

IFP FUND – QUANTEVIOUR European Equities (EUR)

Review

Stresses and strains over the eurozone's long-term survivability and the viability of so-called peripheral states' sovereign debt eased somewhat in Q1 2012. The ECB's monetary policy and the innovative facilities made available for the banking system helped to bring yield spreads down. In addition, the state of affairs was aided by the solid growth being seen in the USA, which fed through into a fine showing by share indices. During the quarter, European indices endeavoured to make up some of the ground lost relative to Wall Street since mid-2010.

The Euro STOXX 50 index was up by 6.9%, settling at 2,477, after moving above the 2,600-point threshold in mid-March. The Quanteviour European equities sub-fund registered a 12.4% advance, outperforming its benchmark. The sectoral allocation slanted towards those sectors boosted by the upturn in the economic cycle. Moreover, as financials outperformed noticeably, we have scale down their overweighting somewhat in the sub-fund.

On account of this bias geared towards more cyclical stocks, the historical standard deviation relative to the index did rise, but remains with a satisfactory range: 100-day historical volatility stands at 29% for the sub-fund, compared to 24% for the benchmark.

As of end-March 2012, the sub-fund's assets totalled EUR 12.5 m, a q-o-q rise of 23.7%. The number of units in circulation increased by 9.8%.

Outlook

The drive to rebalance budget deficits in Europe is resolute and credible. With monetary policy being made so accommodating, the upturn in Europe's economy does not look to be under threat. In light of the solid growth in the USA and stabilising economies in Asia that should shortly regain momentum, prospects remain bright and should lend more support to equities as an asset class at the expense of bonds.

Discounts on European share prices to equities in other economic regions hit record highs. Risk premiums being factored into European share valuations have come down, but are still disproportionately high both by past standards and by comparison with other equity indices or other asset classes. We remain upbeat about the outlook for the opening half of 2012. The exposures that we had entirely rebuilt late last year remain completely valid and right for today's circumstances.

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