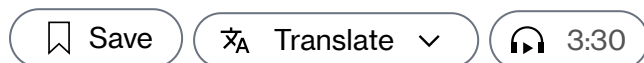


Markets

Euro-Area Fund Beating 99% of Peers Says Autos Are the New Banks

By [Levin Stamm](#)

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✦ Takeaways by Bloomberg AI

- European auto stocks are primed for outperformance after years of lagging, according to Hansueli Jost, manager of Divas Asset Management AG's Eurozone Value fund.
- The fund has raised its autos holdings to about a quarter of the fund and reduced its stakes in banks, such as Societe Generale SA and ABN Amro Bank NV.
- Jost says the auto industry's sales are likely to be at a trough, so there's little downside for the stocks, and they should surge even if earnings just normalize, aided by cheap valuations and robust balance sheets.

European auto stocks are primed for outperformance after years of lagging, according to a market-beating investor who's selling long-time winners in the banking sector.

Divas Asset Management AG's Eurozone Value fund has raised its autos holdings to about a quarter of the fund now, up from about 15% a year ago, according to manager Hansueli Jost. The 64-year-old said he's been underweight on banks since September, for the first time in 17 years.

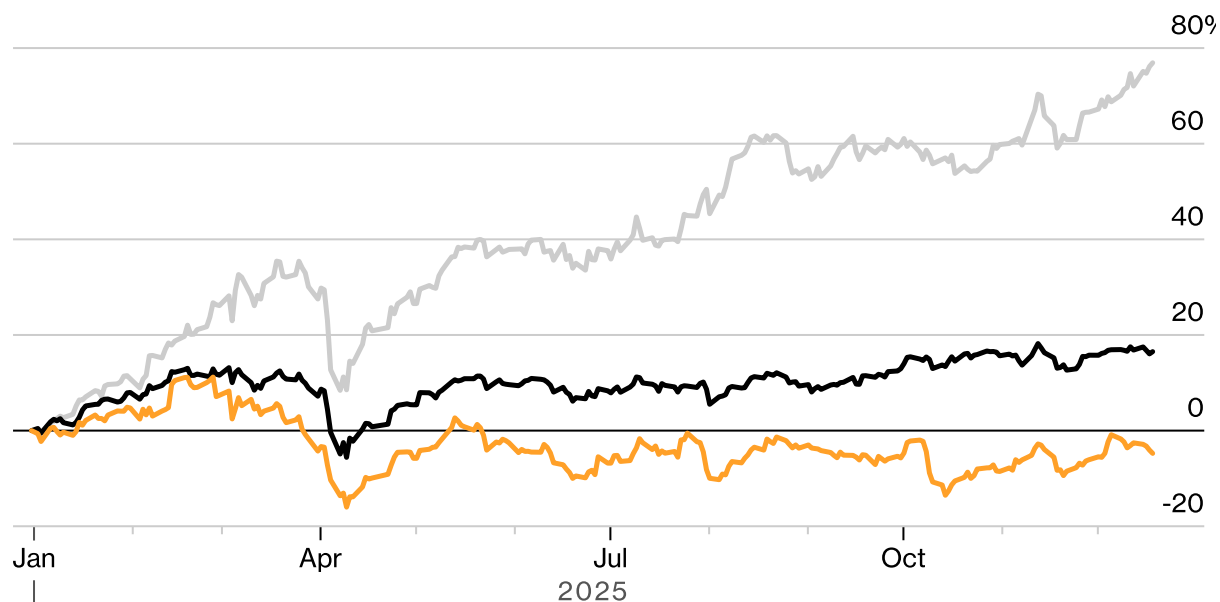
Eurozone Value has reduced its stakes in Societe Generale SA and ABN Amro Bank NV, continuing a rotation away from lenders started in spring 2024, while its holdings now include carmaker Mercedes-Benz Group AG and parts company Forvia SE. Jost also has increased holdings in defensive stocks such as Belgian brewer Anheuser-Busch InBev and Germany's Henkel AG, said the manager, whose fund has returned 20% annually the past five years, better than 99% of peers.

Euro-Area Auto Stocks Have Underperformed Banks, Benchmark

Euro Stoxx Automobiles & Parts

Euro Stoxx 50

Euro Stoxx Banks



Source: Bloomberg

“Retail banks are now fairly valued,” said Jost. “Everyone is in there and now it’s difficult to find the incremental buyer. So we moved into autos because that is the sector which now is the new retail banks.” This year, the €520 million (\$610 million) fund managed by Jost and Leonardo De Fezza has returned 34%.

His portfolio shift is an example of how contrarian investors in Europe are looking for the next set of winners now that banks have outperformed for several years. Brokerages and other fund managers still see upside for the stocks, Europe’s best-performing sector this year and since the market’s pandemic low in 2020.

UBS Global Wealth Management strategists upgraded European lenders to attractive last month on improving loan growth and robust shareholder returns. An index of euro-area banks has returned 89% this year alone on strong earnings, generous investor payouts, improving economic prospects and industry consolidation.

Jost, who says he stopped reading brokers’ stock research more than 20 years ago, developed his value-hunting strategy over a four-decade career at firms including Morgan Stanley, UBS Group AG and GAM Holding AG.



Hansueli Jost Source: Divas Asset Management

His portfolio consists of about 25 stocks, picked from a universe that he has over the years trimmed to just 80 mostly large, liquid companies “dominant within their product range in at least one product category,” he said. In a crisis, such companies can protect their free cash flow much better than those that aren’t dominant, according to the fund manager, who generally looks for stocks trading at least 30% below his estimate of fair value.

In the case of the auto industry, sales are likely to be at a trough, said Jost, so there’s little downside for the stocks. They should surge even if earnings just normalize, aided by cheap valuations and robust, cash-loaded balance sheets, he said. Plus, if the broad market sells off, automakers should hold up better than the big winners of the past few years, he said.

Carmakers got a bit of a reprieve this week when the European Union pulled back from an effective ban on combustion engines and offered more flexibility for carmakers in the transition to cleaner transport.

“If the market consolidates, you can sell what you own, and the world owns tech and growth,” said Jost. “No one owns cars, so no one is going to sell cars.”

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Jost is content to stick with out-of-favor stocks, seeing far more upside from here than for long-time winners such as banks.

“If you have more than 70% of holdings at multi-year lows when the market is at all-time highs, you don’t need to be a rocket scientist to see that this is a very attractive proposition,” said Jost.



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