

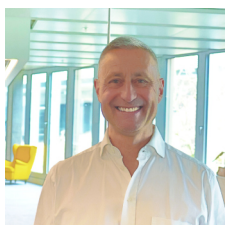


# DIVAS EUROZONE VALUE

Monthly Report October 2025

Marketing material for professional clients

NAV: EUR 233.45  
ISIN I shares: LU1975716835  
Valor I shares: 47229643



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## Market environment

In October, eurozone equity markets oscillated within a 4% band eventually closing up some 2%.

Data published in mid-October showed that BYD lost its title as China's best-selling automaker to state-owned SAIC in September, after the electric vehicle giant experienced its first year-on-year sales decline in 18 months. BYD sold 396'000 vehicles last month, while SAIC, which produces the Volkswagen and GM brands for the China market, delivered 430'000 cars over the same period.

In the first nine months Volkswagen Group's BEV (Battery-electric-vehicle) sales globally jumped 42%, making up 11% of total deliveries. Cash flow year-to-date stayed positive and is returning to normal levels despite higher capex and R&D spending. External pressures should ease as the tariff hit looks less severe than the 1.5 billion euros it booked in the second quarter.

September European new car registrations published late October rose 11% year-on-year. Sales of fully electric vehicles and plug-hybrids jumped by a third amid robust demand for more affordable models, with deliveries of plug-in hybrids rising 62% and sales of BEVs (Battery Electric Vehicles) increasing 22%.

At the end of October, the European Central Bank, as expected, left interest rates unchanged for a third meeting with

inflation in check and the economy continuing to grow.

In mid-October, Federal Reserve Chair Jerome Powell signalled the central bank may stop shrinking its balance sheet in the coming months. Powell cited labour-market prospects continuing to worsen, supporting investors' expectations for another interest-rate cut this month.

At the end of October, Federal Reserve Chair Jerome Powell cut rates by 25 basis points, in line with market expectations. But he warned that investors need to rein in expectations for a December interest-rate cut, underscoring a growing tug-of-war among US policymakers with differing outlooks for jobs and inflation.

In addition, China and the US reached a one-year truce on tariffs at the end of October.

Year-on-year, eurozone headline inflation in October softened 0.1% to +2.1%, in line with expectations. The core rate remained unchanged at +2.4%, against expectations for a decline to +2.3%.

Over the month, 5-year forward inflation expectations declined 3 basis points to +2.06%, while the 10-year Bund yield dropped 8 basis points to 2.63%.

At the same time, Brent crude oil declined by 1%, while Nickel traded flat and Iron Ore rose 2%.

In October, the Swiss franc strengthened 0.66% to 0.9283.

The October eurozone Composite PMI rose to 52.2 from 51.2 and market expectations for a decline to 51.1. The October China Composite PMI slowed to 50 from 50.6. October US ISM Manufacturing PMI slowed to 48.7 from 49.1 in contrast to market expectations of a rise to 49.5.

## Performance

In October, the MSCI EMU Index rose 2.39%. The fund's euro I-shares appreciated 1.35%, underperforming the MSCI EMU Index (net dividends reinvested) by 104 basis points. Year-to-date, the fund spiked 27.74%, while the market jumped 20.58%, outperforming the benchmark by 715 basis points.

## Performance contributors

- **Continental** outperformed the market by 14%, on positively pre-announcing Q3 results. The company confirmed its FY25 targets with sales of 5 billion, an adjusted EBIT margin of 11.4% and a revised FCF of around 200m.
- **Sanofi** outperformed the market by 9% on reporting a very strong set of Q3 results, driven by strong sales growth in its key product Dupixent.
- **Kering** outperformed the market by 6%, on reporting robust Q3 results with year-on-year Gucci sales now -14% down from -28%.
- **ArcelorMittal** outperformed the market by 6% on positive analyst earnings revisions.

## Performance detractors

- **Société Générale, ABN AMRO Bank** and **Aegon** underperformed the market by 4%, 7% and 6% respectively, triggered by news on Bloomberg that delinquencies at US regional banks were on the rise. None of them obviously has any exposure whatsoever to rural US banks but the "artificial" intelligence machine threw them into that bucket. Société Générale had reported very strong Q3 results with ROTE (return on tangible equity) at 10.7%, comfortably ahead of company



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guidance of 9%.

- Cyclical, such as **LANXESS**, **Arkema** and **Randstad** continued to underperform the market by 4%, 6% and 8% respectively in the absence of any company specific news flow.

## Positioning

In October, the fund switched its holdings in Banco Santander and BNP Paribas, having outperformed the market since purchase by 70% and 86% respectively into Anheuser-Busch and Capgemini. Furthermore, it reduced its position in Kering, having outperformed the market since purchase by 20%, in order to increase its holding in Renault.

## Outlook

With the latest two changes effected in October, we have now reloaded 60% of our portfolio with new investments. In early 2025, all of these new holdings touched multi-year-lows, while eurozone equity markets made historic all-time-highs. This illustrates the tremendous opportunity our strategy currently offers.

All of our investments generate FCF. 60% of our holdings have net cash on their balance sheets (our Auto companies have between 55% and 90% of their market capitalisation in net cash). Having run an exposure of some 30% in retail banks for 17 years (the respective benchmark weighting was at some 3.5% at the zenith of the eurozone crisis), that sector has recently evolved to become a consensus long momentum play. That's why we are now, for the first time in 17 years 10% underweight. With our pronounced shift over the last nine months from volatile high beta stocks into very attractively valued defensive business models, the beta of our portfolio has moved from some 1.3 to 1.04, i.e., in line with the market.

Our strategy has a negative relative correlation to the growth/momentum

factor to which all our clients are extensively exposed, across all asset categories. Exposure to our strategy offers substantial diversification benefits, reducing overall portfolio risk.

Gaining exposure to our strategy today provides you with access to a portfolio growing its earnings in the low teens for the next three years, valued on 9.5x earnings (including announced share buy-backs at major discounts to tangible book) and paying you a rich and growing dividend yield of 3.7%. Our average upside to fair value currently resides at +80%.



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**Capital at risk:** All financial investments involve an element of risk. Therefore, the value of the investment and the income thereof will vary, and the initial investment amount cannot be guaranteed.

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