

EMERGING MARKETS RALLY

Lower U.S. inflation and China reopening

Markets. In terms of stock market performance, November 2022 was perhaps the best month for emerging markets since 2009. Emerging market equities, as measured by MSCI Emerging Markets in Euros, gained 10.23%, notably more than developed markets (MSCI World), which rose 2.66%.

During the first half of November, markets rallied after U.S. inflation figures were softer than expected, with the potential to slow the pace of U.S. Fed hikes. The U.S. dollar weakened, and almost all emerging market currencies strengthened against the dollar – which helped to fuel the emerging market equity rally.

Emerging market strength in the second half of November was driven by optimism that China was moving towards a relaxation of its strict COVID policies.

Chinese equities had been on a downward trend since late June, and in November, they rallied sharply – rising over 24% in euros. Valuations rose, driven by hopes that the relaxed COVID policies could fuel reopening demand, measures to support the housing market, and some easing of political concerns after Presidents Biden and Xi met in Bali. After China, Taiwan was the next strongest performing market.

Meanwhile, Saudi Arabia was the weakest market, with equities declining over 10% on the back of oil price declines. This also meant that among sectors, Energy was among the weakest.

Real Estate was the biggest gaining sector globally, up over 30% on the back of extreme share price rallies in China. The Consumer Discretionary and Communication Services sectors were also robust, driven mainly

by large Chinese internet names such as Alibaba, Meituan, and Tencent.

Chinese holdings dominated top performers

The Portfolio. In November, the fund gained 9.13%, slightly less than the broad MSCI Emerging Markets index, which rose 10.23%. Meanwhile, the MSCI Emerging Markets Value index, a measure of value stocks, rose 8.90%.

This means that in the first eleven months of 2022, the fund has gained 0.41%, while MSCI Emerging Markets fell 10.49%, and MSCI Emerging Markets Value fell 5.60%.

In November, the fund benefitted from having a somewhat higher exposure to China than the wider market. A number of holdings there saw strong gains, with – for example - Ping An Insurance rising over 46%, and China Lesso, which makes home building materials such as plumbing products, rising over 43%.

Despite this, in November the fund overall rose slightly less than the wider market (MSCI Emerging Markets). The value universe in general was somewhat weaker. It is important to note that this was a month of extreme market gains for some very large benchmark stocks, so the main detractors to the fund's relative performance were in fact the fund's lack of exposure to Tencent and Alibaba, and relatively low exposure to semiconductor giant TSMC.

In November, the fund naturally benefitted slightly from its lack of exposure to fossil fuels, but on a year-to-date basis, the fund has naturally suffered a negative impact from this lack of exposure to oil price gains. Our focus, of course, remains on the long-term.

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.