

# DPAM Invest B Equities Europe Small Caps - V

Institutional Factsheet | 31 May 2019

Morningstar ★★★★★ (\*)

## MANAGER COMMENT

### Market Overview

After a very strong year-to-date (YTD) performance for many asset classes, the tide dramatically turned in May, as the trade war jumped back into the spotlight. Weakening global growth, major supply chain disruptions and a prolonged US-China trade conflict are becoming a real concern for the market. This therefore turned out to be a risk-off month, with the strongest YTD performers and asset classes suffering the most, while bond yields plumbed new lows. In the UK, Prime Minister May resigned and a leadership battle in the conservative party is again increasing the probability of a hard Brexit. Sectorwise, banks, energy, materials and industrials suffered the most. European small-caps lagged large-caps by almost 1%, but, are still outperforming by a bit over 1% YTD.

### Performance

The fund (F share) beat its benchmark by 2.19% in May. Relative performance got a boost thanks to strong earnings from several large portfolio holdings. Our focus on quality companies with good balance sheets and strong free cash flow is also helpful in case of market corrections. Thus, we made no significant changes to the portfolio in May.

### What worked?

- **Applus Services** issued a very positive first-quarter (Q1) earnings statement with over 9% like-for-like organic growth and better EBITA margins. Applus also raised its margin guidance for the year. Recovering oil and gas investments and better-than-expected vehicle inspection volumes all contributed to the beat.
- **Altarea's** Q1 operating performance supported company targets. Activity remained strong in all sectors (residential, business property and retail).
- **Borregaard's** Q1 results were lower than expected in its two main divisions (especially its lignin business), but this was more than compensated for by the very strong performance of its bio-based vanillin business. Borregaard is the only big player in bio-based vanillin, while most remaining supply is based on oil derivatives. More clients are switching to this natural, sustainable vanillin and volumes and price (premiums) are strong.

- **Autogrill** benefited from a very positive performance in North America and overall in airports in Q1, which bodes well for first-half (H1) results due in July.
- **Coor Services** posted very strong Q1 figures, especially on organic top-line growth. Coor managed to grow by more than 10% organically, which was way better than expected. Denmark, in particular, was very strong.

### What hurt?

- **DeLonghi** issued a very disappointing Q1 earnings report, as it was even worse than the lowered guidance it had provided at the time of its 2018 results. There was a 6.5% organic sales decline and a greater-than-expected margin drop. There were a lot of one offs (de-stocking in weather-related portable airco products, discontinuation of Nespresso machines, foreign exchange impact, etc.) and Q1 is a small quarter (15% of sales), but underlying fundamentals are not good in food preparation. The company cut its 2019 top-line growth and EBITDA guidance after also cutting its dividend recently. The stock is cheap, but DeLonghi must improve its operational performance in order to regain credibility.
- **Stabilus** was impacted by the slowdown in global automotive markets in its fiscal H1 2019 period with a 5% decline in automotive sales. Self-help measures and model launches should boost H2 margins.
- **CTS Eventim** suffered from profit-taking after a very strong YTD run (40%) and a few broker downgrades based on valuation. Q1 figures were also somewhat disappointing after a very strong Q4 and difficult comps. The company upgraded its guidance for the year though on the back of the stronger contribution from its toll-collect contract with the German government.
- **Loomis** suffered after a Danish journalist alleged it was involved in money laundering. While the company said that it would investigate the matter, it added that it had not been contacted by regulatory authorities and that its previous internal checks had not uncovered any evidence of money laundering.

(\*) Morningstar Rating Overall

DPAM is signatory of the United Nations Principles for Responsible Investment (UN PRI).  
Please read the important information at the end of this document.

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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                     | 16.08.2013                         |
| Countries notified for public sale | AT, BE, CH, DE, ES, FR, IT, LU, NL |
| ISIN                               | BE6246050262                       |
| Entry Fee                          | Maximum 2%                         |
| Exit Fee                           | 0%                                 |
| Ongoing charges*                   | 1.00%                              |
| <i>*included management fee</i>    | 0.75%                              |
| Minimum investment                 | 1 share                            |
| NAV (Distribution)                 | 181.69                             |
| Last gross dividend (26.03.2019)   | EUR 2.70                           |
| Assets (all classes)               | mn EUR 228.29                      |
| Number of positions                | 47                                 |

|                         | Fund  | Index |
|-------------------------|-------|-------|
| <b>PERFORMANCES (%)</b> |       |       |
| 1 month                 | -3.69 | -5.87 |
| YTD                     | 9.82  | 12.46 |
| 1 year                  | -7.70 | -8.15 |
| 3 years annualised      | 6.57  | 4.70  |
| 5 years annualised      | 8.72  | 6.84  |
| 10 years annualised     | -     | -     |

|                                  | Fund | Index |
|----------------------------------|------|-------|
| <b>PORTFOLIO CHARACTERISTICS</b> |      |       |
| Gross dividend yield (%)         | 3.10 | 2.88  |

## 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            | 29.9 | 22.4  | United Kingdom | 15.3 | 32.7  |
| Consumer Discretionary | 20.8 | 14.6  | Italy          | 13.3 | 6.4   |
| Financials             | 12.1 | 14.8  | France         | 11.7 | 6.5   |
| Information Technology | 10.2 | 9.3   | Netherlands    | 10.3 | 5.3   |
| Real Estate            | 8.4  | 9.7   | Germany        | 10.2 | 10.2  |
| Consumer Staples       | 6.7  | 4.9   | Belgium        | 10.0 | 2.8   |
| Health Care            | 5.2  | 8.6   | Sweden         | 6.9  | 9.5   |
| Materials              | 5.1  | 7.4   | Spain          | 3.9  | 4.5   |
| Utilities              | 0.0  | 2.3   | Finland        | 3.6  | 2.7   |
| Energy                 | 0.0  | 3.9   | Denmark        | 3.3  | 3.2   |
| Communication Services | 0.0  | 2.2   | Luxembourg     | 3.1  | 0.3   |
| Cash                   | 1.6  | 0.0   | Norway         | 2.3  | 3.2   |
|                        |      |       | Other          | 4.7  | 12.7  |
|                        |      |       | Cash           | 1.6  | 0.0   |

## Top 10

|                            |     |
|----------------------------|-----|
| Applus Services            | 3.9 |
| Reply Spa                  | 3.3 |
| Royal Unibrew              | 3.3 |
| Tamburi Inv Partners (tip) | 3.2 |
| Altaera                    | 3.1 |
| Asiakastiето Group         | 3.0 |
| Kinepolis Group            | 3.0 |
| Abcam                      | 2.9 |
| Loomis Ab Class B          | 2.9 |
| TKH Group                  | 2.8 |

## Currencies

|                 |      |      |
|-----------------|------|------|
| Euro            | 70.2 | 42.2 |
| Pound sterling  | 16.8 | 32.9 |
| Swedish krona   | 6.9  | 9.7  |
| Danish krona    | 3.3  | 3.2  |
| Norwegian krone | 2.3  | 3.6  |
| Swiss franc     | 0.4  | 7.9  |
| Other           | 0.0  | 0.5  |

## TOP 5 OVERWEIGHTS & UNDERWEIGHTS

| Top 5 Overweights          | Active weight | Top 5 Underweights | Active weight |
|----------------------------|---------------|--------------------|---------------|
| Applus Services            | +3.73         | DS Smith           | -0.61         |
| Reply Spa                  | +3.23         | Rentokil Initial   | -0.55         |
| Tamburi Inv Partners (tip) | +3.12         | Leg Immobilien     | -0.54         |
| Altaera                    | +3.07         | Halma P.l.c.       | -0.51         |
| Asiakastiето Group         | +2.98         | Kingspan Group Plc | -0.51         |

## TOP 5 BEST CONTRIBUTORS & WORST CONTRIBUTORS

| Top 5 Best Contributors | Contribution | Top 5 Worst Contributors | Contribution |
|-------------------------|--------------|--------------------------|--------------|
| Ambu A/s Class B        | +0.16        | De Longhi                | -0.43        |
| Abcam                   | +0.15        | Stabilus                 | -0.32        |
| Borregaard Asa          | +0.15        | Loomis Ab Class B        | -0.30        |
| Varta (kap.herab)       | +0.13        | CTS Eventim              | -0.29        |
| Autogrill SpA           | +0.10        | TKH Group                | -0.29        |

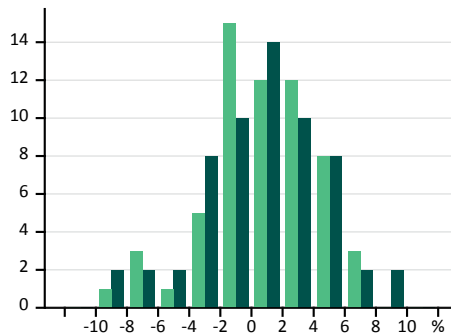
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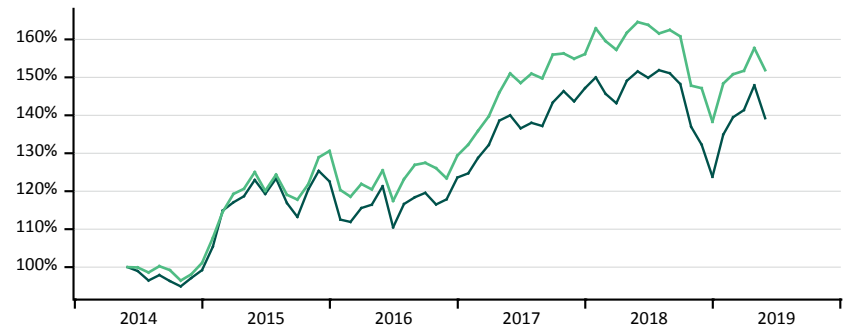
Reference Currency EUR | Observation Period - 5 years

Fund Index

## DISTRIBUTION OF MONTHLY RETURNS



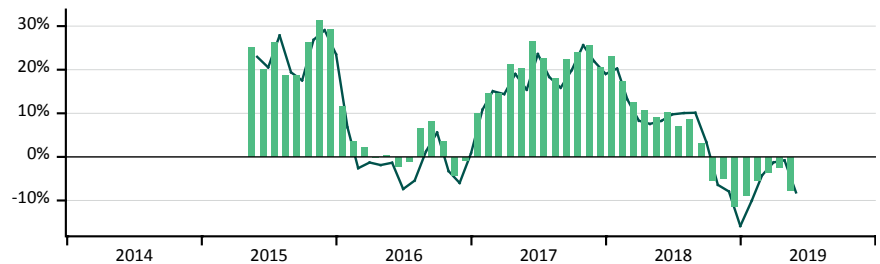
## CUMULATIVE PERFORMANCE



## STATISTICS

|                    |   | Fund   | Index  |
|--------------------|---|--------|--------|
| Volatility         | % | 11.92  | 13.43  |
| Sharpe Ratio       |   | 0.75   | 0.53   |
| Downside Deviation | % | 7.53   | 8.77   |
| Sortino Ratio      |   | 1.19   | 0.81   |
| Positive Months    | % | 58.33  | 60.00  |
| Maximum Drawdown   | % | -15.96 | -18.50 |
| Risk-Free Rate     |   | -0.26% |        |

## 12-MONTH ROLLING RETURNS

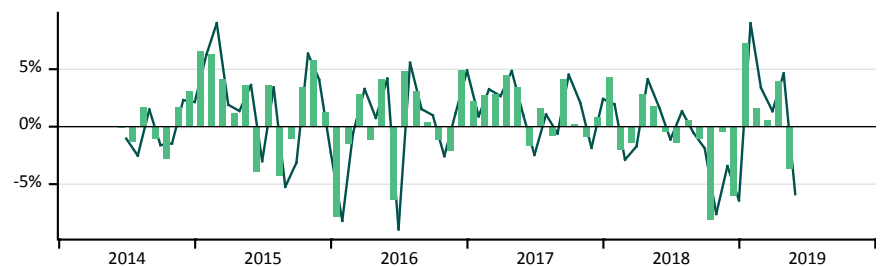


## FUND VERSUS INDEX

|                   |   |       |
|-------------------|---|-------|
| Correlation       |   | 0.925 |
| R <sup>2</sup>    |   | 0.855 |
| Alpha             | % | 0.24  |
| Beta              |   | 0.821 |
| Treynor Ratio     | % | 10.90 |
| Tracking Error    | % | 5.13  |
| Information Ratio |   | 0.281 |

Index: MSCI Europe Small Cap Net Return

## MONTHLY RETURNS



## MONTHLY RETURNS IN %

|             | 2015         |              | 2016         |             | 2017         |              | 2018          |               | 2019        |              |
|-------------|--------------|--------------|--------------|-------------|--------------|--------------|---------------|---------------|-------------|--------------|
|             | Fund         | Index        | Fund         | Index       | Fund         | Index        | Fund          | Index         | Fund        | Index        |
| January     | 6.55         | 6.24         | -7.87        | -8.19       | 2.21         | 0.90         | 4.34          | 1.94          | 7.28        | 8.99         |
| February    | 6.32         | 9.01         | -1.46        | -0.55       | 2.75         | 3.25         | -2.05         | -2.87         | 1.64        | 3.38         |
| March       | 4.15         | 1.90         | 2.82         | 3.27        | 2.83         | 2.67         | -1.44         | -1.71         | 0.61        | 1.35         |
| April       | 1.14         | 1.37         | -1.18        | 0.76        | 4.47         | 4.84         | 2.85          | 4.13          | 3.95        | 4.62         |
| May         | 3.63         | 3.62         | 4.16         | 4.18        | 3.43         | 1.01         | 1.74          | 1.66          | -3.69       | -5.87        |
| June        | -3.95        | -3.00        | -6.40        | -8.93       | -1.65        | -2.46        | -0.46         | -1.11         |             |              |
| July        | 3.57         | 3.41         | 4.85         | 5.56        | 1.65         | 1.07         | -1.38         | 1.34          |             |              |
| August      | -4.26        | -5.23        | 3.07         | 1.52        | -0.83        | -0.61        | 0.58          | -0.54         |             |              |
| September   | -1.08        | -3.13        | 0.43         | 0.99        | 4.18         | 4.52         | -1.05         | -1.88         |             |              |
| October     | 3.42         | 6.35         | -1.11        | -2.56       | 0.20         | 2.08         | -8.07         | -7.60         |             |              |
| November    | 5.82         | 4.10         | -2.12        | 1.16        | -0.89        | -1.84        | -0.45         | -3.43         |             |              |
| December    | 1.30         | -2.23        | 4.88         | 4.88        | 0.79         | 2.41         | -6.01         | -6.41         |             |              |
| <b>Year</b> | <b>29.18</b> | <b>23.54</b> | <b>-0.91</b> | <b>0.86</b> | <b>20.63</b> | <b>19.03</b> | <b>-11.41</b> | <b>-15.86</b> | <b>9.82</b> | <b>12.46</b> |

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