



EQUITY

## Bellevue PM: European equity valuations are still attractive

The small and mid-cap section of the equity market showed resilience to the latest news of the Delta variant.

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According to Bellevue portfolio manager [Birgitte Olsen](#) (pictured), there are attractive P/E ratios in some segments of the market right now.

The small- and mid-cap section of the equity market showed resilience to the latest news of the Delta variant and some price correction in technology stocks.

‘Small and medium companies are currently managing to conserve their high growth profile and they are much less exposed to the global economy. In the current environment, the sector of small and mid-caps offers a quite defensive strategy, as it is much less dependent on the overall top-down macro and Covid assessment,’ Olsen said in a video addressing investors.

The relatively high market valuation for equities is the result of underlying support from central banks, high liquidity among investors and growing money supply. This provides the best investment environment for equities.

With regards to European equity valuations, she said: 'Interestingly, forwards multiples are currently declining in Europe, as positive EPS revisions are running quicker than market prices aggregation unfolds. We have observed in Q2 reporting season, companies delivered significant positive earnings surprises and the consensus EPS for 2021 has risen by 16% since January.'

'Forward EPS has risen 26% since the start of the year while markets aggregated by just 20%.'

'This environment is very positive for the performance outlook. Despite the strong market performance, the 12-month forward P/E ratios have contracted by one point and the market has become cheaper.'

Olsen sees the best performance chances with equities from companies that show the most surprising earnings growth.

'Future performance will be driven by earnings momentum solely,' she said.

## Value vs growth

Since April, growth stocks had been outperforming value, as bond yields declined again. On the other hand, markets were sticking to the reopening trade, with increasing inflation expectations and higher overall growth that favoured value stocks.

'Obstacles for the second scenario could be further deterioration through China's crackdown, Fed tapering and an increase in corona variants. With the second scenario, investors should overweigh in growth stocks', Olsen said.

Olsen manages the [BB Entrepreneur Switzerland](#), [Bellevue \(Lux\) BB Entrprnr Swiss S&M](#) and [Bellevue\(Lux\) BB Entrepreneur Europe](#) funds.