

## Ethical Global Value

EQUITY

# Equities continued to rally

## Markets rose at a moderated pace

**Markets.** During April equity markets continued their rise, albeit at a moderated pace as compared with the prior month. The MSCI World rose by 2.18% in the month supported by an improving economic outlook driven by a very high vaccination rate in the U.S. and generally strong quarterly earnings reports, led off by U.S. banks that began to reverse much of the COVID-19 loss provisions taken in the same period last year. Macroeconomic data was more mixed, with some indicators in the U.S. suggested that the recovery, whilst still robust, is decelerating, with manufacturing indices coming in at unexpectedly lower levels compared to their March highs.

Despite the failings of the EU vaccination program and the continued state of lockdown across many European countries, European equity markets performed broadly in line with the U.S. market. Amongst major markets, Japan was the laggard, declining 3.86% in euro terms. The declines in Japanese equities were due to rising COVID-19 infection rates and increased fears around lockdown measures potentially impacting the Olympics, due to be held in three months' time.

After several months of sharply rising yields, bond markets were more mixed in April. Yields on U.S. Treasuries declined as Congress negotiated down in size President Biden's potentially inflationary recovery plans and the Federal Reserve tightened prior language on inflation targets. Yields on German Bunds rose in the month; however, the yield on 10 year Bunds remains significantly negative.

The dollar gave up all its March gains against the euro as currency markets looked beyond the lockdowns in Europe. Commodities trended higher in the month, with economically sensitive commodities copper, oil and iron ore all rising in the month.

## The value rotation took a pause

**The Portfolio** gained 2.16% during the month while the MSCI World index was up 2.18%. Although the portfolio performed essentially in line with the broad market index, it significantly outperformed the MSCI Value index, which only returned 0.71% in the month. The underperformance of the value style, as evidenced by the performance of the value index, marked a pause in the strong rotation to value that had been ongoing since the fourth quarter of 2020. Although long term inflationary risks in the economy remain, reduced fears of an imminent inflationary environment led to declining rates, with the decline in rates the driver of the recovery in longer duration growth stocks. The underperformance of the value style was a major detractor from portfolio performance. However, the portfolio benefitted from good stock selection returns, which were enough to offset the negative headwind from the style.

The outperformance of growth stocks in the month was reflected in the composition of sectors that performed well. Information Technology was one of the strongest sectors in the market, along with Communication Services, which includes many internet companies such as Alphabet (parent company of Google) and Facebook. Weaker sectors included Energy, despite the strength in oil prices, along with Industrials. Defensive sectors such as Utilities and Consumer Staples were also relative underperformers.

As mentioned above, the portfolio benefitted from strong stock selection. Good individual performers in the portfolio included Discover Financial Services, the U.S. credit card company, Nokia, the Finnish communications equipment manufacturer and U.S. clothing retailer American Eagle.

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

Return is calculated gross of fees and excluding swing.

### Strategy

Ethical Global Value invests in global equities from developed 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 regions. Ethix SRI Advisors performs an unbiased screening to ensure that only ethically sound companies are included in the portfolio.