

AMUNDI FUNDS EUROPEAN EQUITY VALUE

Monthly
Portfolio
Update

28/02/2025

Meet the Team



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Market Review

European equities continued on from its good start to the year adding a gain of approximately 3.5% in February. The MSCI Europe Index has demonstrated notable performance year to date, with European equities outperforming their U.S. counterparts in February.

In February Geopolitics were at the forefront of investor's minds with U.S. President Donald Trump's recent announcement of a 25% tariff on imports of automobiles, semiconductors and pharmaceuticals has introduced volatility, particularly in European and Asian markets. Tensions between the U.S., Russia and Ukraine has increased pressure on the Euro STOXX 600 Index. Investors have become increasingly concerned with U.S. political sentiment leaning towards Russia. This has resulted in discussions on increased defence spending among European political leaders. Adding to this, In Germany, a new coalition government has formed. The new government will likely look to stem the flow of migration to Germany, reduce taxes and increase investment as Germany tries to re-energise its economy, which should be a positive for the regions equity markets.

From a macro perspective, In January U.S. CPI data indicates a persistent rise in consumer prices. The latest CPI data shows U.S. consumer prices increased by the most in nearly 18 months in January showing an increase of 0.5%. As a result, the chances of a rate cut by the FED seem to have diminished. In Europe, CPI data appears more stable. For that reason, the ECB maintains its projection that inflation will stabilize at its 2% target by the fourth quarter of 2025, hence maintains a more dovish stance.

Despite the recent outperformance of European equities, valuations remain relatively attractive especially given the more positive Q4 earnings season which demonstrated robust earnings growth across multiple sectors, with financials, technology and healthcare leading the way. Looking ahead, while clouds may appear on the horizon we maintain a constructive outlook.

Portfolio Review

The Portfolio underperformed its benchmark, the MSCI Europe Value, in February. At sector level, the portfolio had a positive contribution from Consumer Staples and Materials. On the other side, Energy, Industrials, Communication Services, and Consumer Discretionary detracted.

Within Consumer Staples, our recent addition of brewing company Carlsberg was a rewarding position. At the beginning of the month, the company reported a decent set of FY 2024 results which came in better than expected in terms of earnings delivery. This, coupled with buoyant guidance helped the share price move higher.

Energy detracted in February. Our holding of sustainable fuel company Neste detracted. During the month, the company reported Q4 earnings which fell sharply as a result of sluggish biofuel demand and some operational issues in the group. The company has announced a cost cutting plan to help shore up margins.

The portfolio lost ground within Industrials. Our holding of cable and wiring company Prysmian underperformed. Towards the end of the month, the company reported a slightly soft set of FY 2024 results. Results pointed to good sales in the power division, however the electrification segment was weaker than forecast linked to weaker demand in the US and in the automotive end markets. Management remained confident on the 2025 outlook. Our holding of agriculture equipment and technology company CNH Industrial also lagged as the US market generally underperformed during the month of February.

In Communication Services, our holding of media and advertising company Publicis lagged. The company reported a good set of Q4 numbers with organic growth accelerating in both the US and Europe. However, results from one of its global peers were weak which has raised concerns about the industry backdrop. We continue to believe that the company is well placed to take market share from peers and we maintain our conviction in the name. Similarly, our holding of ITV lagged, giving back some recent gains.

Consumer Discretionary detracted in February. Our holding of sports apparel maker Puma lagged. At the end of January the company reported 2024 results which while delivered on the top line, profitability fell short of expectations. As a result, the company have announced a cost cutting plan which has caused nervousness amongst investors. Also of note, our holding of UK homebuilding company Persimmon lagged as the economic backdrop in the UK remains challenged.

Other notable stock level impacts include the strong performance of French banking group Societe Generale. The company reported a very solid set of Q4 results which saw all 2024 targets exceeding guidance with particularly good performance in the French retail business. Also of note was the good performance of Italian banking group Intesa SanPaolo which has continued its recent positive momentum. On the negative side, our holding of IT services company CapGemini underperformed after reporting disappointing 2024 results where both sales and margins missed consensus expectations. Finally, our holding of generic and biosimilar drug maker Sandoz appeared to be subject to some profit taking given the recent rally.

Outlook

European stocks have staged their best performance in a decade against Wall Street since the beginning of the year. For us this can be justified given the more reasonable valuations in Europe, a better than feared earnings season, and a more supportive ECB. Adding to this, hopes of a ceasefire in the conflict between Russia and Ukraine has been an additional support for sentiment.

That said, looking ahead the European market may face some potential short term headwinds. Most notably developments with regards to U.S. policy on both the economic front and the geopolitical front. While we have limited visibility on this we continue to avoid in being caught up in the intraday news flow rather focusing on the long term fundamentals of the businesses that we monitor.

As always, we will be focusing of alpha opportunities at a single stock level, seeking to add good quality businesses at reasonable valuations.

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