



Richelieu Pragma Europe



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After a period of searching for direction from mid-April to mid-August, European markets are struggling to withstand the headwinds of rising long-term interest rates, worsening macro leading indicators and rebounding oil prices, as well as a slew of quarterly earnings releases that have been heavily punished on the stock market. Recent geopolitical uncertainties complete the picture. The **Bloomberg Eurozone** index closed October down (-3.23% over the month), the 3rd consecutive monthly decline since August and the biggest drop over 1 year. **The Pragma Europe OPC** (R share) underperformed in this environment, losing -5.03%. On the market side, only 2 sectors posted a positive performance: consumer staples (+1.5%), boosted by Danone's more positive results and Pernod Ricard's catch-up, and utilities (+0.31%), which benefited from their defensive nature. Conversely, the health sector collapsed (-9.92%), hit by an avalanche of poor results, including **Sanofi's** worst session in over a year. Another sector that continues to suffer from the high interest-rate environment and deteriorating economic indicators is consumer discretionary (-5.96%), which turned in one negative performance after another.

Monthly contributors: Our defensive positioning on communications services and mainly on **Vivendi** and **Bolloré** is our main contributor to performance. The market is still waiting for the prospects of restructuring at Vivendi combined with a possible offer from Bolloré. We remain convinced that Bolloré will (sooner or later) launch a bid for Vivendi, and that such a bid is possible in the coming months. This creates favorable stock market momentum. Another positive contributor is our underweight in the healthcare sector, which is suffering from a considerable number of negative reviews. Among the detractors to performance, our exposure to the Energy sector penalized us for once. The fund was penalized on one of its strongest holdings following an article in Le Monde: **Technip Energies**. Although the accusations of circumventing international sanctions against Russia seem unfounded, the damage has been done! Whether the media rumor is true or false, it is likely to be qualified as controversial by the rating agencies, and therefore a massive exit by the holding funds.

Monthly arbitrages: Global seed sales for September remain below expectations, although the recovery continues. Although recent signals remain mixed, particularly in the industrial sector, the favorable basis for comparison will enable the recovery to continue. As a result, we believe that risk/reward is temporarily more favorable for equipment manufacturers. We are adding **ASMi** to the OPC and strengthening **ASML**, which is more exposed to markets that are set to rebound. Conversely, we are lightening up on financial stocks (**ING**, **Unicredit**, **Intesa**) in anticipation of a spike in long rates and earnings.

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