Financière de l'Echiquier
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FINANCIERE DE L'ECHIQUIER

QUARTERLY REVIEW

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The 2014 summer period was not spared by the high volatility that has become classic during summer months – albeit without reproducing the tormented scenario endured in summer 2011. To start with, the markets plummeted during July due to the combined impact of three factors: European economic slowdown, renewed deflationary risk weighing on the euro zone and an amplification in a number of global geopolitical crises. These risks worried investors before gradually fading and enabling a **return to capital flows as of August 8th.**

In Europe, expectations of an economic recovery are late in materialising and EPS growth in earnings per share has yet to kick in. **However a number of parameters are underpinning the equities market:**

- The latest intervention by Mario Draghi at the central bankers symposium in Jackson Hole again confirmed the ECB's pro-active policy. The institution recognises the threat of deflation and confirmed it would use "all the available instruments needed to ensure price stability".

- The plunge in European long-term rates has gained momentum in recent weeks, taking them to all-time low levels: the yield on the German 10-year Bund has dropped below 1% vs. 1.25% on 1 July. This substantial decrease has increased the risk premium on European equities, and the search for yields is prompting institutions to rotate their allocations from bonds to more risky assets.

- The Euro continued to extend its decline against the Dollar losing -3.65% since 1 July. The current level of less than USD1.32 is becoming more advantageous to European export companies.

In the US, the summer period confirmed the healthy state of the economy. Recent company publications were encouraging and consumer confidence is at the highest level since 2007. Trends are also beneficial to equity investments:

- Indexes have hit record levels with the S&P 500 exceeding the 2000 point mark for the first time. This reassuring reaction indicates that prices are not affected by the gradual end to the FED's support measures.

- The market is also animated by dynamic M&A activity.

Emerging markets are continuing their recovery, in line with our expectations (with the exception of Russia):

- In China, the government has taken action with a series of targeted measures, whereas the macro-economic backdrop is improving.

- A number of countries are benefiting from an advantageous political agenda. India continued to make the most of the effects of the May vote, whereas the prospect of forthcoming elections is having a similar impact in Brazil.

What we believe :

- **ECHIQUIER MAJOR** is particularly well positioned to benefit from the current backdrop. Focused on European large-cap growth stocks, the fund picks companies that should benefit in the coming months from both advantageous financing conditions in Europe and the recovery in emerging markets.

- **AGRESSOR** remains a key placement thanks to its mixed allocation that enables it to remain positioned in both the value and growth themes. Whereas growth stocks performed particularly well over the summer, the relative decline in value stocks is generating fresh opportunities to make the most of in this universe.

- **ARTY** meets the needs of investors looking for controlled volatility via a well-balanced portfolio between equities and corporate bonds. The diversified fund reacted well to upheaval over the summer thanks to its mobile strategy and by reducing its exposure to high-yield credit.

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