

MARKETS FELL ON RATES

Fed commitment to higher rates hurt markets

Markets. September was a lackluster month for emerging market equities in general: as measured by MSCI Emerging Markets in Euros they fell by 0.17%. They did, however, mildly outperform developed markets (MSCI World), which fell by 1.91%.

In the U.S. the Federal Reserve stressed a commitment to higher rates. This commitment was supported by stronger than anticipated economic data, notably on unemployment levels. The Federal Reserve statement led to the realization in the market that rates would remain high, and this led to a market sell-off generally. It also led to a stronger dollar, which contributed to weakness in emerging currencies.

From a sector perspective, Energy led markets with gains of over 4% on the back of a strong rally in oil prices. The higher rate outlook generally impacted higher priced growth stocks more, and this was reflected in weaker performance in sectors such as Communication Services and Consumer Discretionary, where companies such as JD. Com, Meituan, Tencent and Naver posted negative returns.

At the country level, China showed improving macro-economic data and continued policy support, although this did not prevent returns slipping just into negative territory in the month. Thailand was particularly weak, falling over 7%, as the Thai Baht weakened sharply, and impacted in particular by one index name, Delta Electronics, falling 25% as its parent company

launched a discounted share sale. India was the strongest market, gaining over 4%.

Fund gains on value style and selection

The Portfolio. In September, the fund gained 1.00%, somewhat more than the MSCI EM return of -0.17%. This means that year to date, the fund has gained 4.82% while MSCI EM is up 2.64%.

Notably, in September MSCI EM Value, a broad index of value stocks, was up 1.47%, and global markets generally saw value equities perform, benefiting from the higher for longer rate outlook, in comparison to higher-priced growth peers.

However, the fund's relatively strong performance compared to MSCI EM was also influenced by individual stock selection.

Strong performers included Bank Negara Indonesia Persero, which gained close to 14%, partly driven by results which showed loan growth gaining pace.

In India, generic drugmaker Aurobindo Pharma gained almost 13%, continuing a strong rally over the past several months. Other strong performers were diverse, including Magyar Telekom of Hungary, China Merchants Port Holdings, and China Construction Bank. Weaker performers including Chinese real estate company CIFI Holdings, and Hengan International, a maker of personal hygiene products.

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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