



## Fund manager commentary

World's stock exchange indices around the world (measured by the MSCI World Index in EUR) rose by 0.15% in December and remained almost unchanged. Following two months of deep decline, trend of Latin America markets reversed and MSCI EM LA in EUR increased by 2.87%. Global markets (measured by MSCI Emerging Markets in EUR) grew by 2.23%, with the biggest contributors being healthcare sector and Greek shares. NAV of the Numerica Emerging Frontiers grew by 1.59%. The most positive impact had Indian shares and shares of basic materials companies, and negative impact came from Romanian market and some shares of financial sector.

In the beginning of December prices of most markets were in decline, however investors' sentiment improved until the end of the month. Markets finished the month above previous month, but have not reached above the November's peak. Emerging markets grew on rising commodity prices caused by increased consumption of basic materials in China. Nickel grew by 13.7%, cobalt by 10.7%, copper by 7.5% and zinc by 4.2%.

December was also marked by passing of the tax reform in USA. Lower corporate taxes may impact corporate profits and consequently more cash will be available for further investments. Lower taxes may give USA more advantage to attract foreign investments which may attract large corporations from emerging markets to spread their business in USA.

We see that profits of many companies in emerging countries are gradually improving, in terms of profit margins and return on equity, which showed inferior results in the past. We expect that profits will continue to recover in the future and based on current valuations shares of emerging markets seem very attractive. However, we need to address the volatility of the markets. Less developed markets are prone to investors' sentiment and their perception of risk. Any change in investors' optimism or pessimism could quickly reflect in capital inflows or outflows.