

AMC PROFESSIONAL FUND – AMC Pro Europe Equity

Review

Securing unanimous approval for any new EU treaty is a long and painstaking process, and this is likely to lead to a lack of coherence and progress towards solving the eurozone's problems. The European Central Bank is not prepared to buy up sovereign debt wholesale so as to bring to a halt any further spreading of the financial crisis. As a result, although a host of different rigorous budgetary programmes are undoubtedly moving things in the right direction, these will only serve to slow down economies already teetering on the brink of recession. The markets are, therefore, being predominantly driven by large-cap and growth stocks. Sector-wise, oil shares are on top of the pile, followed closely by defensives. Utilities and financials are lagging furthest behind.

During Q4 2011, the AMC Pro Europe Equity sub-fund's Class A unit gained 7.06%, with the Class B unit up by 7.16% and the Class C unit up by 7.23%, whereas the benchmark index recorded a 8.92% increase. The sub-fund had a higher beta in its portfolio than the market. As far as contributions to performance are concerned, the multidimensional allocation was the main disappointment. Overweighting of financials, especially eurozone stocks, and value shares penalised the sub-fund as did its underexposure to consumer goods stocks. Overall, stock-picking proved neutral.

Outlook

The market is currently trading at attractive valuation levels, pricing in the state of affairs involving a Europe on the brink of recession and a blatant lack of decisiveness with regard to pulling out of the crisis. The upturn in the US economy and China's soft landing are the two key factors driving global economic growth. As a result, the sub-fund's portfolio has above-average exposure to commodities.

Financials appear to have factored in much of the considerable bad news, and investors are very broadly under-invested in this sector. In contrast, defensives (tobacco, drinks and telecoms), whose valuation levels no longer looks so justified, are underweighted in the portfolio. Small and mid-cap stocks are still favoured. After leading the way in 2011, growth stocks may well give ground to value shares which are now favoured in the portfolio.

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