenges along with uncertainty about next year's Italian election, an increasingly unpopular Macron in France and a complicated situation in Catalonia seemed to make up the political worries that weighed on European stock markets in November.

With limited sector dispersion – 10 out of 11 GICS sectors in negative territory – and no meaningful style impact, the fund's outperformance was due to stock selection. Among the top contributors was the international food retailer Ahold Delhaize. In spite of increasing competition from online and discounters, the stock gained 11 percent on the back of decent Q3 results and the announcement of a two billion-share buy-back plan. However, the best performing stock as well as the largest contributor was the German media company Ströer who also posted good Q3 numbers along with strong guidance for next year. Among the biggest detractors, we find the French car manufacturer Peugeot (28 percent down) and German company Draegerwerk (15 percent down), which is a manufacturer of medical and safety equipment. Towards the end of the month, we exited our position in electronic components maker TT Electronics as shares hit our target price range.

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.