

MODERATE GAINS CONTINUED

Country returns diverged significantly

Markets. In October, emerging market equities (as measured by MSCI Emerging Markets in euros) rose 1.13%, while developed market equities (MSCI World) rose 5.82%.

Emerging markets performed strongly for much of the month, driven by solid results and forward guidance as corporate earnings came out. However, markets fell off late in October, partly due to downgrades to China's economic outlook, and some signs of increased tensions between the U.S. and China – although the latter seems a relatively fluid situation, with collaboration in some areas, and competition or confrontation in others.

At the country level, there were significantly divergent returns. China gained 3.7%. In Latin America, Peruvian equities gained almost 14%, with strong currency gains, after President Castillo appointed a new, moderate-left Prime Minister and appeared to shift towards a more stable political environment. In sharp contrast, Brazilian markets fell almost 9%, after negative macro figures on the back of supply chain challenges, inflation, and continued political noise. Brazilian equities now trade at very low valuations.

Energy prices indeed remained high during the month, with the benchmark Brent crude oil price rising to \$84 per barrel by month end. Although natural gas prices remain elevated they declined from their recent peaks in response to supply comments from major gas producers, notably Russia. The generally strong energy environment helped Russian equities to rises of 4.3%.

Style challenged; selection strong

The Portfolio. In October, the fund rose 0.68%. This was slightly behind the 1.13% rise in MSCI Emerging Markets, but slightly ahead of the 0.47% rise in MSCI Emerging Markets Value, a broad gauge of the value style. Year-to-date, the fund is up 12.64%, versus 5.44% for MSCI EM, and 10.77% for MSCI EM Value.

In broad terms, the fund's overall investment style was somewhat negative during the month, with value equities relatively weak. This echoed developed markets. Bond markets responded to the higher inflation figures by driving intermediate term yields higher in both the U.S., but long-term yields were flat or even declined, reflecting broader macro-economic concerns. This generally favored growth stocks, which are longer duration.

However, while style was a headwind, individual selection returns were positive for the fund. Among the stronger performers was Bank Negara Indonesia, which rallied 32%, and late in the month delivered results, which suggested asset quality is improving, with potential for lower credit costs in 2022. Meanwhile Geely Automobile, a Chinese car assembler, gained 21%. Newsflow in October included the acquisition of a further 10% stake in Zeekr, an electric vehicle brand in which it already held 48% of shares. The incremental step perhaps drew market attention to the medium to long-term transitional potential in Geely's operations.

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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