Fund report, January 2025
Ethical Global Value
Equities

Sparinvest

THE TIMES THEY ARE A CHANGIN'

European equities drove ahead

Markets had a strong start to the year, with the MSCI World rising by 3.13% during the month, seemingly beginning 2025 in the same style as 2024. However, in a stark contrast to 2024, it was European equities that drove markets higher, with the U.S. lagging.

The catalyst for varying geographic performance was monetary policy action by central banks. In Europe, the European Central Bank continued to ease despite inflation remaining above target levels, responding to continued softness in the economic performance of major economies such as Germany. In contrast, the Federal Reserve in the U.S. decided against further interest rate cuts for the time being due to the inflationary nature of potential tariffs and immigration reform. The decision by the Federal Reserve was unexpected, despite markets having **continued** to factor in a less doveish policy in the U.S. The decision also earned the ire of President Trump, raising market fears of a change of the Chairmanship of the Federal Reserve and a drop in independence.

Compounding the difference between European and U.S. indices for the month, late in January a Chinese artificial intelligence startup, DeepSeek, announced lower costs than U.S. rivals, putting into doubt the need to ever higher spending on advanced technologies in order to compete in AI. This announcement roiled markets, but was mostly felt by U.S. technology stocks that had been primary beneficiaries of the AI market trend over the past eighteen months. AI posterchild Nvidia alone lost over $600 billion of value in a single day.

Commodities strengthened in the first half of the month, buoyed by prospect of continued U.S. economic growth, however the strength was tempered in the second half of the months by rising fears of tariffs igniting a global trade war.

Value made a fast start to 2025

The Portfolio rose by 5.22% in the month, above the 3.13% return of the MSCI World. The style of the fund was a modest positive, with the value style showing positive returns, although the portfolio's mid and small-cap tilt continued to prove a headwind. The MSCI World Value index returned 4.10%, above the return of the MSCI World index although below the return of the portfolio. Relative to the MSCI World Value the portfolio outperformed due to its greater exposure to the value style, as well as positive stock selection.

Information Technology was the weakest sector in the month, as the AI sell-off impacted large technology names. Not all Magnificent Seven stocks were weak in the month, as strong returns from Meta and Alphabet led Communication Services to be the best performing sector, reflecting expectations of a lower regulatory burden under President Trump. Financials and Health Care were also strong performing sectors, with deregulation also a theme.

Stock selection was a positive source of returns in the month. Against the MSCI World index a lot of positive stock selection came from not owning expensive AI related names. However, the portfolio also had positive selection against the MSCI World Value index, which was driven by strong individual stock performance by a number of holdings. U.S. automotive parts company Dana as the company improved its earnings outlook due to increased cost savings. U.S. bank Citigroup was also a strong performer in the month as the company reported strong earnings for the final quarter of 2024. French pharmaceutical company Sanofi performed well in the month as fears over U.S. healthcare reform receded.

See performance and fund data Click here >

Strategy
Ethical Global Value invests in global equities from developed 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 regions. Ethix SRI Adviors performs an unbiased screening to ensure that only ethically sound companies are included in the portfolio.