

INVESTORS JUMPY ON MIXED NEWS

Weak tech earnings weighed on markets

Markets eked out a positive gain in the month, with the MSCI World rising 0.76%. However, markets were significantly higher up until the final few days of the month, when earnings reports for some of the technology sector's stalwarts, such as Microsoft, disappointed, leading to a market sell-off.

Most markets, including Japan and the major European markets all declined in the month. Although the U.S. market rose in Euro terms during the month, it declined in Dollar terms, with the positive return for Euro investors resulting from a Dollar rally over the period.

Japanese equities declined in the month after newly appointed Prime Minister Shigeru Ishiba announced a snap election, which ended in the dominant Liberal Democratic party losing their parliamentary majority, heralding a period of heightened political uncertainty within Japan. European markets were generally weak as markets grew concerned over the rising probability of a Trump win in the U.S. presidential election, with the related uncertainty over U.S. trade policy. In addition, continued economic weakness in China impacted particularly export sensitive markets such as Germany.

Economic data in the U.S. continued to surprise positively, with GDP growth, consumer spending and jobs growth all showing resilience. This resilience led to rising bond yields in the U.S., fueling a rally in the Dollar against a range of major currencies. The yield on UK gilts also rose in the month as the UK Chancellor announced a budget focused on both taxes as well as spending, with markets concerned with the inflationary nature of the spending.

Individual stock moved dominate returns

The Portfolio returned -2.22% in the month, better than the -3.26% return of the MSCI Europe. The fund style was a minor element of the outperformance. Stock selection was a more significant positive contributor to relative performance in the month. The fund marginally underperformed the -1.99% return of the MSCI Europe Value index, as positive contribution from individual stock selection was not enough to offset a negative impact from sector allocation mainly due to an overweight in the underperforming Materials sector.

At a sector level, earlier 2024 leaders like Financials and Communication Services were among the best performing sectors. The Materials sector was amongst the weakest, as commodities such as copper and iron declined due to continued economic weakness in China.

Stock selection contributed positively, partly because the fund benefitted from not owning some underperforming luxury goods companies and the large Dutch IT benchmark position, AMSL, which fell more than 16% in the month. Meanwhile the portfolio also benefitted from strong performance in some individual names. The British bank, Barclays contributed nicely and continued its good trend with a third quarter result that was better than expected. Finnish Nokia also performed well despite reporting lower than expected top-line, as investors seem to embrace positive top-line and margin momentum soon. As mentioned, a few times before, the U.S. based International Paper is acquiring our UK based packaging company DS Smith. Both stocks performed very well, as International Paper reported strong earnings, which aided its stock price as well as that of DS Smith.

See performance and fund data

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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.