

Ethical Emerging Markets Value

EQUITY

A tough year draws to a close

Emerging markets are coming back

Markets November was 'the morning after' month, where the markets went some way towards straightening themselves out. 'Emerging Markets' measured by MSCI EM in Danish kroner rose by 4.23 percent, while the developed markets (MSCI World) rose by a more modest 1.24 percent. So far, the emerging markets have fallen 6.71 percent in 2018 and the developed markets have risen by 5.03 percent.

This month's focus was on the G20 meeting, where the U.S. president Trump and China's President Xi had planned to meet to discuss the trade war. There had been a number of negotiations in the run-up to the meeting in the hope of finding a solution. The result was a three-month armistice. This has already been put under pressure by the arrest of the CFO of Huawei, who the U.S. wants to be handed over from Canada.

The head of the Fed Jerome Powell's change of rhetoric influenced the market's positive development at the end of the month. The previously stated story of short-term interest rates being "a long way from natural interest rates" has now become they are "just below". This change in rhetoric had the greatest impact on the risk-heavy asset classes, which increased after the statements.

It was a mixed picture for commodities. Oil prices were hard hit by increased production (USA, Russia and Saudi Arabia) and tweets from Trump, falling by a huge 22 percent in November.

The best markets were Turkey (+13 percent) and Hungary (+8.0 percent). The losers were the United Arab Emirates (-5.0 percent) and Greece (-3.0 percent).

Fund on par with index

The Portfolio rose 4.3 percent in November. This was more or less identical to the broader universe, which rose by 4.23 percent as measured by MSCI EM. It was a big overall rise, also seen in the light of the big fall in October.

In general, the smaller companies performed better. The MSCI EM Small Cap was +5.4 percent throughout the month and value shares limped after the market, with MSCI Value rising by approximately 2.9 percent. For our fund, this meant that the combined effect of being a value fund with a certain amount of small- and mid-cap exposure was more or less neutral in November.

On a national level, we were negatively influenced by our underweight in China, who rose by more than 7.0 percent but this was offset partly by our overweight in South Korea and Hungary. Added to that comes the strong return from our only position in Indonesia, Bang Negara Indonesia, which rose by 23 percent.

We will continue to optimize our portfolio. Looking at the emerging markets share asset class in general, we note that this year's low level has left value levels at a level that we as long-term value investors can be reassured by.

Return is calculated gross of fees and excluding swing.

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

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.

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.