

AMUNDI FUNDS EUROPEAN EQUITY VALUE

Monthly
Portfolio
Update

31/03/2026

Meet the Team



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Market Review

Global equity markets have had a rocky start to 2026 with bouts of volatility and rotation dampening sentiment. Overall, the MSCI World lost 3.5% (in USD). Regionally, the US lost 4.4% in USD terms, Europe lost just under 1% (in Eur) and Emerging Markets were flat in USD terms. Japan was the one bright spot in the quarter with the Topix gaining 3.6% in JPY. The picture for the month of March was a volatile one with all major regions posting losses. The MSCI World lost 6.3% in USD. Regionally, the US did relatively better in March with the S&P losing 5% while Europe lost 7.5% (in Eur) and Emerging Markets lost 13% (in USD). Given this backdrop, it was not a surprise to see a rotation out of some of the more cyclical areas into the defensive segments as investors sought shelter from the volatility.

From a macro perspective, there have been three main developments so far this year. In January, we had the situation in Venezuela unfold which caused an uptick in geo-political concerns and a temporary spike in oil prices. In late January and into February, the market appeared to move on from the geo-politics and focus on developments around AI and the potential impact of the technology on business models. Those companies which were categorised by the market as "AI Losers" suffered quite steep losses. Hence, we saw strong moves lower in areas like software and media. It wasn't long before geo-politics came back into the forefront of investor minds with the onset of the war in Iran. This conflict has caused nervousness amongst investors as a result of the higher energy prices, the knock-on impact of inflation, subsequent worries about consumer confidence and potential future actions from central banks.

With the current situation continuing to play out, investors have largely ignored the micro situation. With the Q4 2025 earnings season coming to an end in early March, the overall picture has been quite positive. The best growth has been in the US, while the European earnings picture has been more mixed. That said, with valuations retracing from their peaks given the recent pull back, opportunities are beginning to present themselves. As always, we seek to use these bouts of volatility to execute on our investment processes which focus on buying good quality business models at valuation levels that justify upside potential.

Portfolio Review

The Portfolio underperformed its benchmark, the MSCI Europe Value, in Q1. At sector level, Financials contributed positively. On the negative side, Communication Services, Consumer Discretionary, Information Technology, and Utilities detracted.

The portfolio gained ground within Financials. While the wider sector sold off, not owning some of the higher beta peripheral banks was rewarding as this part of the market sold off. Of our holdings, both DNB and Swedbank did well given its more defensive profile and strong underlying markets (Nordics well placed in an oil shock situation).

The portfolio lost ground within Communication Services. During the quarter, investors became increasingly concerned about the potential negative impact the AI could have on certain parts of the market including media and publishing and software. Here, our holding of advertising company Publicis lagged as it was caught up in the "AI loser" thematic. Similarly, Informa also lagged. The situation in the Middle East is a potential issue for Informa given its event exposure in the region. This weakness was in part offset by the good performance of Deutsche Telekom which reported good 2025 results and provided encouraging guidance for 2026.

In Consumer Discretionary, UK homebuilder Persimmon lagged. Given the situation in the Middle East and the subsequent rising oil prices (and inflation worries) we have seen a spike in UK interest rates. This has dampened demand for mortgages which is clearly a key factor for homebuilders across the board. Our holding of luxury company Kering was also weak as investors remained concerned about consumer demand given the uptick in inflation. Car maker Renault was weak as the wider auto sector has been under pressure. We have sold the position during the quarter.

In Information Technology, similar to communication services, the portfolio suffered from the negative narrative around AI impacts on certain parts of the market. Against this backdrop, our holding of Cap Gemini underperformed as investors were concerned that the adoption of AI could limit demand for its services in the future.

Our underweight position in Utilities was a headwind for the portfolio as the sector outperformed. During the quarter we saw a wider rotation out of the more cyclical areas into the defensives and hence utilities did relatively well.

Other notable stock level impacts include the good performance of oil company Repsol which did well against the backdrop of higher oil prices. Our holding of specialist materials company Arkema did well. While the macro backdrop remains challenging, the company managed to post strong cash flow generation thanks to prudent operational management during the quarter. On the negative side, Novo Nordisk detracted. The company released the results of its "head to head" trial with Lilly's equivalent weight loss drug. Novo Nordisk has instigated this trial to prove that its drug was at least as effective. However, during February, results showed that Novo's drug remained inferior which came as a negative surprise for investors.

Market Outlook

On Friday 27th February, investors left their desks to enjoy an early spring weekend. Markets were buoyant, economic data was relatively robust, corporate earnings were encouraging and expectations of central bank cuts later this year were underpinning sentiment. When they returned to their offices on Monday 2nd March, the picture had changed dramatically. The US and Israel had launched airstrikes against Iran over the weekend. Oil had spiked to over 100 USD/bbl, bond yields spiked, and equity markets sank. Over the past weeks, equity market direction has been driven by short-term newsflow from the conflict and the subsequent oil price moves. The key question now is the duration of the conflict. While there has been clearly damage to energy infrastructure in the region, any near term resolution should result in a retracement of oil prices and a normalisation in inflation expectations and hence a market recovery. Should the situation escalate, then the outlook for risk assets clearly deteriorates. While we don't have a crystal ball, we do not expect an escalation in the near term and hence we are not shifting portfolio positioning. Rather, as always, we use situations such as this to seek quality companies that have suffered a temporary drawdown.

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