

STRONG MONTH FOR EM EQUITIES

AI drove Asian tech stocks

Markets. In June, emerging market equities (as measured by MSCI Emerging Markets in euros) rose by 5.29%, while developed markets (MSCI World) gained 3.35%.

Global developed markets rallied by 3.35% in June, but these were notably thin markets, driven largely by gains in the U.S., and by one stock: NVIDIA. Global emerging markets (EM) outperformed developed markets, and this was also driven by an AI (artificial intelligence) tech rally, particularly in Taiwan and Korea. The largest contributors to index returns were all Asian tech companies: TSMC (up around 20%), Samsung Electronics (14%), SK Hynix (28%), and Hon Hai Precision (26%).

South Africa and India also performed strongly after elections. In South Africa, the ANC announced the formation of a Government of National Unity with the Democratic Alliance and others; the country has also struggled with electricity generation difficulties, but June continued a recent trend of improvement.

Meanwhile, Mexican equities fell, as did the currency, due to political concerns after elections there, with Morena winning a supermajority in Congress that triggered concerns about excessive power concentration.

Interestingly, the USD was strong in June, a dynamic that is usually associated with weaker EM equities.

Strong performance year-to-date

The Portfolio. In June, the fund gained 4.08%, slightly less than MSCI EM's return of 5.29%. Meanwhile MSCI EM Value, a broad measure of value equities, gained 4.67%. This means that in the first six months of 2024, the fund rose 13.18%, compared to 10.79% for MSCI EM, and 9.73% for MSCI EM Value.

In June, compared to the MSCI EM index, the fund suffered slightly from a relative overweight in Mexico, and underweight in Taiwan, which was the strongest major market in the month. There is an interesting reflection on market concentration here: the fund's largest position during June was TSMC, but this same company was also one of the fund's largest underweights compared to MSCI EM, with TSMC averaging a huge 9.29% weight in the index. As such, the fund's underweight in the company (and by extension the country) detracted from performance. Elsewhere, the fund benefitted from owning Korean memory maker SK Hynix, and Hon Hai.

Year-to-date returns are encouraging, with the fund well ahead of both MSCI EM and MSCI EM Value. The primary driver of the outperformance appears to be stock selection, with selection highlights including Hon Hai, and Korean names such as KB Financial, SK Hynix, and Samsung Electronics – with the Korean government's 'value up' initiative on corporate governance playing its part.

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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