

Fidcum's equity veteran Schupp piles further into cyclicals

By Emily Blewett on 19 March 2014



European equity manager [Hans-Peter Schupp](#) has positioned his contrarian fund even further towards cyclical stocks, the veteran investor has said.

Speaking to *Citywire Global*, the Frankfurt-based manager has increased holdings in his [Fidcum SICAV - Contrarian Value Euroland A](#) over the past few months.

The + rated manager said he had added German steel producer Salzgitter, while increasing exposure to French oil company Total and Italian energy company ENI in recent months.

Schupp made room for these positions by reducing and exiting positions in German stocks Aareal Bank and Deutsche Post, Dutch electronics manufacturer Philips, and French car component manufacturer Valeo.

This, he said, was due to a combination of higher valuations among these stocks and also price targets being met.

'We still have an output gap that is normally very good for the stock markets,' said Schupp, referring to the difference between actual economic activity and its potential level.

Investment in resources piled up in the 'supercycle' boom before the start of the global economic slowdown in 2008 are still there, Schupp said, which means companies will not be forced into competing for resources.

Southern comfort

Schupp, who is focused on value investments, said he still finds the cheapest stocks in southern Europe, which offer relative value within the Euro area as well as compare to the US and emerging market stocks.

'We have never understood the euphoria surrounding German stocks and we still hold a strong underweight position in our fund,' he said referring to the 22.5% exposure compared to the benchmark allocation of 30%.

German stocks have most recently dropped from record highs following the spat between Ukraine and Russia. Schupp, however, said that he saw this as only a short term correction.

'This kind of political risk is something we see as affecting the market in a matter of weeks. What we see as the greater risk is the fact that some of the biggest stock markets have seen a five year rally,' he said.

'We think that we are sitting on the amber light for the big stock markets. As soon as we see M&A activity pick-up, we will see a sign that the rally is over,' he said.

The exception to his preference for peripheral stocks is the Spanish stock market, where he doesn't hold any stocks due to valuations.

The Fidecum SICAV - Contrarian Value Euroland A has returned 177.1% in the last five years to the end of February (in EUR terms).

This compares to a 103.26% rise by its benchmark, the EURO STOXX NR index, in the same period. Out of 178 managers in the sector equity eurozone, the performance of the fund ranked first over the five-year period.