FINANCIERE DE L'ECHIQUIER

Financière de l'Echiquier
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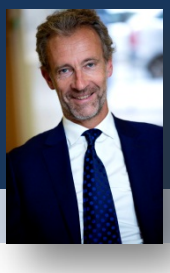
QUARTERLY REVIEW



BY MARC CRAQUELIN, HEAD OF ASSET MANGEMENT

2014 was a year full of contrasts. Ending in triumph for the US with robust growth, the situation was more mitigated in emerging markets, while Europe did not really emerge from its period of stagnation, in place since 2011. However, recent developments suggest renewed dynamism and the return to positive growth for European companies.

Although Europe is still stuck in the mud from a political point of view, it seems more attractive from a stock-market perspective. After months of treading water with no progress or growth for either company earnings or indexes, recent weeks showed positive signs of better trends to come in 2015.

- **The first advantage for Europe is its central bank.** The ECB has announced an unprecedented repurchase of €60bn in debt per month out to September 2016 at least. This initiative guarantees negative short term rates over the medium term, creating a favourable context for risk-taking and the search for yield. It enables us to remain positive on yield stocks that can currently be found in the "value" universe, but also on a number of growth stocks.
- **The plunge in the euro against the dollar (-12% over 2014)** has created a highly beneficial forex backdrop for exporting companies in Europe.
- **The nosedive in oil prices (-46% over 2014, expressed in USD)** is a factor underpinning growth. Consumer stocks should benefit from this decline, making the most of a redistribution in purchasing power.

These factors back the prospect of a tactical catching up in European equities. In view of the return to normal valuation levels, we will pay close attention to company EPS growth.

The US has emerged from a record year: the excellent state of the economy was confirmed (+5% growth in Q4 2014) whereas indexes reached peak levels (+11.4% over 2014 for the S&P500). This momentum nevertheless causes some uncertainty:

- **A hike in US short-term rates is now just a few months away:** all indicators favour a return to normal in monetary policy, although the schedule is still difficult to predict.
- **The switch in the central bank's policy will have an impact on equity markets,** whose growth can only continue if it remains underpinned by growth in corporate earnings.

This scenario announces more demanding US markets and hence more volatility at the start of this year.

Our European focus does not mean we have forgotten emerging markets, which remain generally on an uptrend despite very different performances.

- Whereas Russia was in decline, **Chine benefited from the government's aim** to underpin the economy (+58% over the year for the Shangai A share).
- **Lower oil prices benefited the heavyweights in the emerging world:** especially India, China and Turkey.

We still have very strong convictions on several stocks exposed to emerging markets, **especially via the consumer spending theme.**

What we believe: in 2015, in a low rates environment, buying equities should more than ever be the right thing to do!

☐ This year, growth in the eurozone could surprise positively and offer opportunities for our equities funds, especially **Echiquier Agressor** and **Echiquier Major**. Echiquier Major is focused on major European growth stocks and is naturally exposed to exporters which should benefit from advantageous conditions.

☐ For investors looking for regular earnings and who are prepared to make a long-term commitment, we favour our **new fund, Echiquier Dividende,** which invests in a selection of European companies offering lasting and rising yields.

☐ Investors looking for controlled volatility via a well-balanced portfolio of equities and corporate bonds can favour **Echiquier Arty,** our diversified fund, which has reacted well to turbulence in recent months thanks to its mobile strategy.

About Financière de l'Echiquier – Created in 1991, Financière de l'Echiquier is currently one of the leading independent asset management companies in France, with €8bn in assets under management and a team of 95 employees. It is wholly-owned by its managers and employees. Its business: managing savings and financial investments on behalf of individual clients, wealth management advisors and institutional investors. **53, avenue d'Iéna – 75116 Paris – Tel.: +33 (0)1.47.23.90.90. – Fax: +33 (0)1.47.23.02.46.** www.fin-echiquier.fr