

Ethical Emerging Markets Value

EQUITY

The good start to 2017 continued

Another strong month

Markets Markets Emerging markets had another strong month with a rise of 4.82% in the MSCI Emerging market index. This was slightly better than the MSCI World index (developed countries), and underlines the very positive month in equity markets in general. A very large part of the return was due to favorable currency movements relative to Euro. However, there were a stable development in the energy and commodity markets.

Brazilian shares were again very strong and although they fell back late in the month, the shares rose 6% in the month. The Russian shares continued the negative trend and fell almost 5% and was mostly driven by oil prices.

The US central bank has strongly indicated an interest rate rise in March and this usually means pressure on emerging-market countries and currency, but the belief in growth weights still higher.

China has made a number of initiatives to support the growth in the form of better liquidity in banks, smaller down payment requirements when buying a house and lower taxes. This helps to give the market a belief in a more stable growth in China and the rest of the emerging market countries despite rising interest rates in the United States.

It must also be weighed against the valuation, where emerging market still looks attractive relative to developed markets despite the strong performance recently.

Returns above benchmark

The Portfolio The Fund was up 6.51% in February and beat the benchmark by 1.69% for the month. The return for the first 2 months is as high as 8.85% and 0.96% ahead of the benchmark.

The highest returns came in Asia from Taiwan, Indonesia and China, where we did better than the market. Where particularly the screen manufacturer Coretronic (Taiwan) and handset manufacturer BYD Electronic (China) drew up the return. By contrast, Hungary and Russia drew down and here we delivered lower returns than the market.

Sectors performing well was not surprising IT, but our industry companies fared almost as well. The energy and health care companies fared the worst.

The best performing shares in February was as already mentioned BYD Electronic and Coretronic. The worst performing shares were Korean semiconductor company SK Hynix, and one of the best performing from last month, our copper and gold company Buenaventura of Peru.

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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.