

# DPAM INVEST B EQUITIES EUROPE SMALL CAPS - W

Monthly Institutional Factsheet | January 31, 2017

Morningstar ★★☆☆ (\*)

## MANAGER COMMENT

### Market comment

After a very strong year-end rally in 2016, markets started the year on a more cautious note, closely watching the proposed policies of the new Trump administration. President Trump seems to be eager to implement most of the proposals he made during his campaign, including the more controversial ones (like restrictive immigration policies and some forms of protectionism). It remains to be seen whether Congress will be supportive. The post-Trump rally primarily focused on the pro-business part of his program, neglecting the more damaging elements.

Business indicators remained very strong though, both in the US and in Europe. Headline inflation surprised to the upside, both because of base effects and of rising (US) wages, and bond yields continued to rise.

Somewhat higher inflation and strong economic momentum should also help corporate earnings in Europe. Estimates revisions are moving in the right direction and should be the main support of European equities going forward.

Valuations of the European market are high in absolute terms, but earnings per share and margins are far below peak and are finally showing signs of a recovery on the back of the weak EUR, a recovering economy, operating leverage, lower financing costs and further deployment potential of available funds. In relative terms, European equities are very cheap vs. the rest of the world and vs. (corporate) bonds. Pro-cyclical performance should benefit European small-caps as well given their higher exposure to cyclical sectors. Overall, small-caps are trading in line with large-caps.

### Performance

Small-caps outperformed large-caps by about 1.3% in January. Peripheral countries underperformed, as did rate sensitive sectors like real estate, utilities, food and beverage and consumer staples.

The fund (B share) strongly outperformed the benchmark by 1.24%. The bid on PKC, one of our portfolio holdings, was helpful. Mergers and acquisitions abound and are benefiting small-caps.

### Positive contributors at the stock level

- **PKC** was the strongest performer in our portfolio in January. The company received a take-over bid from an Indian automotive supplier with a 50% premium. The timing is very favorable for the bidder though, as the truck cycle is at a low point, new joint ventures targeting the Chinese market are still in ramp-up phase and promising diversification initiatives into new end-markets (like bespoke cable harnesses for trains and airplanes) are just starting.
- After a strong performance in December, **Stabilus** shares continued to benefit from positive momentum and some positive broker notes.
- **Jensen** continued to rebound in January. Fundamentals of its end-markets remain strong and Jensen's valuation remains reasonable.

- **Applus** benefited from the US president's decision to approve the Keystone XL pipeline project. We estimate that the maintenance contract on this project could be worth USD80 million and that Applus could win at least 25% of that contract.
- **Avanza Bank's** fourth-quarter (Q4) net inflows increased significantly. The company raised its target for its share of the net inflows to the savings market to at least 9%.
- **Borregaard** continued to benefit from broker upgrades. These upgrades are based on the prospect of multiple new business streams that should lift earnings in the years to come. For the first time in many years, new capacity will come on stream in its most profitable business segment, lignin, where Borregaard used to be capacity-constrained. Also prices in the smaller but more cyclical specialty cellulose segment are likely to move up by 5-10% in 2017 according to Tembec, one of the main players in that segment. This is due to limited supply of cotton linters in Asia and high demand in China. It would imply an 8-10% consensus estimate uplift for Borregaard's 2017 earnings, in our view.

### Negative contributors at the stock level

- On the very last day of the month, **CTT** cut its 2016 guidance primarily as a result of lower-than-expected mail volume in Q4. While valuation remains very supportive, the investment case looks less attractive than initially thought.
- **NOS** weakened. The company has to bear higher costs (content costs, impact of higher minimum wage and network costs) and capital spending is expected to remain high for longer than expected. This further postpones the free cash flow (FCF) and dividend growth story.
- **UBM** suffered from some broker downgrades in January. The shares had performed very well in the second half of 2016 and are now trading at a premium to some peers. Valuation in absolute terms remains attractive in our view, certainly based on FCF yield and taking into account that UBM has become a pure play now in the high margin/high return events segment.
- **Metsaboard** was negatively impacted by a broker downgrade ahead of its Q4 results. We continue to believe that the ramp-up of the Husum plant will provide positive earnings leverage.

### Last month's strategy

We increased our position in **Altarea**, as we participated in a secondary placement.

We had reduced our position in **CTT** ahead of the profit warning to reflect a faster e-substitution trend emerging from the Portuguese government. Registered mail is a high margin business. The mix is therefore negatively impacted.

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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	

CH, GB, NL

ISIN	BE6246055311
Entry Fee	Maximum 2 %
Exit Fee	0.00%
Management Fee	0.75%
TER (31.12.2016)	1.03%
Minimum investment	1 share
NAV (Capitalisation)	207.62
Assets (all classes)	mn EUR 157.99
Number of positions	49

Fund Index

## PERFORMANCES (%)

1 month	2.21	0.90
YTD	2.21	0.90
1 year	9.97	10.84
3 years annualised	12.23	9.92
5 years annualised	-	-
10 years annualised	-	-

Fund Index

## PORTFOLIO CHARACTERISTICS

Gross dividend yield (%)	2.62	2.70
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## 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	27.9	23.3	Italy	14.8	7.0
Consumer Discretionary	24.7	14.5	Germany	13.3	11.2
Financials	15.8	13.8	United Kingdom	11.8	31.9
Consumer Staples	6.4	5.1	Belgium	11.6	3.4
Real Estate	5.6	9.6	France	8.6	7.6
Information Technology	5.4	10.1	Netherlands	7.3	3.8
Health Care	5.3	7.7	Finland	7.0	2.9
Materials	4.3	8.1	Sweden	4.8	9.3
Telecommunication Services	2.1	1.5	Luxembourg	3.7	0.0
Energy	0.0	3.9	Spain	3.3	4.5
Utilities	0.0	2.5	Portugal	3.0	0.6
Cash	2.5	0.0	Norway	2.9	3.2
			Other	5.3	14.6
			Cash	2.5	0.0

## Top 10

	Fund	Index
Teleperformance		3.9
Stabilus		3.7
Ubm		3.5
Applus Services		3.3
Aurelius		3.3
Kinopolis Group		3.2
Takkt		3.0
Banca Generali		2.9
Jensen-Group Nv		2.9
De Longhi		2.6

## Currencies

	Fund	Index
Euro	77.8	44.1
Pound sterling	11.8	31.8
Swedish krona	4.8	9.3
Norwegian krone	3.0	3.2
Danish krona	2.5	2.8
Other	0.0	8.8

## TOP 5 OVERWEIGHTS & UNDERWEIGHTS

Top 5 Overweights	Active weight
Stabilus	+3.66
Teleperformance	+3.33
Ubm	+3.23
Applus Services	+3.20
Aurelius	+3.20

Top 5 Underweights	Active weight
Informa Plc	-0.59
Smurfit Kappa Group Plc	-0.55
Mtu Aero Engines	-0.55
Micro Focus International Plc	-0.55
Wirecard Ag	-0.51

## TOP 5 BEST CONTRIBUTORS & WORST CONTRIBUTORS

Top 5 Best Contributors	Contribution
Pkc Group	+0.76
Stabilus	+0.33
Jensen-Group Nv	+0.29
Applus Services	+0.28
Avanza Bank	+0.24

Top 5 Worst Contributors	Contribution
Ctt Correios De Portugal	-0.19
Zon Optimus	-0.18
Altarea	-0.15
Ubm	-0.15
Metsae Board Corporation Class B	-0.15

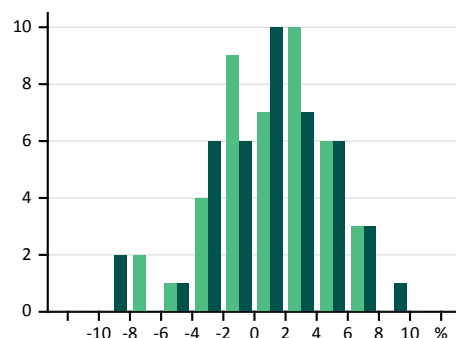
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Reference Currency EUR | Since Inception (16.08.2013)

— Fund — Index

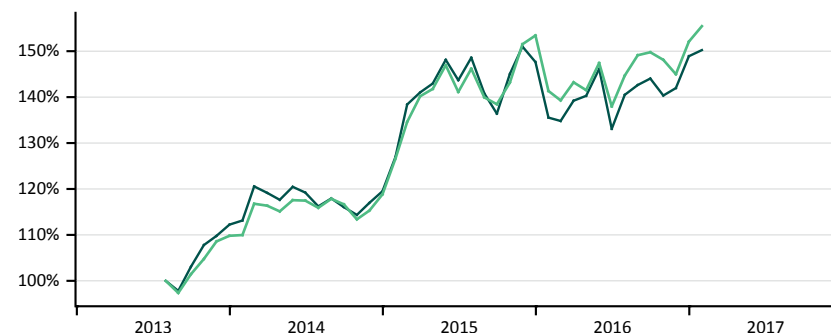
## DISTRIBUTION OF MONTHLY RETURNS



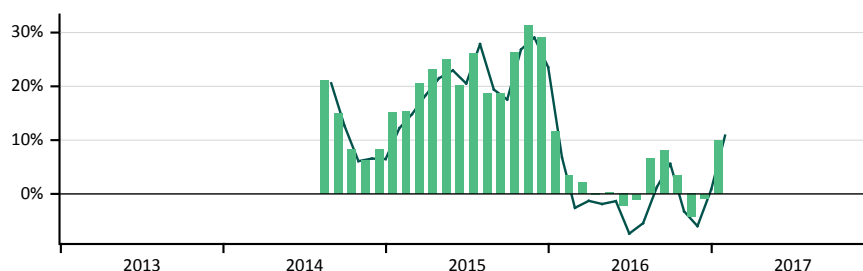
## STATISTICS

		Fund	Index
Volatility	%	11.80	13.19
Sharpe Ratio		1.15	0.95
Downside Deviation	%	6.87	8.00
Sortino Ratio		1.98	1.56
Positive Months	%	61.90	64.29
Maximum Drawdown	%	-10.06	-11.86
Risk-Free Rate <b>-0.06%</b>			

## CUMULATIVE PERFORMANCE



## 12-MONTH ROLLING RETURNS

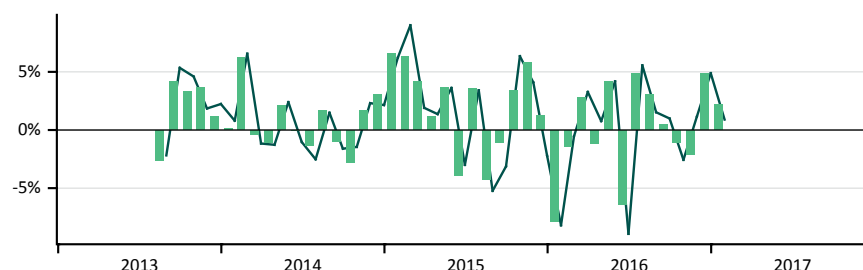


## FUND VERSUS INDEX

Correlation		0.926
R <sup>2</sup>		0.857
Alpha	%	0.25
Beta		0.828
Treynor Ratio	%	16.43
Tracking Error	%	5.01
Information Ratio		0.138

Index: MSCI Europe Small Cap Net Return

## MONTHLY RETURNS



## MONTHLY RETURNS IN %

	2013		2014		2015		2016		2017	
	Fund	Index	Fund	Index	Fund	Index	Fund	Index	Fund	Index
January			0.15	0.80	6.55	6.24	-7.87	-8.19	2.21	0.90
February			6.20	6.56	6.32	9.01	-1.46	-0.55		
March			-0.36	-1.16	4.16	1.90	2.82	3.27		
April			-1.07	-1.27	1.14	1.37	-1.18	0.76		
May			2.12	2.40	3.63	3.62	4.16	4.18		
June			-0.08	-1.03	-3.95	-3.00	-6.40	-8.93		
July			-1.33	-2.52	3.58	3.41	4.86	5.56		
August	-2.63	-2.18	1.68	1.49	-4.27	-5.23	3.06	1.52		
September	4.16	5.35	-1.02	-1.61	-1.07	-3.13	0.44	0.99		
October	3.29	4.60	-2.79	-1.46	3.42	6.35	-1.10	-2.56		
November	3.64	1.85	1.69	2.31	5.83	4.10	-2.11	1.16		
December	1.13	2.24	3.05	2.15	1.26	-2.23	4.89	4.88		
<b>Year</b>	<b>9.81</b>	<b>12.24</b>	<b>8.21</b>	<b>6.48</b>	<b>29.12</b>	<b>23.54</b>	<b>-0.87</b>	<b>0.86</b>	<b>2.21</b>	<b>0.90</b>

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