

Ethical Global Value

EQUITY

A strong end to the year

Strongest growth in years

Markets The global, synchronized expansion continued and we are currently experiencing the strongest growth in years in many countries and regions. Generally, we need to go all the way back to before the Euro crisis or even before the IT bubble to find growth rates this high. The same goes for expectations and confidence.

The growth in European industrial production was at 3.7 percent, and in the U.S. at 3.4 percent. We are also experiencing rapid growth in employment and income in all regions. MSCI World (in euros) was up 0.64 percent during December, but equity markets were even stronger in local currencies, as the euro rallied around one percent vs. the U.S. dollar in December.

Benchmark 10-year government bonds rates rose in December – but mostly in Europe. Rates were going higher because the bond markets expect a faster normalization of the monetary policy.

The geopolitical uncertainty related to tensions between North Korea and the U.S. have not had a noteworthy impact on bond markets in December and the price for insurance against a South Korean government default has continued to decline in December.

Industry tailwinds in December

The Portfolio Global stock markets concluded the year with a minor gain. The fund led the MSCI World index by 0.76 percent and ended up 1.40 percent in December. This means that for the full year 2017, the fund was up 10.76 percent, slightly ahead of its benchmark, which rose 7.51 percent.

The global synchronous growth and corporate earnings acceleration continued to support global stock markets towards the end of the year. An interesting event was the progress in Brexit negotiations. Although the future relationship between the UK and the EU is far from determined, December's news on progress clearly helped lift UK stocks, which were up more than four percent. U.S. markets picked up some tailwind from the passage of tax cuts, while the Federal Reserve raised interest rates as expected. After a strong month in November, Japanese stock markets were slightly negative in December with not much news.

By sector, energy and materials were the best performers with gains of more than three percent while utilities were rock bottom with a five percent loss. With no exposure to utilities and meaningful exposure to commodity stocks that mirrored a surge in underlying commodity prices, active industry exposures resulted in tailwinds.

Finally, contribution from individual stock selection was also positive in December, while contributing about three percent for the year. Once again, German airport operator Fraport was one of best monthly performers as it continued to present sound growth in passenger traffic. It returned more than 65 percent in 2017 and was the biggest gainer.

Return is calculated gross of fees and excluding swing.

See performance and fund data

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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 Advisors performs an unbiased screening 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.