Fund report, May 2024
European Value
Equities

Sparinvest

MARKETS REBOUNDED IN MAY

Global stocks rallied despite mixed data

Markets continued the 2024 market rally in May, despite underlying economic performance showing a mixed picture of resilience. The MSCI World index rose by 2.89% in the month with both European and U.S. equities showing strength. Year to date the MSCI World has risen by 11.44%, with the MSCI Europe rising by 10.14% and the MSCI USA rising by 12.66%

The MSCI US index rose by 3.15% in the month, with performance once again driven by a handful of mega cap technology related stocks, the poster child of which is artificial intelligence chip maker NVIDIA. Year to date NVIDIA has more than doubled its stock price, adding almost $1.5 trillion to its market value and accounted for a significant portion of market performance in the U.S.

The MSCI Europe index rose by 3.26% in May as markets began to price in an interest rate cut by the European Central Bank. The probability of a rate cut at the June ECB policy meeting increased late in May after comments from senior bank officials suggested a rate cut was imminent, despite data showing inflation was stickier than expected.

Commodity markets had a mixed response to the economic outlook. Rising global inventories of oil led to a fall in the price of oil as concerns grew over demand in the U.S. and Asia. However, industrial metals such as aluminum and copper saw significant strength in the month as weak supply led to concerns over a shortfall of these metals. Bond markets were relatively quiet in the month, with yield curves for both US Treasuries and German Bunds little changed, although both curves remain inverted, indicating future expected economic weakness in both economies.

Value exposure provided good tailwind

The Portfolio returned 4.57% in the month, while the MSCI Europe Index was up 3.26% and the MSCI Europe Value Index gained 3.49%. The outperformance of the portfolio was due to style tailwinds and positive stock selection. It was a relatively good environment for value equities, but value index only modestly outperformed MSCI Europe because of its sector allocations (Energy overweight). The portfolio benefitted from its value style exposure, but also from its small cap exposure, as small cap stocks recovered some of the underperformance from the first four months of the year.

Financials continued to outperform, supported by strong quarterly releases and a shift in sentiment for especially UK banks as macro data seems to have turned. Real Estate was another strongly performing sector as investors started to price in a June rate cut. Energy was the weakest sector in the market as the decline in the oil price led to stock declines for many oil producers.

Many portfolio holdings showed good performance. UBS, a Swiss bank and wealth manager was one of the most positive contributors as the company reported earnings that were ahead of expectations. French automaker, Renault, had a strong month thanks to positive analyst reports pointed to interesting upcoming product launches. Finally, the Italian electrical infrastructure company, Prysmian, rose another 17% as its it continues to benefit from a solid demand environment like the surging capex tied to the North American power grid.

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.