Fund report, November 2024
European Value
Equities

Sparinvest

HERE WE GO AGAIN

U.S. equities positive on election, other less so

Markets responded positively to the election of President Trump in the U.S. presidential election at the beginning of the month. Markets looked past the prospects for economically damaging tariffs and focused on the potential for a more benign regulatory and pro-growth environment. The sentiment was buoyed in the days following the election as it became apparent that the Republicans were set for a clean sweep of President, Senate and House, removing any impediments to implementation of their economic programs. The MSCI World Index rose by 7.50% in the month, driven by the 9.18% rise in the MSCI US index. Markets elsewhere were less enthused by the re-election of President Trump, with European equities ending the month with a return of only 1.06%, as the potential for rising tariffs and heightened trade tensions weighed on stocks. Adding to European market woes, towards the end of the month France appeared to be lurching towards further political uncertainty, as the main opposition party threatened a vote of no-confidence in response to the government's finance bill. The uncertainty in France impacted equities as well as raising borrowing costs for the French government.

In the wake of the U.S election the Dollar rallied against major currencies, as the inflationary impact of potential tariffs led to declining expectations of future rate cuts by the U.S. Federal Reserve. The Euro weakness against the Dollar was compounded by weak economic data reported in the month, raising expectations that the European Central Bank would cut rates by half a percent during the upcoming meeting in December. Even with rising geopolitical tensions, the price environment for energy remained soft, with oil declining over the month, reflecting adequate levels of supply despite 2024 marking a new peak in oil demand.

Weak stock selection led to underperformance

The Portfolio returned 0.20% in the month, below the 1.06% return of MSCI Europe. Style was a slight negative in the month, and the MSCI Europe Value Index returned 0.88%, reflecting the weakness of the value style in the month. The fund's underperformance against the MSCI Europe Index was due to negative impact from the fund's value style exposure as well as a small negative impact from stock selection. It was also some negative contribution from selection along with some negative impact from industry allocation the led to underperformance against the MSCI Europe Value Index.

Sectors such as IT and Communications Services were amongst the strongest performing sectors while Materials and Consumer Discretionary were among the weakest. Health Care was also a weak sector in the month as some companies were impacted by the announcement that the candidate for the new U.S. Secretary of Health was someone with unconventional views on certain health care topics.

Among the largest detractors was the Finnish IT company, Nokia as its share price fell on rumors that T-Mobile could drop Nokia as its 5G equipment supplier. Within Financials, weak performance in Dutch bank, ING was more than offset by strong performance from the British major bank Barclays, but also from the Swiss insurer, Zürich who resented a new three-year plan at its investor day, which was well received by investors.

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.