

SELL-OFF ON FEARS FOR ECONOMY

China stood out with strong gains

Markets experienced significant declines in June, with large falls in major equity markets driven by increased fears for the global economic outlook. Worse than expected U.S. inflation – around a 40 year high – was the backdrop, with rising interest rates leading to lower forecasts for growth, with scepticism mounting over the ability of the world's central banks, most prominently the U.S. Federal Reserve, to manage a soft landing.

Emerging market equities (as measured by MSCI Emerging Markets in euros) fell by 4.34% in June, somewhat less than developed markets (MSCI World), which dropped 6.41%.

With fears of recession intensifying, commodities and materials were hit, with sharp declines in prices of nickel, copper, aluminum and iron ore. This was reflected in regional equity performance, with commodity exposed Latin American markets such as Brazil, Chile, and Peru suffering declines of around 15 to 17%. Meanwhile, North Asian markets such as Korea and Taiwan have significant exposure to technology, and amid concerns over global consumer demand, those markets also saw double digit declines.

China was the only market with positive equity returns, and stood out with gains of around 9% in euros. The rally was driven by Shanghai reopening and the relaxation of some country level restrictions, along with some signals that U.S. tariffs on China goods

could be reduced. Commodity price weakness also helped.

Fund declines somewhat limited versus market

The Portfolio. In June, the fund fell by 3.91%, slightly less than 4.34% decline in MSCI Emerging Markets, and also marginally less than the 4.00% decline in MSCI Emerging Markets Value.

This means that, so far in 2022, the fund has declined by 1.00%, compared to falls of 10.40% for MSCI Emerging Markets, and 6.33% for MSCI Emerging Markets Value.

In June, emerging market equities did not see dramatically different returns between value and growth stocks, and the fund's allocations to specific sectors and geographies did not appear to be a major driver of returns.

The primary explanation for the fund faring marginally better than the wider universe, was selection returns – the idiosyncratic performance of individual holdings in the fund. That said, in a strong month for Chinese equities overall, the list of stronger contributors in June was dominated by Chinese holdings, such as car dealer Geely Automobile, and Travelsky Technology, a provider of technology solutions for the air travel industry. Weaker performers including larger technology names such as SK Hynix, caught in the broad market sell-offs noted above.

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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