

## Europe: Don't judge a book by its cover!



Author(s)  
Mark Denham

Published  
September 5, 2019



Whilst there seem to be few reasons to be cheerful about Europe, if you know where to look, there is much to be optimistic about. Listen to Mark Denham, our Head of European Equities, talk about opportunities in Europe.

There are many great businesses within Europe for investors to choose from

- Mark Denham, Head of European Equities

### Discover the Funds managed by Mark Denham:

[Carmignac Portfolio Grande Europe](#)

[Carmignac Portfolio Patrimoine Europe](#)

“Europe does face many challenges, most notably discussions over the Italian budget between the Italian government and the European Commission. Economic growth is relatively modest compared with other regions, we're talking about GDP growth of 1 to 2% compared with 2 to 3% or more in the U.S. and obviously much higher levels in emerging markets. So in Europe we don't benefit from a rising tide lifting all boats. And, of course, the Brexit issue is a hurdle that Europe has to overcome.

But when you reflect on Europe, it's a patchwork of different countries, more than 20 countries, so there's always some political event or some macroeconomic event or some challenge that is around the corner. I think any investor in European equities has to remember that they're investing on a 3 to 5-year time horizon or longer and that inevitably there's going to be volatility around these events. But one should look to take advantage of these events rather than allow them to dominate one's thinking.

Ultimately, we're looking to invest in strong companies because strong companies aren't going to be too disrupted by these events and we should look at using any volatility to the downside as buying opportunities. We seek to invest in businesses that have the best long-term prospects, that can grow under their own steam, secular growth opportunities. In order to determine that, we have a particular investment approach focusing on companies that have exhibited high sustainable profitability in the past, that are also reinvesting internally in growing their own business for the future, and for us, incorporating environmental, social and governance (ESG) factors into our investing goes hand-in-hand with those best long-term prospects. So, it is not an additional restriction, it is just part and parcel of the kind of companies that we're looking for.

Let's not lose sight of the fact that within Europe there are many great businesses many of which are world leaders in their respective industries. Considering European equities within a global point of view, over recent years we've seen really strong performances in other regions driven really by the advent of some technology giants in the likes of Amazon and Facebook in the US, in the likes of Alibaba and Tencent in emerging markets... And they've driven the returns in those markets at superior levels to what we've seen in Europe because Europe hasn't really had those global giants emerging over recent years.

But I think it's easy to be distracted by that. I think Europe has some true leaders in certain sectors. For instance, luxury goods, we have companies like Hermes, LVMH, Gucci, which are leading that sector. Europe is a leader in renewable energies: Vestas and Siemens GEMESA are the two largest wind turbine manufacturers in the world. Sportswear companies Puma and Adidas as well are world leaders in their respective fields. There are many great businesses within Europe for investors to choose from.

So let's not be too downbeat about Europe within the global context, because we have some real leaders here, let's capture these opportunities and not be too distracted by what's going on in other regions.”

Promotional material. Video recorded on 27/06/2019. This video may not be reproduced, in whole or in part, without prior authorisation from the management company. It does not constitute a subscription offer, nor does it constitute investment advice. The information contained in this document may be partial information and may be modified without prior notice. Reference to certain securities and financial instruments is for illustrative purposes. It is not intended to promote direct investment in those instruments, nor does it constitute investment advice. The Management Company is not subject to prohibition on trading in these instruments prior to issuing any communication. The portfolios of Carmignac funds may change without previous notice. Access to the Funds may be subject to restrictions with regard to certain persons or countries. The Funds may not be offered or sold, directly or indirectly, for the benefit or on behalf of a "U.S. person", according to the definition of the US Regulation S and/or FATCA. The Funds present a risk of loss of capital. The risks, fees and ongoing charges are described in the KIIDs (Key Investor Information Document). The Funds present a risk of loss of capital. The risks and fees are described in the KIIDs (Key Investor Information Document). The Funds' respective prospectuses, KIIDs and annual reports are available at [www.carmignac.com](http://www.carmignac.com), or upon request to the Management Company. The KIIDs must be made available to the subscriber prior to subscription. • United Kingdom: The Funds' respective prospectuses, KIIDs, NAV and annual reports are available in English at [www.carmignac.co.uk](http://www.carmignac.co.uk), upon request to the Management Company, or for the French Funds, at the offices of the Facilities Agent at BNP PARIBAS SECURITIES SERVICES, operating through its branch in London: 55 Moorgate, London EC2R. The KIIDs must be made available to the subscriber prior to subscription. The investor should read the KIID for further information. This document was prepared by Carmignac Gestion and/or Carmignac Gestion Luxembourg and is being distributed in the UK by Carmignac Gestion Luxembourg UK Branch (Registered in England and Wales with number FC031103, CSSF agreement of 10/06/2013). • Switzerland: The Fund's respective prospectuses, KIIDs and annual reports are available at [www.carmignac.ch](http://www.carmignac.ch), or through our representative in Switzerland, CACEIS (Switzerland), S.A., Route de Signy 35, CH-1260 Nyon. The paying agent is CACEIS Bank, Paris, succursale de Nyon/Suisse, Route de Signy 35, 1260 Nyon. The KIID must be made available to the subscriber prior to subscription.