

Ethical Emerging Markets Value

EQUITY

Brazil in the spotlight

Brazil again-again

Markets In May, Emerging Markets shares fell for the first time this year by a modest 0.3% measured by the MSCI EM Index. Emerging Markets continued to beat the developed markets measured by MSCI World, which fell by 1.1% in May. Again, the return in local currencies was positive (2.0%), but the euro investor was negatively affected by the fact that the dollar has fallen by approximately 3.0% in May.

A new political crisis in Brazil hit hard and the Brazilian stock market (IBOV) fell by 8.8% in one day, after passive corruption accusations against Brazilian President Michel Temer, who came to power in the wake of corruption charges against the former president less than a year ago. It has caused uncertainty as to whether the ongoing reforms can come through, and the Brazilian central bank lowered benchmark interest rates by 1.0%, consequently.

The rating agency Moody's downgraded the credit rating for China to A1 from Aa3, which was the first time in 30 years due to higher risk of economic slowdown and domestic debt settlements, but China's rating is still at the good end compared to other Emerging Markets countries.

Despite major political impact in many countries, Emerging Markets have still performed well for the year with 10% in returns year-to-date, and valuation looks interesting to the developed markets.

Value in reverse

The Portfolio In May, the fund's return fell by 1.7% while the benchmark (MSCI EM) fell by only 0.3%. This means that the fund fell by 1.4% compared to the benchmark. At the end of May it had yielded a return of 8.3% year to date.

The fund's loss relative to the benchmark was primarily driven by investment style. Measured on benchmark, value shares fell 1.5% more than growth shares. At sector level, our underweight in energy helped and, in addition, good performance in IT shares. The sectors that declined were financial and consumer goods and we were also affected by greater Brazilian exposure.

At country level, Korea continued the good performance together with Asia in general. At the opposite end, we had Brazil and Russia. Compared to benchmark, our Indian stocks affected the results negatively, due to primarily our Indian financial stocks.

During the month, we invested in two new companies: the Czech Bank Moneta Money Bank and the Indian Farma Company Aurobindo Pharma.

See performance and fund data

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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.