

LOWER YIELDS SUPPORTED EQUITIES

Cooling inflation and rallying markets

Markets. In November, emerging market equities, as measured by MSCI Emerging Markets in Euros, gained 4.63%, a solid absolute return, albeit slightly less than the 5.96% return of developed markets (MSCI World). So far in 2023, this means emerging market equities have gained 3.39%, compared to 15.42% for developed markets.

Global equity markets were bullish, as moderating inflation fueled hopes that interest rates peaked. The Federal Reserve (Fed) left interest rates un-changed for the second consecutive meeting, and seemed to suggest that more rate hikes are not likely. Macroeconomic data seems to indicate tentative signs of economic moderation in the U.S. Jobless claims rose modestly, while retail sales slipped, and ISM manufacturing was unchanged and remained in contraction. Together with cooler than expected inflation this seems to have convinced investors that the Fed is done hiking and will soon turn to cutting rates. All major global equity regions saw strong returns.

In emerging markets, emerging currencies were generally strong, as US treasury yields and the US dollar weakened.

Within emerging markets, Korean and Latin American stocks were strongest, with double digit percentage returns in Korea, Brazil and Mexico. China was a relative laggard, with slightly negative returns, due to low confidence in a Chinese macro economic recovery, and earnings guidance from internet and consumer-related companies that was lower than expectations.

While communications giant Tencent gained around 10%, consumer-related internet names such as Alibaba and Meituan fell around 10%.

In line with the global market tone, growth stocks dominated. MSCI EM Value rose less than the wider market, and from a sector perspective, it was growth-oriented sectors such as IT and Communication Services that led the market. Consumer Staples the weakest, due primarily to Alibaba and Meituan.

Fund on par with market in month, ahead YTD

The Portfolio. In November, the fund gained 4.56%, on par with MSCI EM's return of 4.63%, and somewhat ahead of MSCI EM Value – a broad index of value stocks – which rose 3.42%. So far in 2023, the fund has gained 6.53%, compared to 3.39% for MSCI EM and 6.01% for MSCI EM Value.

Looking at return drivers in November, the fund's returns were close to MSCI EM, and there were not dramatic drivers of relative returns. Style was not a positive driver – unsurprising in a month in which value overall lagged growth.

In terms of individual holdings, positive contributors to returns were diverse, from South Korean chipmaker SK Hynix, to Banco do Brasil, to Taiwanese bicycle maker Giant Manufacturing. Not owning Alibaba also contributed to returns. Among the negative contributors was Ping An Insurance Group of China, reflecting the wider Chinese macro concerns.

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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