DPAM Invest B Equities Europe Small Caps - W

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.

Degroof Petercam
ASSET MANAGEMENT DPAM FUNDS

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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	BE6246055311
Entry Fee	Maximum 2%
Exit Fee	0%
Ongoing charges*	1.03%
**included management fee*	*0.75%*
Minimum investment	1 share
NAV (Capitalisation)	238.30
Assets (all classes)	mn EUR 228.29
Number of positions	47

PERFORMANCES (%)	Fund	Index
1 month	-3.69	-5.87
YTD	9.79	12.46
1 year	-7.75	-8.15
3 years annualised	6.57	4.70
5 years annualised	8.70	6.84
10 years annualised	-	-

PORTFOLIO CHARACTERISTICS	Fund	Index
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
Industrials	29.9	22.4
Consumer Discretionary	20.8	14.6
Financials	12.1	14.8
Information Technology	10.2	9.3
Real Estate	8.4	9.7
Consumer Staples	6.7	4.9
Health Care	5.2	8.6
Materials	5.1	7.4
Utilities	0.0	2.3
Energy	0.0	3.9
Communication Services	0.0	2.2
Cash	1.6	0.0

Countries	Fund	Index
United Kingdom	15.3	32.7
Italy	13.3	6.4
France	11.7	6.5
Netherlands	10.3	5.3
Germany	10.2	10.2
Belgium	10.0	2.8
Sweden	6.9	9.5
Spain	3.9	4.5
Finland	3.6	2.7
Denmark	3.3	3.2
Luxembourg	3.1	0.3
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
Altarea	3.1
Asiakastieto Group	3.0
Kinepolis Group	3.0
Abcam	2.9
Loomis Ab Class B	2.9
TKH Group	2.8

Currencies	Fund	Index
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
Applus Services	+3.73
Reply Spa	+3.23
Tamburi Inv Partners (tip	+3.12
Altarea	+3.07
Asiakastieto Group	+2.98

Top 5 Underweights	Active weight
DS Smith	-0.61
Rentokil Initial	-0.55
Leg Immobilien	-0.54
Halma P.l.c.	-0.51
Kingspan Group Plc	-0.51

TOP 5 BEST CONTRIBUTORS & WORST CONTRIBUTORS

Top 5 Best Contributors	Contribution
Ambu A/s Class B	+0.16
Abcam	+0.15
Borregaard Asa	+0.15
Varta (kap.herab)	+0.13
Autogrill SpA	+0.10

Top 5 Worst Contributors	Contribution
De Longhi	-0.43
Stabilus	-0.32
Loomis Ab Class B	-0.30
CTS Eventim	-0.29
TKH Group	-0.29

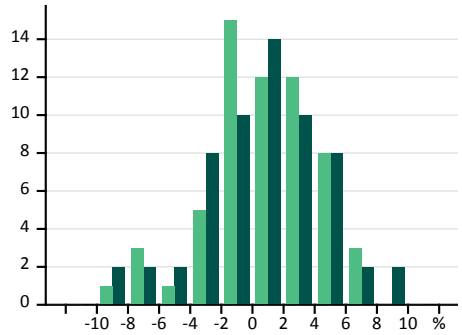
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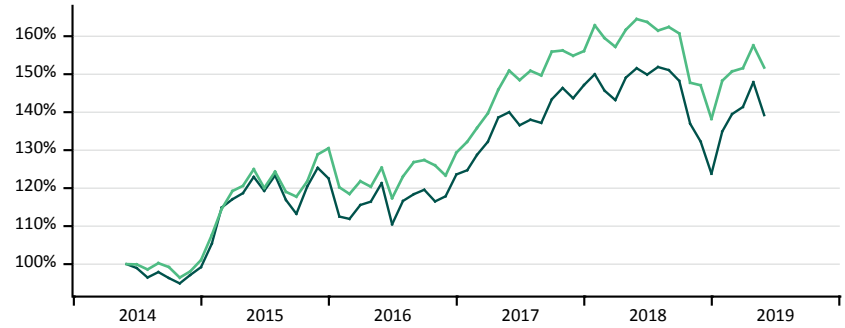
Reference Currency EUR | Observation Period - 5 years

Fund Index

DISTRIBUTION OF MONTHLY RETURNS



CUMULATIVE PERFORMANCE

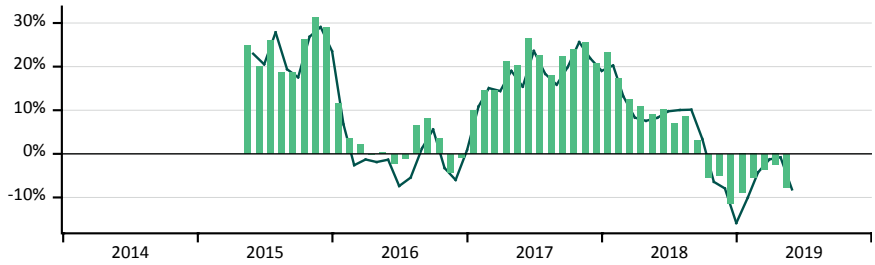


STATISTICS

		Fund	Index
Volatility	%	11.92	13.43
Sharpe Ratio		0.75	0.53
Downside Deviation	%	7.53	8.77
Sortino Ratio		1.18	0.81
Positive Months	%	58.33	60.00
Maximum Drawdown	%	-15.98	-18.50

Risk-Free Rate **-0.26%**

12-MONTH ROLLING RETURNS

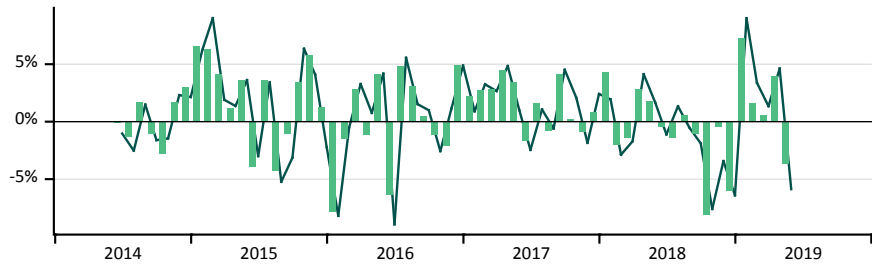


FUND VERSUS INDEX

Correlation		0.925
R^2		0.856
Alpha	%	0.24
Beta		0.821
Treynor Ratio	%	10.87
Tracking Error	%	5.13
Information Ratio		0.278

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	-2.06	-2.87	1.64	3.38
March	4.16	1.90	2.82	3.27	2.83	2.67	-1.44	-1.71	0.57	1.35
April	1.14	1.37	-1.18	0.76	4.47	4.84	2.86	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	-0.47	-1.11		
July	3.58	3.41	4.86	5.56	1.65	1.07	-1.38	1.34		
August	-4.27	-5.23	3.06	1.52	-0.81	-0.61	0.58	-0.54		
September	-1.07	-3.13	0.44	0.99	4.17	4.52	-1.05	-1.88		
October	3.42	6.35	-1.10	-2.56	0.20	2.08	-8.06	-7.60		
November	5.83	4.10	-2.11	1.16	-0.88	-1.84	-0.45	-3.43		
December	1.26	-2.23	4.89	4.88	0.79	2.41	-6.03	-6.41		
Year	**29.12**	**23.54**	**-0.87**	**0.86**	**20.66**	**19.03**	**-11.44**	**-15.86**	**9.79**	**12.46**

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