

## Ethical Emerging Markets Value

EQUITY

# Markets hold steady

## Wide variance between countries

**Markets.** In April, emerging market equities (as measured by the MSCI Emerging Markets index) rose over 2% in USD terms, but only 0.06% in euro terms as the USD weakened over the month. Meanwhile developed market equities (MSCI World) gained 2.18% in euro terms.

March had seen rising U.S. treasury yields and a stronger U.S. dollar. In April, this reversed somewhat: the dollar fell 2.1% as U.S. treasury yields eased. This dollar weakness was a driver for emerging currencies rising slightly in aggregate, with some showing stronger gains, such as the Brazilian Real rising 3.6% against the dollar.

However, in equity markets, perhaps the dominant theme was U.S. strength, with vaccine progress and improving economic numbers driving stock markets. In contrast, the COVID-19 situation remains bleak in some emerging markets, such as India, Brazil, and Thailand. There was significant variance between country returns. Among the strongest were Poland, Taiwan and Brazil (up around 7, 5 and 4% respectively). Taiwan refreshed all-time highs, driven mainly by non-tech sector companies; 1Q GDP beat expectations, driven by both exports and capex. In Brazil, both the COVID and fiscal situation remains tough, but after severe underperformance earlier in the year, equities rallied. Among the weakest were Chile and Peru (down around 11 and 9% respectively), with Peru facing a run-off presidential election between left wing Pedro Castillo, and right-wing Keiko Fujimori.

Among sectors, Materials led the way, driven by price increases in iron ore and metals. The weakest sectors were Real Estate and Energy.

## Fund in line with market

**The Portfolio.** After strong gains in March, in April, the fund was essentially flat (up 0.01%) and in line with MSCI EM returns of 0.06%. Emerging market value equities in general – as measured by MSCI EM Value – performed fractionally less well than the wider market in April.

Among the fund's stronger contributors were Sinopharm Group and Tupy. Tupy is a Brazilian small cap maker of engine blocks for automobiles, and during April, anti-trust authorities in Brazil approved a large, previously announced, acquisition. Sinopharm Group, China's largest pharmaceutical wholesaler and retailer, is a relatively new holding, first bought in March this year. As value investors looking through a long-term lens, we often find companies that are currently unloved by many investors, but look like compelling long-term opportunities to us. In recent years, China introduced regulations to improve transparency and efficiency in drug supply chains. We believe this will benefit larger players like Sinopharm in the long run, but it has pressured the sector in the short-term. Meanwhile COVID actually hurt earnings initially in 2020, as hospital utilization rates for non-COVID reasons fell. As market attention focused on higher growth health care names, Sinopharm Group valuations fell further. We bought with a long-term perspective – but it was pleasant to see the 25% gains during April.

Among the biggest detractors was Gruma, a Mexican food producer, which released somewhat disappointing first quarter results. Lockdown had been good for Gruma, as people ate more at home – and that benefit started to ease this year, just as cost inflation picked up.

Return is calculated gross of fees and excluding swing.

See performance and fund data [Click here](#)

### Strategy

Ethical Emerging Markets Value invests in equities issued by companies from Emerging Markets, cf. the fund's prospectus. Stocks are selected using the value strategy, meaning that through careful fundamental analysis, the team strives to identify companies that trade at healthy discounts relative to intrinsic value. A risk-aware approach to the portfolio construction ensures a well-diversified portfolio and broad exposure across sectors and countries.

For further information we refer to the prospectus, the key investor information document and the current annual / semi-annual report of Sparinvest SICAV which can be obtained free of charge at the offices of Sparinvest or of appointed distributors together with the initial statutes of the funds and any subsequent changes to such statutes. Investments are only made on the basis of these documents. Past performance is no guarantee for future returns. Investors may not get back the full amount invested. Investments may be subject to foreign exchange risks. The indicated performance is calculated Net Asset Value to Net Asset Value in the fund's base currency, without consideration of subscription fees.