

Monthly Insight

METROPOLE Gestion

NOVEMBER 2023

THE FIGURE OF THE MONTH

+1,9%

This is the average sales growth reported by companies in our strategy for the third quarter of 2023

A GENERAL DECLINE IN BUSINESS ACTIVITY

In recent weeks, equity market news has been dominated by the publication of corporate earnings for the third quarter of 2023. In a sample representing 80% of European stocks in the Stoxx Europe 600 index that have published their results ⁽¹⁾, we can see a general decline in business, with sales down by an average of 9% ⁽²⁾. Overall, companies are reporting a significant drop in sales volumes, amplified by destocking. The global economic environment is de facto in recession. Nevertheless, companies are proving highly resilient, maintaining margins at a high level thanks to a policy of price increases. In aggregate, earnings per share are down 8% ⁽²⁾.

THE MAJORITY OF COMPANIES IN OUR STRATEGY REPORTED SALES GROWTH

In the Metropole Value European Equities strategy, the companies we selected reported a 2% rise in aggregate sales. Some stocks with a reputation for cyclicity stood out. These include banking stocks, which are taking full advantage of rising interest rates, such as Intesa SanPaolo, which reported net banking income up 27% and earnings per share up 198%!

Or automotive equipment supplier Autoliv, which posted an 11% rise in revenues and an increase in margins, translating into a 35% rise in earnings per share. Of the 37 stocks held in the strategy, only 4 companies revised their earnings forecasts for 2023 or 2024 downwards, and 7 stocks raised their earnings targets, such as cement manufacturer Heidelberg Materials, whose business is cyclical by nature.

INVESTMENT OPPORTUNITIES THAT WE HAVE SEIZED

The recent period of strong risk aversion on the markets has triggered sometimes excessive reactions, opening up investment opportunities which we have seized. In the healthcare sector, despite its reputation for defensiveness, we strengthened our position in Sanofi, whose share price fell by 19% when the company announced an increase in R&D spending to accelerate growth. In our view, the scale of the fall was out of line with the real financial impact of such an announcement, which led to a downward revision of earnings estimates for 2024 by 8% ⁽³⁾, without taking into account the longer-term positive impact of this investment effort.

Source: (1) Metropole as of 10/11/2023., (2) Source: J.P.Morgan Global Market Strategy "Q3 Earnings Season Tracker" published on November 10, 2023 (3) Change in Bloomberg consensus earnings estimates between 29/09/2023 and 10/11/2023

**None of the aforementioned companies constitutes an investment recommendation.
Past performance is not a reliable indication of future return and is not constant over time.**

Story OF THE MONTH

Similarly, we seized the opportunity offered by the fall in Fresenius Medical Care shares to strengthen our position. The stock was penalized by the publication of a clinical study indicating significant health benefits from the treatment proposed by Novo Nordisk (GLP1) for patients with kidney dysfunction. The perceived risk to Fresenius Medical Care, a specialist in dialysis treatment whose business is potentially under threat, seems to us to be excessive and without serious foundation.

Despite a particularly difficult global economic environment, the 12-month forward earnings

estimates of our strategy holdings were revised downwards by only 1% ⁽³⁾ following the publication of their results. According to our analysis, the risks of recession are largely anticipated and factored into the valuations of the companies we have selected. Their financial structure is solid enough to withstand the current recession. These companies therefore represent particularly attractive investment opportunities.

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(3) Change in Bloomberg consensus earnings estimates between 29/09/2023 and 10/11/2023

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Why invest

IN METROPOLE Gestion

RESPONSIBLE VALUE INVESTING: A selection of undervalued stocks in Europe and the Eurozone that places both fundamental and ESG analysis at the heart of the investment process.

A VALUATION APPROACH BASED on the industrial value of companies and the analysis of normative margin levels.

AN EXTRA-FINANCIAL APPROACH characterized by the integration of ESG criteria dialogue with companies, and the consideration of risks and opportunities related to climate change.

PURE STRATEGIES, CONCENTRATED AROUND the strongest convictions of the portfolio management team.

MORE THAN 20 YEARS OF EXPERTISE IN THE SELECTION OF VALUE STOCKS, SUPPORTED BY THE SOLID EXPERTISE OF A DEDICATED PORTFOLIO MANAGEMENT TEAM.

INVESTMENT TEAM



CÉDRIC HERENG
Deputy Managing Director
Co-Head of Value Management
METROPOLE Gestion



JÉRÉMY GAUDICHON
Co-Head of Value Management
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FREDRIK BERENHOLT
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MARKUS MAUS
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THIBAUT MOUREU
Portfolio Manager
METROPOLE Gestion

RISKS

Strategies are mainly exposed to the following risks: **Equity market risk, Risk of capital loss, Credit risk, Interest rate risk, Currency risk at the strategy level, Currency risk on share classes denominated in a currency other than that of the strategy, Currency risk specific to the USD Hedged share class, Counterparty risk specific to the USD Hedged share class, Risk associated with small and mid caps, Sustainability risk, Overexposure risk.**

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