

Ethical Global Value

EQUITY

A handful of stocks disappointed

Several factors increased uncertainty

Markets During the month of September, stock market investors were – as expected – experiencing somewhat higher volatility than in August. The VIX index increased from below 12 to above 20 in the first half of the month. This increase was primarily caused by speculations about whether or not the FED would hike interest rates on their September meeting. The FED decided to postpone a hike, which the market now prices in at either the November or December meeting with about a 60% likelihood.

The US presidential election is now getting closer (8th of November), and it seems the stock market is not overwhelmingly optimistic with regards to the abilities of either candidate to create an investor friendly environment. There is still a sizeable uncertainty surrounding the election with book-makers giving odds that indicate a 21% likelihood that Donald Trump will be elected president.

Another source of uncertainty is Deutsche Bank, which is currently trading at a price/book of only 0.26. This is indicating that the bank is under immense stress, which is not too comforting considering that it is one of the biggest and most important, systemic banks in the world. It is not pleasant to witness speculations of whether or not a bank of this size is going to be bailed-out in order to avoid a new “Lehman scenario”.

The Eurozone saw the release of slightly better than expected macroeconomic figures during the month of September. The US macroeconomic figures were mixed. Leading indicators for the Eurozone are falling, but according to our models, they should be turning higher soon. Leading indicators for the US are now increasing again and according to our models, they should accelerate even more over the coming six months.

Performance below benchmark

The Portfolio In September, the fund lost 1.85% while the benchmark, MSCI World, lost 0.37%.

Within developed markets, Japanese stocks slightly outperformed their European and US peers when measured in euros. The small lead developed in the wake of Bank of Japan's latest policy meeting, where it announced an over-haul of its policy approach, with more focus on yield-curve control going forward. Central banks also continue to have an impact on industry sector performance, with rate-sensitive financials being the worst performing sector (obviously also linked to Deutsche Bank). Energy and Materials were the strongest sectors following price increases in oil, zinc and other commodities. IT stocks were also at the upper end of the table with Apple's latest iPhone launch and takeover talks in Twitter.

The fund's regional, style and sector exposures had a small positive impact on fund returns, but stock picking was a detractor to the monthly return. A handful of stocks within financials, materials and consumer discretionary disappointed us in the short term. Following the above mentioned BOJ decision, our Japanese financials initially saw strong performance, but in the following days analyst concerns about slowing credit growth and tough competition overshadowed the improved interest rate environment. Within materials, potash producer Mosaic suffered from falling fertilizer prices while Australian BlueScope fell due to a decline in steel spreads. Finally, two US consumer stocks were punished by investors for disappointing monthly sales and revised full year expectations. As always, our focus is on the long-term, and none of the detractors in September have changed our view on their longer term prospects.

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

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 Advisors performs an unbiased screening to ensure that only ethically sound companies are included in the portfolio.