

Ethical Global Value

EQUITY

Shift to more defensive stocks

Positive economic surprises

Markets The already strong macroeconomic figures were continuing at high levels in the month of February. In many cases they even strengthened further – especially for business and consumer confidence surveys. Several of these surveys have now reached the highest levels in many years and the leading indicators across regions all point to higher growth in the coming months.

MSCI World (EUR) gave a return of 4.5% in February. Part of the increase was due to a weakening of the euro, which is again being outpaced by the US dollar, but in general, the equity market did well due to an improvement in the income growth outlook.

Across the G10-countries, economic releases continue to surprise positively and the surprises have actually not been seen stronger since 2010. Despite the improving macroeconomic figures, long interest rates actually dropped throughout the month.

This was especially the case in the Eurozone where financial uncertainty in Southern Europe reappeared. Greece is again negotiating with the Troika, which is so far not turning out as hoped. Government bond spread vs. Germany are therefore widening again.

Just below benchmark

The Portfolio In February, the fund gained 4.06%, while the benchmark, MSCI World index, was up 4.52%.

Earnings season has overall been positive which seems to have supported general equity gains, but sentiment changed during the month. In the beginning of February, the cyclical, reflationary rotation from Q4 slowly continued, but in the second half of the month, investors shifted into more defensive sectors and styles. This shift caused by uncertainties about Trump's fiscal stimulus policies sent investors back into perceived safe and yield sensitive assets. US markets outperformed European markets as news flows about the upcoming French and Dutch elections caused uncertainty to rise. The relative loss was based on several factors. Geographic allocation was a detractor due to the US underweight. Sector allocation was slightly positive mainly due to the underweight in energy. Style impact (value and small cap) was slightly negative as US small caps had a particular tough end to the month. Small caps are typically more domestic oriented, and therefore more sensitive to the outcome of Trump's policies.

Finally and stock selection was slightly negative. We note that we have been witnessing a breakdown in stock-to-stock correlation lately. This means that individual equities are expected to have a larger impact on relative monthly performance than they have had during the recent market rotation. More importantly, it creates an interesting environment for active investors like ourselves.

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.