

# MARKET RALLY REMAINED RESILIENT

## Global stocks rallied despite mixed data

**Markets** continued the 2024 market rally in May, despite underlying economic performance showing a mixed picture of resilience. The MSCI World index rose by 2.89% in the month with both European and US equities showing strength. Year to date the MSCI World has risen by 11.44%, with the MSCI Europe rising by 10.14% and the MSCI USA rising by 12.66%

The MSCI US index rose by 3.15% in the month, with performance once again driven by a handful of mega cap technology related stocks, the poster child of which is artificial intelligence chip maker NVIDIA. Year to date NVIDIA has more than doubled its stock price, adding almost \$1.5 trillion to its market value and accounted for a significant portion of market performance in the U.S.

The MSCI Europe index rose by 3.26% in May as markets began to price in an interest rate cut by the European Central Bank. The probability of a rate cut at the June ECB policy meeting increased late in May after comments from senior bank officials suggested a rate cut was imminent, despite data showing inflation was stickier than expected.

Commodity markets had a mixed response to the economic outlook. Rising global inventories of oil led to a fall in the price of oil as concerns grew over demand in the U.S. and Asia. However, industrial metals such as aluminum and copper saw significant strength in the month as weak supply led to concerns over a shortfall of these metals. Bond markets were relatively quiet in the month, with yield curves for both U.S. Treasuries and German Bunds little changed, although both curves remain inverted, indicating future expected economic weakness in both economies.

## 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.

## Narrow markets returned to challenge value

**The Portfolio** returned 1.85% in the month, below the MSCI World Index return of 2.89%. With much of the performance of the MSCI World Index returns driven by the strong performance of a small number of mega cap stocks that exhibit strong quality and growth characteristics, the underperformance of portfolio was due in part to the lack of exposure to the quality and growth style as well as some negative stock selection which reflects the fact that the portfolio does not own these large, highly valued, technology names. The MSCI Value Index returned only 1.62% in the month, reflecting the lack of exposure in the index to these names. The portfolio outperformance relative to the MSCI Value Index was due partly to the sector exposures of the portfolio, which offset some slightly negative stock selection.

Information Technology and Communication Services were amongst the strongest sector performers in the month, reflecting the strong stock returns of those companies within these sectors that have exposure to artificial intelligence. Energy was the weakest sector in the market as the decline in the oil price led to stock declines for many oil producers.

Despite the negative stock selection within the portfolio, due largely to the portfolio not owning highly valued mega caps with exposure to artificial intelligence, such as NVIDIA and Microsoft, the portfolio did have holdings that showed good performance in the month. Alcoa, a US based aluminum producer performer had strong returns in the month as the price of aluminum rose. UBS, a Swiss bank and wealth manager was also a strong performer in the month as the company reported earnings that were ahead of expectations.

See performance and fund data

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