

Ethical Emerging Markets Value

EQUITY

Stock selection key positive driver

Comeback for Mexico

Markets EM equities (MSCI EM in EUR) rose 1.86% in March, and 9.90% so far in 2017, well ahead of developed market equities. Despite concerns of a stronger USD and Trump's anti-trade rhetoric, so far in 2017 most major EM currencies have gained against the US dollar, with only the Turkish Lira and Philippine Peso losing ground.

Mexico was the strongest major market in March, up over 9%, mainly thanks to currency gains. The Peso was hard hit in 2016 by concerns over strong USD and Trump, but is now back to pre-election levels. Mexican GDP figures were revised, the Fed's tone was fairly dovish, and sentiment about the US-Mexico relationship seems slightly less negative.

Indian and Korean markets both rose around 5%. India saw strong victories in state elections for PM Modi's ruling BJP party, and progress on consumption tax legislation. In Korea, courts ratified the impeachment of former President Park, perhaps helping the markets move on from the corruption saga.

Brazilian equities fell almost 6%, but after a very strong January and February. Inflation keeps falling, giving good room for central bank rate cuts, but economic activity data has not yet picked up, and the government announced a budget shortfall.

South Africa saw more political turmoil. In December 2015, President Zuma suddenly appointed an inexperienced outsider as Finance Minister. There was uproar, and after four days Zuma backed down and reappointed the well-respected Pravin Gordhan, who had already been Finance Minister from 2009 to 2014. Since then, Gordhan has pushed for

fiscal discipline and stronger management of state owned companies – but on 30 March, President Zuma fired him and eight other cabinet ministers. S&P immediately downgraded South Africa to junk status, and the South African rand – which had been fairly strong earlier in March, plummeted around 8% towards month end.

Ahead of benchmark

The Portfolio The fund gained 1.77% in March, and so far in 2017 is up 10.78%, versus MSCI EM's 9.90%.

In March, the fund's exposures to different countries had limited impact on relative performance. Similarly, exposures to value and to small cap were not significant drivers of returns.

From an industry perspective, the best performing sector in March was Information Technology – up around 4% – and the fund has relatively low exposure here. However, that was more than offset by our stock selection within IT: our holding BYD Electronic rallied over 27% on improving expectations for the metal casings it makes for mobile phones.

Overall, in both March and 1Q overall, the key positive driver for our fund has been stock selection. March's key contributors include BYD, but also LG Electronics and SK Telecom (Korea), and plastics and prefab buildings maker Sintex (India). Key detractors were the fund's lack of exposure to major IT names like Samsung, Tencent, Alibaba and TSMC.

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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.