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Monthly Monitor

June 2017

Now is the Time to Buy Europe and Bitcoin!

“Now is the time to buy Europe and Bitcoin!” has been the call from market commentators over the last couple of months.

Bitcoin has seen a resurgence post the ransomware attack and European stock markets are enjoying their best relative performance in years. Whilst it is logical to dismiss investing in cryptocurrencies as Bitcoin due to an inability to value them, the argument for investing in Europe carries more credibility.

This year, European equities have been the asset class of choice, significantly out-performing US equities. The out-performance of Europe has been driven by the lower valuations available in the region coupled with subsiding political fears and improving economic data. Its relative performance has also been helped by a slight reversal in the market's love affair with US assets. The euphoria surrounding US assets in the latter part of last year has been replaced by a higher degree of scepticism as the realities of a Donald Trump presidency emerge.

The US equity market is also a victim of its own success, it has provided investors with a greater degree of stability over the last decade than European equity markets. A large part of this stability has come from the sectoral make-up of the US market. It has less exposure to cyclical sectors such as Financials and Commodities and a greater weighting in

to the European market. There are real concerns that this is culminating in a “growth bubble” as illustrated by the fact that the FAANGtastic 5, Facebook, Apple, Amazon, Netflix and Google are all up over 20% this year and now have a market cap larger than the CAC 40 or DAX 30 and nearly as large as the FTSE 100.

Whilst there is strong momentum behind Europe at present, from a valuation perspective, it is not in bubble-like territory. Europe stands well placed to benefit from a pick-up in global inflation but the region still faces many challenges such as Brexit and further political instability. The bottom up approach we employ results in a greater weighting in Europe (Eurozone, UK and Switzerland) over the US at present. This is a reflection of where quality companies are to be found at reasonable valuations and not a top down view of the world. We believe a strong focus on fundamentals and valuation will allow us avoid possible bubbles like Bitcoin and the FAANGtastic 5, whilst at the same time navigate through further periods of volatility that undoubtedly lie ahead.

Valuations of Appian Funds and Main Indices:

	Price Earnings/Ratio	Dividend Yield
MSCI Europe	15.3	3.5
MSCI World	16.6	2.6
MSCI US	17.8	2.1
Appian Value Fund	14.9	3.7
Appian Ethical Value Fund	14.3	3.5
Appian Small Cap. Opportunities Fund	13.2	2.7
Appian Equity Fund	14.1	3.7

Source: Bloomberg, *Calculations based on equity constituents of portfolios.*



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Appian Unit Fund Prices

1 June 2017

Appian Value Fund	142.98
Appian Equity Fund	179.44
Appian Small Companies Opportunities Fund	208.73
Appian Liquidity Fund	106.14
Appian Ethical Value Fund	99.37

For more detailed information on each of our funds click [here](#)

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