Fund report, November 2021
Ethical Global Value
Equities

Sparinvest

COVID GOT DEEP INTO THE GREEKS

Markets roiled by Omicron COVID variant

Markets were steady in November until the announcement, on November 25, of the discovery by health authorities in South Africa of a new variant of COVID-19. With fears over high levels of transmissibility as well as potentially reduced vaccine effectiveness, governments reacted quickly to enact travel bans and increase domestic restrictions.

Equity markets suffered sharp falls in the last week of November over concerns the variant, subsequently named Omicron, would cause significant harm to the global economic recovery. After having risen almost 4% during the month to November 25, the MSCI World Index ended the month with a more modest increase of 0.56%.

European markets suffered the most in the month as Omicron piled bad news onto an already deteriorating COVID infection situation. Even prior to the discovery of Omicron, a number of European countries had initiated stricter rules particularly in respect of unvaccinated segments of their populations. The MSCI Europe index declined by 2.49% in the month, compared to rises of 0.28% and 1.73% for the MSCI Japan and U.S. indices respectively.

Despite the emergence of Omicron, at the end of the month Federal Reserve Chairman Jerome Powell conceded that inflation was no longer 'transitory' and admitted that inflation risked becoming 'persistent'. This change of tone led to higher short-term yields in the U.S., although longer term yields declined, further flattening the U.S. yield curve. The Dollar strengthened against the Euro during the month, reflecting the rising macro-economic uncertainty in Europe.

Value stocks struggled with declining long rates

The Portfolio declined by 1.01% in the month, underperforming the MSCI World index, which rose by 0.56%. The portfolio slightly outperformed the MSCI World Value index which declined by 1.08% As indicated by the performance of the Value index as compared to the broader index, the main driver of the portfolio underperformance was the performance of the value style. Although short rates rose, particularly in the U.S., the decline in long rates bolstered the valuations of stocks with a growth focus.
Information Technology was the strongest market sector in the month with significant benchmark names such as Apple, Tesla and Microsoft posting strong performance. Financials was one of the weakest sectors in the month despite rising short-term rates as the flattening U.S. yield curve limited the benefit for banks from rate rises. Other sectors were mixed as the market proved unforgiving for businesses that struggled to offset supply chain and cost inflation issues in their quarterly earnings reports. Finally, cyclical stocks, such as those in the Materials sector, were hit in the final week of the month as fears rose about the impact of Omicron on the global economy.
Stock selection was a negative contributor to performance, however much of the negative selection was related to the outperformance of large benchmark position stocks discussed above. Within the portfolio U.S. pharmaceutical company Pfizer performed well, as expectations grew for a new round on COVID vaccinations to counter Omicron. U.S. clothing retailer American Eagle also had a strong month as it reported good earnings, successfully managing supply chain issues that had bedeviled competitors.

See performance and fund data Click here >

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 Adviors performs an unbiased screening to ensure that only ethically sound companies are included in the portfolio.