Management report Eurinvest Sicav SIF Dec 31, 2019

A. Global Overview of the Year 2019

Global stocks generated their best returns in a decade, boosted by aggressive central bank stimulus and easing trade tensions toward the end of 2019. Indeed, China and USA agreed to a limited trade deal to avoid imposition of new tariffs and protectionist measures. All in all, the world equity markets ended the year with a positive return around 28% and, again, USA rose better than the other regions with an increase of 31,5% while Europe gained 25% and the Emerging markets 18%. These high returns were made despite very low earnings growth in 2019.

Most Central Banks cut their interest rates throughout the year in order to diminish negative effects of the trade war. Interest rates went down everywhere and in negative territory in Europe.

The USD went up roughly 2% versus the Euro, slightly helping the returns for our funds.

	31/12/2018	31/12/2019	Performance	Performance in Euro
Eurostoxx 50	3001,42	3745,15	24,78%	24,78%
Eurostoxx 50 Net Return	6200,89	7949,64	28,20%	28,20%
Stoxx 600	337,65	415,84	23,16%	23,16%
S&P 500	2506,85	3230,78	28,88%	31,44%
Russel 2000	1348,56	1668,47	23,72%	26,18%
Nikkei	20014,77	23656,62	18,20%	22,30%
SMI	8429,30	10616,94	25,95%	30,73%
SMI Small Cap	15011,16	19508,54	29,96%	34,89%
MSCI World (USD)	1883,90	2358,47	25,19%	27,68%
MSCI Small Cap Europe	391,71	493,58	26,01%	26,01%
MSCI Emerging Market	965,78	1114,66	15,42%	17,71%
Stoxx Euro banks (EMU)	87,04	96,71	11,11%	11,11%
10Y Euro Bund	0,24	-0,19		
3 months EUR	-0,33	-0,42		
IRS 10Y Rate	0,81	0,2114		
IRS 2Y Rate	-0,18	-0,29		
EUR/USD	1,145	1,123	-1,95%	-1,95%
EUR/NOK	9,905	9,856	-0,45%	-0,45%
EUR/CHF	1,125	1,085	-3,57%	-3,57%

B. Management and return of the Fund

The **Defensive sub fund** posted a positive return of 3.64% for the I share class, which is in line with its peers. The strategy's goal was to provide a cash alternative in a negative yield environment. The defensive approach and the hedging strategies applied to the fund didn't cost too much despite the bull market. The objective of offering a low volatility was reached thanks to the global protections imbedded in the fund. The 1-year volatility was at 1,45% and the Sharpe Ratio at 2,51.

The delta adjusted equity risk at the end of the year was approximately 18% and the assets under management reached 14,5 million euros.

Important strategies during 2019 for both sub funds:

- Stabilization of the equity risk
- Reduction of the dollar exposure using synthetic long position when available
- Focus on quality stock in funds due to the extended end of cycle
- Gold investment to cover geopolitical uncertainties
- Increase of inflation-linked bonds to follow the rise in inflation
- Cash invested in very stable short duration funds to avoid the negative yield on liquidities

The **Flexible Sub fund** has been managed differently since the end of February 2019. We moved from a selection of 5 flexible funds to a selection of specific funds to managed the flexibility ourselves. We combine long positions on selected equity and bond funds and short positions on equity index futures. Despite this change, we remained quite cautious with an average equity risk of 47% in the fund throughout the year. The fund has realized a positive return of 9,68% for the I share class and 9,42% for the R share class. The 1-year volatility was at 4,01% and the Sharpe Ratio at 2,41.

The assets of the fund at the end of the year amounted to 9,5 million euros.

C. <u>2020 perspectives</u>

We continue to select new funds for the Flexible sub fund that we deem appropriate for our strategies, especially after such a year. We believe that active management will be more important than ever in this market environment.

These selected funds can also be used (with different weightings) inside the Defensive sub fund.

As for our market outlook, we see a weakening US Dollar in the coming month, increasing the FX volatility which is lower than ever. We also believe that the interest rates curves will steepen. Interest rates shouldn’t go lower and even rebound with inflation coming from salaries and rising commodities. In addition, we stay focus on quality stocks.