

DPAM Invest B Equities Europe Small Caps - E

Institutional Factsheet | 28 February 2018

MANAGER COMMENT

Market Overview

In February, European small-caps declined, but outperformed large-caps once again. Declines were broadly similar globally, with US equities down 3.6% and Japan falling 3.8%. Within Europe, Spain, Germany and Switzerland all underperformed, while the UK and France outperformed. Markets were nervous due to very strong US economic figures (which led to higher bond yields), the Italian elections and uncertainty about the SPD vote to form a government in Germany. Volatility spiked, which led to some heavy losses for (hedging) instruments. By month-end, markets calmed down somewhat.

Performance

The fund (F share) fell by 2.05%, but outperformed the benchmark by 0.82%. Strong results from Asiakastieto, Avanza and Stabilus helped the performance.

What worked?

- **Asiakastieto** posted nearly 12% like-for-like growth in the fourth quarter (Q4), which was 3% better than expected. Margins were on the low side due to the product mix. The company issued strong growth guidance for 2018 at the high end of the long-term target range of 5-10%. It also has a strong pipeline of new services.
- In January, **Avanza** had posted strong Q4 numbers that had been welcomed by the market. In February, the positive trend continued with new inflows and an increase in the number of customers.
- **Royal Unibrew** benefited from its share buy-back program that had started in March 2017 and ended in February 2018. We expect the company to launch a new buy-back program unless it strikes a new mergers and acquisitions (M&A) deal.
- **Equiniti** spiked following the completion of its acquisition of WFSS on February 1. The acquisition of this Wells Fargo division marks the start of a new growth phase for Equiniti. It helps diversifying the group's revenue streams and provides it with the potential to leverage its platforms and experience into the world's largest financial services market.

- **Borregaard** experienced a relief rally on the back of in-line results and as management is more positive now that it can mitigate the increased transportation costs in the lignin segment thanks to an improved mix. All expansion projects are on track. Valuation has reached attractive levels again, certainly as 2018 is probably the low point in its cycle.
- **Stabilus** posted strong quarterly revenue growth and healthy margins. 2018 is likely to be another good year with solid uptake of Stabilus' Powerise products, high capacity use in Europe and improving mix.

What hurt?

- **De'Longhi** suffered ahead of its 2017 results due at the beginning of March. Uncertainty about the Italian elections did not help either. In March, the company surprised positively on the dividend, paying EUR1.00 over 2017. EBITDA margins were slightly lower than expected. The outlook for 2018 was rather positive though.
- **Banca Generali** fell due to a broker downgrade. The company however delivered stronger-than-expected Q4 earnings.
- **Autogrill's** September-December 2017 sales were down 1% versus a flat forecast, primarily due to disappointing profits from M&A and North America. Management's comment that the European activities were not for sale also took some speculation out of the shares.

Strategy

Of note, we slightly increased our stake in **Spectris** following the publication of very encouraging full-year 2017 earnings that were well above consensus expectations.

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OVERVIEW

Asset Class	Equities
Category	Europe
Strategy	Active Strategy
Fund Of	DPAM Invest B
Legal Structure	SICAV
Domicile	Belgium
Reference Currency	EUR
Liquidity	Daily
Sub-fund launch	26.11.1997
First NAV date	21.12.2017
Countries notified for public sale	AT, BE, CH, DE, ES, FR, IT, LU, NL
ISIN	BE0948495297
Entry Fee	Maximum 1%
Exit Fee	0%
Management Fee	0.75%
TER (31.12.2016)	1.16%
Minimum investment	EUR 25'000
NAV (Distribution)	189.51
Last gross dividend (19.04.2017)	EUR 0.65
Assets (all classes)	mn EUR 267.32
Number of positions	47

	Fund	Index
PERFORMANCES (%)		
1 month	-2.05	-2.87
YTD	2.21	-0.99
1 year	-	-
3 years annualised	-	-
5 years annualised	-	-
10 years annualised	-	-

	Fund	Index
PORTFOLIO CHARACTERISTICS		
Gross dividend yield (%)	2.70	2.64

INVESTMENT UNIVERSE

The fund invests mainly in shares and/or other equity securities of small-cap companies which have their registered office and/or a significant part of their assets, activities, profit centres or decision-making centres in Europe. The subfund invests mainly in equities with a market capitalisation not in excess of 4 billion euros. The manager is obliged to sell within six months any shares whose market capitalisation exceeds 6 billion euros.

INDEX

MSCI Europe Small Cap Net Return

BREAKDOWNS (%)

Sectors	Fund	Index	Countries	Fund	Index
Industrials	23.2	21.6	Italy	16.0	7.2
Consumer Discretionary	22.3	15.7	United Kingdom	12.3	32.4
Financials	14.9	14.5	Germany	11.3	10.8
Information Technology	8.8	11.1	Netherlands	9.9	5.0
Real Estate	8.5	9.3	Belgium	9.1	3.2
Consumer Staples	6.4	5.1	France	8.7	6.4
Health Care	5.6	7.9	Luxembourg	6.5	0.0
Materials	4.2	7.9	Sweden	6.0	8.8
Telecommunication Services	3.0	1.7	Finland	4.9	2.7
Energy	0.0	3.0	Denmark	3.1	2.9
Utilities	0.0	2.3	Spain	2.9	4.6
Cash	3.0	0.0	Norway	2.1	3.2
			Other	4.2	13.0
			Cash	3.0	0.0

Top 10

	Fund	Index
Ubm		4.2
Aroundtown		3.4
Van Lanschot		3.4
Royal Unibrew		3.1
Avanza Bank		3.1
Stabilus		3.1
Drillisch Ag		3.0
Altarea		3.0
Applus Services		2.9
Banca Generali		2.9

Currencies

	Fund	Index
Euro	76.4	43.8
Pound sterling	12.3	32.4
Swedish krona	6.0	8.8
Danish krona	3.1	2.9
Norwegian krone	2.1	3.2
Other	0.0	9.0

TOP 5 OVERWEIGHTS & UNDERWEIGHTS

Top 5 Overweights	Active weight	Top 5 Underweights	Active weight
Ubm	+3.86	Smurfit Kappa Group Plc	-0.56
Aroundtown	+3.39	Informa Plc	-0.53
Van Lanschot	+3.38	Ams	-0.51
Stabilus	+3.06	Rentokil Initial	-0.50
Drillisch Ag	+3.05	Temenos Group Ag	-0.48

TOP 5 BEST CONTRIBUTORS & WORST CONTRIBUTORS

Top 5 Best Contributors	Contribution	Top 5 Worst Contributors	Contribution
Asiakastieto Group	+0.27	De Longhi	-0.35
Avanza Bank	+0.14	Banca Generali	-0.29
Borregaard Asa	+0.10	Autogrill SpA	-0.23
Royal Unibrew	+0.09	Zon Optimus	-0.18
Equiniti Group Plc	+0.09	Reply Spa	-0.17

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