

European Value

EQUITY

Underweight in health a plus

More factors increased uncertainty

Markets During the month of September, stock market investors were – as expected – experiencing somewhat higher volatility than in August. The VIX index increased from below 12 to above 20 in the first half of the month. This increase was primarily caused by speculations about whether or not the FED would hike interest rates on their September meeting. The FED decided to postpone a hike, which the market now prices in at either the November or December meeting with about a 60% likelihood.

The US presidential election is now getting closer (8th of November), and it seems the stock market is not overwhelmingly optimistic with regards to the abilities of either candidate to create an investor friendly environment. There is still a sizeable uncertainty surrounding the election with book-makers giving odds that indicate a 21% likelihood that Donald Trump will be elected president.

Another source of uncertainty is Deutsche Bank, which is currently trading at a price/book of only 0.26. This is indicating that the bank is under immense stress, which is not too comforting considering that it is one of the biggest and most important, systemic banks in the world. It is not pleasant to witness speculations of whether or not a bank of this size is going to be bailed-out in order to avoid a new “Lehman scenario”.

The Eurozone saw the release of slightly better than expected macroeconomic figures during the month of September. The

US macroeconomic figures were mixed. Leading indicators for the Eurozone are falling, but according to our models, they should be turning higher soon. Leading indicators for the US are now increasing again and according to our models, they should accelerate even more over the coming six months.

Better than benchmark year to date

The Portfolio In September, the fund lost 0,18% close to the MSCI Europe index's loss of 0.03%. As of end-September, the fund has gained 0.36% YTD, while the index lost 3.34%.

Small-cap stocks slightly outperformed large caps during the month, while value stocks performed in line with the market. In terms of industry sectors, energy and materials were among the strongest performing sectors following price increases in oil, zinc and other commodities. On an index level the biggest detractors were financials and health care stocks. The performance of banks is obviously linked to the Deutsche fine, while Novo Nordisk had another bad month dragging the health care sector down.

The fund benefitted from its underweight in health care, while outperforming strongly within industrials and consumer discretionary. On the other hand, the fund was underweight in well performing consumer staples and saw poor selection within IT-stocks.

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.