Fund report, January 2025
European Value
Equities

Sparinvest

THE TIMES THEY ARE A CHANGIN'

European Equities Drive Ahead

Markets had a strong start to the year, with the MSCI World rising by 3.13% during the month, seemingly beginning 2025 in the same style as 2024. However, in a stark contrast to 2024, it was European equities that drove markets higher, with the US lagging.

The catalyst for varying geographic performance was monetary policy action by central banks. In Europe, the European Central Bank continued to ease despite inflation remaining above target levels, responding to continued softness in the economic performance of major economies such as Germany. In contrast, the Federal Reserve in the US decided against further interest rate cuts for the time being due to the inflationary nature of potential tariffs and immigration reform. The decision by the Federal Reserve was unexpected, despite markets having continued to factor in a less doveish policy in the US. The decision also earned the ire of President Trump, raising market fears of a change of the Chairmanship of the Federal Reserve and a drop in independence.

Compounding the difference between European and US indices for the month, late in January a Chinese artificial intelligence startup, DeepSeek, announced lower costs than US rivals, putting into doubt the need to ever higher spending on advanced technologies in order to compete in AI. This announcement roiled markets but was mostly felt by US technology stocks that had been primary beneficiaries of the AI market trend over the past eighteen months. AI posterchild Nvidia alone lost over $600 billion of value in a single day.

Commodities strengthened in the first half of the month, buoyed by the prospect of continued US economic growth, however the strength was tempered in the second half of the month by rising fears of tariffs igniting a global trade war.

Portfolio Gains In Line With Market

The Portfolio rose by 6.44% in the month in line with the 6.47% return of the MSCI Europe Index. The MSCI Europe Value index returned 6.24%, slightly below the return of both MSCI Europe and the portfolio.

Cyclical sectors generally outperformed in spite of lingering concerns over lackluster economic growth. Information Technology was the best performing sector, in spite of meaningful volatility during the days of the DeepSeek story. Financials were also among the strongest performing sectors, with banks in particular delivering solid gains. Consumer Discretionary stocks also saw solid gains, partly driven by luxury goods companies rallying after Swiss based Richemont reported strong quarterly results, in spite of ongoing weak Chinese demand. The fund did not have exposure to the luxury subindustry and overall, the sector allocation was a minor detractor in January.

Stock selection was a positive source of returns in the month. The largest positive contributor was the German chemical company K+S, whose shares were up 28% as potash markets seemed to be improving after a long period of weakness. German advertising company Ströer contributed nicely as it jumped 20% on a single day following news about a possible sale its out-of-home advertising business. French pharmaceutical company Sanofi also performed well in the month as fears over US healthcare reform receded.

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.