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# LYXOR EUROPEAN FUNDS FOCUS

## *Q1 2019*

# Lyxor European Funds Focus – 1<sup>st</sup> quarter 2019

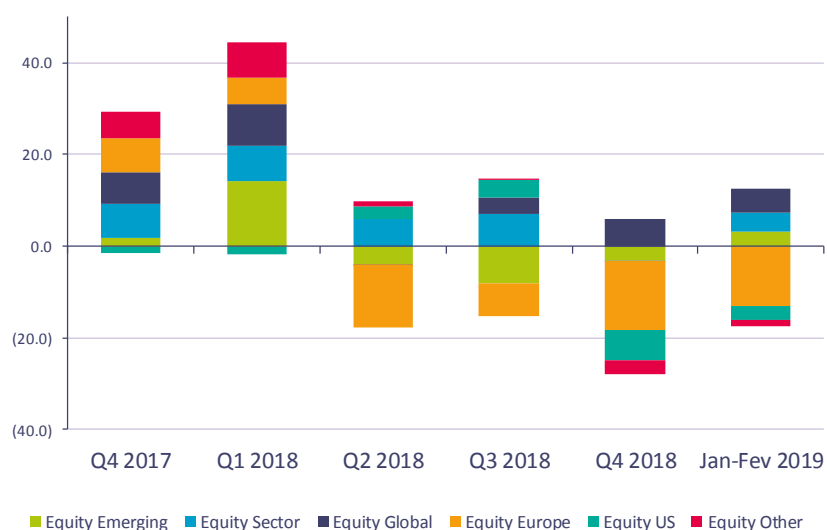
## LYXOR MUTUAL FUND SELECTION

### The European equity market – Q1 2019:

Following the sell-off toward the end 2018, European equity markets strongly rebounded during the first two months of 2019, with some consolidation of the rally in March. The MSCI Europe\* was up 12.8% over Q1 2019. The main catalyst of the market inversion was the more accommodative stance adopted by both the ECB and the Fed, leading bond yields to lower levels (the German 10 years Bund yield reaching negative territory). The market rally was driven by growth companies, with the MSCI Europe Growth\* gaining +15% versus +10.6% for the MSCI Europe Value\*. Having strongly rallied in January, small caps ended the quarter broadly in line with their larger counterparts (the Euromoney European Smaller Companies index\* being up +12.5% over the period). At a sector level, the growth areas of Consumer Staples and Technology, but also Materials, performed the best, whilst the traditional value areas of Telecoms and Banks materially lagged.

### European Equity Funds’ flows (Europe domiciled UCITS Funds):

Despite the strong market rally in European Equity markets in Q1 2019, European equity UCITS funds (domiciled in Europe – Morningstar category) continued to see net outflows over the first two months of the year. The negative trend on flows that began in Q2 2018 saw EUR 13.3 bn of outflows from European equity funds in January and February 2019. That level compares with EUR 15.8 bn outflows witnessed in the Q4 2018 market sell-off.



Source: Lyxor; Morningstar, Universe of Open-Ended Funds available for sale in Europe, data in EUR billions

### Performance of our selected European equity funds’ universe:

Funds favoring quality and growth companies were the best performers within our selected funds’ universe, benefiting from investors’ appetite for growth styles and growth-oriented sectors, as well as a valuable stock selection. The Large and Mid-Caps Growth funds **Comgest Renaissance Europe** and **Allianz Europe Equity Growth** outperformed, led by holdings in **LVMH** (Luxury Goods) and **Amadeus** (Application Software) amongst the best contributions for Comgest, and positions in **Nemetschek** (Application Software) and **DSV** (Transport & Logistics) for Allianz. **Echiquier Agenor Mid Cap Europe**, specifically invested on the Mid-Caps segment with a strong bias toward Growth, also outperformed with positions in **Dechra Pharmaceuticals** (Specialty Pharma.) or **Simcorp** (Application Software). Also of note is the outperformance of **BlackRock Continental European Flexible**, being flexible by nature and clearly positioned toward Growth since 2018, and having benefited from a strong stock selection with **Airbus** (Aerospace) or **Ferrari** (Luxury Goods).

### What are the question marks for fund managers now?

The European equity market rallied strongly amid low volumes, mainly fueled by a more accommodative stance from by Central Banks. Thus, Portfolio Managers are very attentive to the financials and corporate message that will arise from first quarter earnings publications, to assess the potential of further market upside.

\*Indexes performances Net TR, in Euro



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