

## Ethical Emerging Markets Value

EQUITY

# Solid returns across the board

## Strong performance despite turmoil

**Markets** July saw solid performance from most emerging market (EM) regions with the overall market rising around 5% in euro terms. This, and strong inflows into EM, clearly suggests that the search for yield/return is still on the agenda.

The failed coup in Turkey resulted in the deaths of 265 people. President Erdogan reacted with a three-month state of emergency, and by firing tens of thousands of public servants. He believes Fethullah Gulen is behind the coup. This confirms that Turkey is one of the markets with higher political risk, and the market reaction was negative: Turkey dropped around 6% in July, although our holdings there fell only about half that much.

Egypt is in dialogue with the IMF and was the best performing country in July (+21%) on anticipation of a deal coming soon.

Brazil's political challenges are starting to be addressed and this, along with positive earnings developments for Brazilian companies, helped the equity market gain around 10%.

In general, there were positive shifts in earnings expectations in EM, compared to negative adjustments in developed markets. This may also explain the gap in return of 4% between EM and developed markets.

Oil had a negative month, but the current market has still been supportive to materials and gold prices, which helped South Africa to a 9% rise.

## Outperf

### Performance

The month's strong performance again shows how important having EM exposure can be. The fund gained 5.61%, 1.26 percentage points ahead of the benchmark's 4.35%.

Year-to-date the fund is up 12.92% and over 4 percentage points ahead of benchmark.

The outperformance was broadly driven, but the best performing sectors were Materials and IT. In Peru, gold miner Buenaventura gained around 22%, and in Brazil, steelmaker Usiminas rallied 80% on solid results and expectations that they will benefit from Brazil going out of recession. In IT, BYD Electronic gained on speculation of interest from Samsung in the company. The only sector with negative return in the month was our Healthcare, which was driven by our Malaysian Rubber gloves companies.

South Africa was our best performing country (+19%) together with Brazil and Peru. Turkey had a fairly neutral impact: we have more exposure than the benchmark, but our holdings fell much less than the benchmark.

Our South African retailer, Shoprite, rose 28% in the month after delivering results with increasing top line growth.

## Strategy

The fund invest in value stocks. Through careful fundamental analysis, the team strives to identify companies that trade at healthy discounts relative to intrinsic value. A risk-aware approach to portfolio construction ensures a well diversified portfolio. The Fund pursues an active value investment strategy, which is the reason why performance may deviate from benchmark.