

Ethical Emerging Markets Value

EQUITY

Emerging markets still outperform

Tailwind for Brazil

Markets In October, emerging market equities continued their recent trend of outperforming developed markets. In Euros, MSCI Emerging Markets rose 2.76% while MSCI World rose 0.53%.

Most notable was Brazil, which rose around 17%. The political situation seems to be continuing to improve. President Temer secured Lower House approval for a bill which would cap growth in public spending, a key step to help address the significant budget deficit.

From a currency perspective, the Brazilian Real was only outpaced in October by the Mexican Peso. The peso more-or-less tracked Hillary Clinton's poll lead in the US presidential election, rising for most of the month, but giving up some ground towards month end. While neither candidate is seen as dramatically pro-trade, Trump's rhetoric on Mexico is clearly seen as a risk for the currency.

Korea was relatively weak, dominated by Samsung's ultimate decision to stop making its flagship Galaxy Note 7, after incidents in which the smartphone overheated and occasionally caught fire.

China was among the weaker markets, but note that it had been among the strongest performers over the prior 3 months so some profit taking was not altogether surprising. Chinese macro data was a mixed bag: 3Q GDP growth was largely as expected at 6.7%, retail sales were reasonably strong, which industrial production was below expectations.

October saw rate cuts in India, Brazil and Indonesia. Energy and material stocks were generally strong. The WTI price of oil is now at 48 USD per barrel, which is about 80% higher than at the beginning of the year.

Stock selection drives performance

The Portfolio In October, the fund rose 4.10%, while the MSCI Emerging Market index rose 2.76%. This means that year-to-date the fund is up 19.87% compared to the index's 15.24%.

Our allocations to countries and sectors had a minimal overall effect on performance in October: most notable was a minor negative impact from the fund's low exposure to energy, which performed well.

Value stocks performed well in the wider market, and this was something of a tailwind for the fund. However, the key driver of performance was individual stock selection.

Chinese dairy company China Shengmu Organic Milk rose sharply during the month, followed by news at month that a major peer was set to buy a significant stake. Mexican steel company Ternium and Korean autoparts maker Mando were also solid performers.

In Brazil, the fund outpaced the wider market, arguably thanks to its clear focus on value picks: Banco do Brasil, steel company Usiminas, and retailer CBD. In South Africa, we invest in two retailers: clothing and homeware retailer Mr Price struggled, while supermarket player Shoprite continued to impress.

[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.