FUND REPORT

November 2018

Sparinvest

Global Value

EQUITY

Risk-off sentiment prevailed

Volatile markets

Markets were quite volatile in November. Although the VIX Index fell throughout the month, it still ended in 18.6, which was somewhat higher than it was over the summer. Equity markets experienced considerable volatility with a large drop and subsequently a rally towards the month-end. The total equity market return in MSCI World (in euros) ended at 1.21 percent.

A row of weak macroeconomic figures was released in both the Eurozone and the U.S. during November. In the U.S., 10-year rates responded by dropping 16 basis points to 2.99 percent, while the German 10-year rate dropped 7.0 basis points to 0.31 percent. Even in Italy, long interest rates dropped as the government apparently made concessions to the EU in the quarrel over the budget deficit. Nonetheless, the euro was virtually unchanged over the month.

Expectations to monetary policy were also influenced by a change in rhetoric by Fed Chair Jerome Powell at the end of the month. Where he previously stated that short interest rates were "a long way from" the natural rate of interest, he stated that they are now "just below". This change had the biggest impact on the risky asset classes that subsequently enjoyed a rally.

Although credit markets appreciated the change of rhetoric from Powell, there was still a great deal of pessimism in the market, which was related to the falling energy prices. Oil ended the month at 51 dollars per barrel.

Sector headwinds

The Portfolio In November, the fund gained 0.99 percent which was slightly worse than the MSCI World index return of 1.21 percent.

U.S. economic data was slightly stronger than elsewhere, and U.S. stocks outperformed again. Regarding political events, U.S. midterm election results were broadly as anticipated while the situation in Europe was slightly worse. There were still conflicting signals on Brexit, although the UK and the EU managed to agree upon a broad withdrawal agreement. The EU Commission's rejection of the Italian budget also lead to lower risk appetite, and with weaker economic data in the region, European stocks suffered more than other markets. Meanwhile, the U.S.-China trade dispute rhetoric continued to be at the center of attention and it seemed to be the major reason for a global risk-off sentiment to prevail. The fragile relationship between these two large economies sent investors looking for portfolio resilience.

Consequently, the sector rotation that began in October gained momentum, and cyclical sectors almost acted the way they would in a recession. High-yielding defensive sectors like Health Care, Real Estate and Utilities outperformed, while Energy, Materials and IT were the worst performing sectors and suffered losses. The fund's style exposure resulted in a slight headwind, but the main detractor to relative returns was the fund's slight cyclical exposure. Although security selection was a positive contributor, it was not to enough make up for the factor headwinds. Among the larger positive contributors were Vishay and Vestas, while not having Apple, which lost 18 percent of its value, was the single largest positive contribution to relative returns.

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.

Return is calculated gross of fees and excluding swing.