Fund report, December 2024
European Value
Equities

Sparinvest

THE COST OF POLITICS

Equities sell off on inflation fears

Markets declined in the month as markets faced the reality that many of the stated policy aims of the incoming U.S administration were potentially inflationary. The U.S. Federal Reserve reduced rates at its December meeting but provided a more cautious view of rate declines in 2025. The Fed narrative proved the catalyst for a sell-off of global equities that left the MSCI World Index down by 0.66%.

Despite the decline during the month, the MSCI World Index still ended the year with very strong returns for 2024, rising 26.60% during the year.

For the month, there was little difference between the returns in the U.S. and in Europe, with MSCI Europe declining by 0.49% compared to the 0.63% decline of MSCI USA. Japan was the standout major market with MSCI Japan rising by over 1.5% as the Bank of Japan did not raise rates during the month, surprising markets. In contrast with the month, the year belonged to the U.S. The MSCI USA Index returned 32.90% in the year, compared to only 8.59% for MSCI Europe. U.S. stock market performance continued to be dominated by the Magnificent 7 technology stocks.

U.S. treasuries sold off during the month as markets absorbed the impact of higher rates into the future. The U.S. dollar continued to rally against other major currencies, with the euro, British Pound and Japanese Yen all weak as concerns over both higher rates as well as future trade restrictions pressured currencies.

Despite the rising dollar, the oil price rose as the OPEC+ group of oil producing nations reduced further their outlook for 2025 oil production, to better balance the market.

Weak stock selection led to underperformance

The Portfolio returned 0.40% in the month outperforming the -0.49% return of MSCI Europe. The fund's outperformance was due to positive impact from the fund's value style exposure and the MSCI Europe Value Index returned -0.18%, reflecting the strength of the value style. Both the fund and the Value Index also benefitted from not owning Novo Nordisk, - the largest position in MSCI Europe – as its share price dropped almost 20% in December. Against the MSCI Europe Value Index the fund benefitted from a slightly 'deeper' value style exposure in the month.

For the year the fund returned 11.90%, outperforming the MSCI Europe Index return of 8.59%, due to outperformance from the value style over the course of 2024. Hence, the MSCI Europe Value Index rose 11.18%, not only due to underlying factor exposure but also helped by strong performance by Financials – the largest sector overweight in the Value Index. The fund's outperformance against the MSCI Europe Value Index came from style tailwinds where the tailwinds from its greater exposure to the outperforming value style more than offset the headwinds from the fund's small cap exposure. Stock selection was also a positive contributor and Barclays, Prysmian and DS Smith were among the most positive contributors.

A large contributor to excess returns in December was the French automaker Renault. Its shares gained on the back of rumors about a potential merger between its strategic partner Nissan and Honda. Finnish mining equipment company Metso Corp also had strong performance in the month as the company announced some new orders from customers as well as some expanded facilities.

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.