

## Ethical Global Value

EQUITY

# Central banks still in focus

## Low interest rates lift asset prices

**Markets** Central banks remain in focus as they continue to struggle with muted growth and inflation expectations. The main event of July was the Fed meeting held on the last day of the month. As expected, the Fed lowered the key policy rate by 0.25 percent, but investors reacted negatively to Jerome Powell's accompanying comments that the move in interest rates did not signal the start of a "lengthy cutting cycle".

A week earlier, the ECB kept interest rates unchanged, but announced that it was looking at more easing measures, such as interest rate cuts and the possible restart of bond purchases. European sovereign bond yields continued to slide and in Germany, the 10-year government bond yield ended July at minus 0.44 percent.

In the UK Boris Johnson became the new prime minister after his victory in the Conservative party leadership contest with roughly two-thirds of the vote. It increased the likelihood of a hard Brexit and the pound faced selling pressure. There was little change in the U.S./China trade relations, but just as the month was coming to an end equity markets tumbled following a tweet from Trump where he expressed discontent about China's purchases of U.S. agricultural products.

In the end, the low interest rates continued to support global stocks market, which performed relatively well with global developed markets gaining 2.79 percent.

## Outperformance from stock selection

**The Portfolio** In July, the fund was up 3.34 percent while the MSCI World index gained 2.79 percent.

Early in the month, Christine Lagarde was nominated to succeed Mario Draghi as ECB leader. The nomination was well received by market participants, who expect that she will maintain Mario Draghi's accommodative stance on monetary policy, which seems greatly needed, as European economic data was still soft. The IMF also revised down its forecast for global growth, warning that downside risk had intensified and that deteriorating U.S./China trade relations and a no-deal Brexit could further slow growth, weaken investment and disrupt supply chains.

Performance dispersion remained high. U.S. equities rose the most due to relatively stronger economic data and corporate earnings with European stocks underperforming the Japanese market when measured in euros. Globally, value stocks trailed growth stocks again, and in spite of growing regulatory and trade risks revenue resilient tech companies were once again the best performing stocks. More cyclical sectors like Materials, Energy and Industrials were among the weakest performing sectors. The fund's geographic, style and sector exposures resulted in minor relative loss compared to the fund's benchmark.

Corporate earnings in portfolio holdings were a mixed bag, but total contribution from security selection dwarfed the negative factor impact. The largest positive contributor was the U.S. credit card lender, Discover Financial Services. Its quarterly report triggered positive sell side reports and the stock was up almost 20 percent in euros.

Return is calculated gross of fees and excluding swing.

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

### 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.