

# Strong month for EM equities

## Memory makers lead markets

Markets. In January, emerging market equities (MSCI EM in Euros) gained 7.46%, considerably more than developed markets (MSCI World), which rose 0.93%. This was despite geopolitical volatility relating to the US and Venezuela, Greenland and Iran.

Several themes continued from late 2025. The strong-performing EM sector was Information Technology (up over 15%), while the strongest country was South Korea (up over 26%). This reflected strong performance from semiconductor players, in particular Korean memory makers SK Hynix and Samsung, which delivered strong results and outlooks. Memory supply and demand conditions remain extremely tight, amid a demand boost from AI infrastructure build.

The Materials sector was also strong, gaining over 11%, driven by strong pricing in both precious and base metals – although the precious metal rally took a severe hit late in January, when US President Trump nominated the relatively conventional Kevin Warsh to be the new Chair of the Federal Reserve. Other potential candidates had been viewed as less hawkish on inflation, and more subject to the President's influence.

A weak USD had been a macro tailwind for EM equities in 2025. This continued in January 2026, with for example the Chinese renminbi reaching its highest point against the dollar since mid-2023.

Indian equities remained weak, falling over 6% in January, despite reasonable macro conditions and an India-EU trade deal being agreed. They were pressured by mixed corporate earnings, a weak currency, rising oil prices, and the potential for the US to sanction any country trading with Iran.

## Strong relative performance

The Portfolio. In January, the fund gained 10.57%, considerably more than MSCI EM's return of 7.46%. The fund also outperformed MSCI EM Value, a broad measure of value equities, which gained 7.56%.

Compared to MSCI EM, the fund's relative strength was driven primarily by individual stock selection. This came from diverse holdings, including Hyundai Motor, which rallied in response to developments in its robotics offering, Chinese internet firm Baidu, Chinese insurance Ping An, and Peruvian bank Credicorp.

While MSCI EM Value performed only on par with the wider market, Sparinvest Ethical EM Value did appear to benefit somewhat from its relatively high exposure to companies with statistically low valuations.

The fund also benefitted from its relatively high Korean exposure. The fund has long-standing exposure to the strongly performing memory makers Samsung Electronics and SK Hynix, while SK Telecom also gained over 30% in January, partly due to increased market focus on its investment in Anthropic, the AI firm behind Claude, and the potential for shareholder returns.

The fund's relatively low exposure to India also supported relative returns, given the weakness in that market in January.

Compared to MSCI EM Value, the fund's relative strength was also largely explained by selection returns, its Korean exposure, and the underweight in India.

## 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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