

## Ethical Global Value

EQUITY

# Continued the upward trend

## Unusually low volatility in stocks

**Markets** The month of August was characterized by unusually low volatility in the stock market. The volatility index (VIX) for the S&P 500 mainly traded in a range between 11 and 13. It normally trades between 13 and 18. The fixed income market volatility was also quite low. Long interest rates in Europe were more or less unchanged, whereas long interest rates were generally a bit higher in the US at the end of the month. This development was primarily caused by the fact that macro data in Europe in general came out as expected, and data in the US (especially Nonfarm Payrolls) was slightly stronger than anticipated.

The trend in equity markets is still higher and is broadly based with momentum across the global markets, which still indicates risk-willingness. The price of oil (WTI) increased by 8.7% in August, which also serves to indicate optimism.

In currency markets the Pound finally found willing buyers after an almost continuously declining trend since the British decision to leave the EU. The most liquid, British property funds also increased throughout August and are now almost back at the pre-Brexit decision levels. In other words, the market is no longer troubled by the Brexit decision.

Rate expectations in the US were increasing throughout the month and it appears increasingly likely that the Fed is going to hike interest rates before year-end. The Fed governor, Janet Yellen, is recognizing the progress of the US labor markets and is also indicating that the rate decisions are depending on further progress.

## The fund kept on outperforming

**The Portfolio** Global stock markets continued the upward trend from last month, albeit more muted, as MSCI World was up 0.49 %. The fund gained 1.03 % (0.54 % outperformance) and added to the year-to-date outperformance.

Healthcare stocks were among the relative losers as Hillary Clinton launched a new attack on drug pricing. Whether there is a real risk of post-election legislative changes re-mains to be seen, but headline risk alone pushed prices in August. The more hawkish tone by the FED fueled a rally within financial stocks around the world while investors shunned rate sensitive bond proxy-stocks, which can be seen by the significant underperformance of Utility stocks. As predicted, the same interest rate dynamics applied for value stocks, which outperformed the overall European market during the month. The fund benefitted from both its sector exposures (underweight Healthcare and Utilities) and its inherent value style.

The more company-specific returns were generated among financial stocks where our bank exposure around the world helped us outperform the market. Citigroup, Mitsubishi UFJ and Danske Bank were all among our top performers in August. Meanwhile, our Dutch financial institution, ING Group, posted strong results in the beginning of the month based on strong loan growth as well as good earnings resilience, and it ended up being the best performer in a strong sector.

[See performance and fund data](#)
[Click here >](#)

### Strategy

Ethical Global Value invests in global equities, i.e. US, European, Japanese and other East Asian equities. A small proportion can be placed in other securities. 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 Advisors performs an unbiased screening of companies to ensure that only ethically sound companies are included in the portfolio.

For further information we refer to the prospectus, the key investor information document and the current annual / semi-annual report of Sparinvest SICAV which can be obtained free of charge at the offices of Sparinvest or of appointed distributors together with the initial statutes of the funds and any subsequent changes to such statutes. Investments are only made on the basis of these documents. Past performance is no guarantee for future returns. Investors may not get back the full amount invested. Investments may be subject to foreign exchange risks. The indicated performance is calculated Net Asset Value to Net Asset Value in the fund's base currency, without consideration of subscription fees.