

Ethical Global Value

EQUITY

Markets in new all-time highs

Stærk vækst og lav inflation

Markets The month of October was characterized by a continuation of the strong trend in equity markets and the macro economy. Third quarter growth in the Eurozone was reported at 2.5 percent, while core inflation remains quite low at only 0.9 percent, which was below expectations.

The combination of strong economic growth and low inflation corroborates the current, supportive monetary policy from ECB, even though Draghi at the October meeting indicated that the QE-program would be reduced considerably in 2018. The fact that QE most likely is slowing down in 2018 is not currently seen as a threat in the stock market, since inflation remains so low. In other words, monetary policy – despite the coming tightening – will remain accommodative for risky assets.

The stocks market (MSCI World, EUR) returned 3.4 percent in October, but almost half of the movement was caused by a weakening EURUSD. Optimism can also be seen in the energy markets where the price of oil advanced by 5.0 percent in October.

The leading indicators are still showing that we can expect decent growth over the coming months. However, the U.S. economy will most likely decelerate somewhat after year-end.

Solid excess return

The Portfolio The fund gained 5.15 percent and outperformed the overall market by 1.75 percent.

The synchronised global recovery continued and corporate earnings seemed to confirm this story that sent global markets to new all-time highs. Other than ECB's big monetary policy event, Chinas Xi Jinping secured a second five-year term and in Japan, Prime Minister Shinzo Abe's ruling coalition won a clear majority in a snap election, which helped Japanese markets perform strongly. In Europe political risk was on the rise after Catalonia's referendum which caused some uncertainty and curbed investor enthusiasm for European equities.

In the U.S., continued strength in the technology sector was a big contributor to market gains. Stellar earnings resulted in a regular tech rally towards the end of the month, where stocks like Microsoft, Google and Facebook exceeded consensus expectations and saw large gains and e-commerce giant Amazon surged 13 percent after reporting better-than-expected results. In spite of a relative tech-underweight the fund did not suffer much from its sector allocation.

The reason for the outperformance was stock selection. Other than a handful of very strong IT-companies (Vishay, Intel, Micron and Microsoft), the list of contributors is very diverse. A take-over bid in hotel group Millenium & Copthorne put it among the largest contributors. The Singaporean majority owner offered to buy the remaining shares and the stock was up 35 percent in October. The style bias was a minor detractor as value and small cap stocks slightly underperformed, especially in the last weeks where bond yields turned downwards.

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

Return is calculated gross of fees and excluding swing.

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 Adviors 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.