

## Ethical Emerging Markets Value

EQUITY

# December closes strong 2016

## Acceptable December in EM

**Markets** Stock markets were moderately strong in December, without any major surprises. Early in the month, Italian PM Renzi lost a constitutional referendum and resigned – the last of many anti-establishment political events in 2016.

As expected, the US Fed reacted to strengthening macroeconomic data by hiking interest rates. Subsequently, the USD continued to strengthen, also helped by a large drop in the US unemployment rate. Oil rallied, after an OPEC deal in late November, which led to strong outperformance of energy stocks in the month.

In December, the MSCI Emerging Markets index rose 0.80%, while MSCI World (developed markets) rose 2.98%. Nonetheless, in 2016 overall, emerging market equities outperformed developed markets, with the best relative performance since 2010.

Most emerging market currencies were somewhat weak against the USD in December, continuing the post-election mood – but notably the Brazilian Real and Russian Ruble strengthened.

## Strong outperformance in 2016

**The Portfolio** The fund gained 1.79% in December, while the benchmark MSCI Emerging Market index gained 0.80%. This means that in the full year 2016, the fund rose 20.08%, well ahead of the benchmark which rose 14.51%.

In December, from a country perspective, our allocations had a mildly positive effect: China was weak, and the fund has relatively less exposure than the benchmark. However, the main driver of the fund's strong returns appeared to be the performance of individual stocks within various countries: contact lens maker Ginko International (Taiwan), construction company Daelim Industrial (Korea), Sberbank (Russia) and tire cord maker Xingda (China) all did well.

Our allocations to different industry sectors were slightly negative, most notably due to the fund's limited exposure to energy-related stocks. However, the fund did benefit from its overall value style, and its mid-cap stocks also performed strongly.

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

### 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.

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.