

STRONG EM EQUITY RETURNS

A month of two halves

Markets. In August, emerging market equities – as measured by MSCI Emerging Markets in euros – rose by 3.08%, which was similar to developed markets (MSCI World rose 2.95%). It was a month of two halves, with emerging market equities dropping around 4% by August 20, and then rallying over 6% to close the month in positive territory. In early August, markets were impacted by the spread of the delta variant of COVID-19 across Asia, and China introducing stricter lock-down measures in response to the worst COVID-19 outbreak there in over a year. Restrictions began to ease later in the month, and in the closing days of August, equities were given a final push by the Federal Reserve Chairman, Jay Powell, who used his Jackson Hole speech to plot a course between rate doves and hawks. Markets however, focused more on the near term dovish intentions, and rates declined after the speech.

At the country level, Thailand, Philippines, and India led the way, all rising 11-12% in euros. A strong currency, strong fiscal support, solid macro numbers, and positive results helped India in the quarter to June. Thailand saw gradual easing of COVID-19 restrictions, an accelerating vaccination campaign, and the highest export levels in 11 years supported by the global reopening.

Among the weakest markets were Brazil and South Korea (both down around 1%) and China, which was flat. Brazil saw political noise with delays to a tax reform bill, and some fears of power rationing. In China, there was considerable focus on the government's "common prosperity" drive, seeking to narrow the

large wealth gap; markets were turbulent as they digested potential implications.

At the sector level, the strongest were Utilities, Financials and Energy. Meanwhile the weakest were Consumer Discretionary (led by Alibaba, Naspers) and Health Care.

Fund lagged slightly in August; solid YTD

The Portfolio. In August, the fund rose 2.74%, compared to MSCI Emerging Markets' rise of 3.08%, and MSCI EM Value's increase of 3.22%. Year-to-date, the fund was up YTD fund up 15.69%, compared to MSCI Emerging Markets' gain of 6.60%, and MSCI EM Value's gain of 11.61%.

The fund was marginally behind MSCI EM during August, but there were not obvious major drivers behind this. At the individual stock level, the fund benefitted from not owning internet giant Alibaba, which continued to struggle, falling 12% as the Chinese government is changing attitude concerned investors. The fund experienced more negative contributions from Aurobindo Pharma, LG Electronics, and Ping An Insurance. Aurobindo is an Indian maker of generic pharmaceuticals, and fell after delivering quarterly results with somewhat muted revenues.

LG Electronics has been experiencing share price volatility as the market works to digest its potential in the electrical vehicle value chain, and in August, this saw some profit taking. Ping An saw some pressure partly due to concern over exposure to Chinese property, and potential impairments there. While we monitor such exposure, Ping An's core insurance operations remain attractive and come at compelling valuations.

See performance and fund data

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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.

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