

GEOPOLITICAL UNREST SET THE AGENDA

Ukraine conflict set the agenda

Markets. The military conflict between Russia and Ukraine continues to leave its mark on the financial market. The initial phase of the conflict led to higher risk premiums until mid-March - after which risk premiums were generally eliminated. This process has so far followed the return patterns that have played out in previous military conflicts.

The conflict between Russia and Ukraine is going to push the focus away from the traditional key figures for a period. Key figures covering the period leading up to the outbreak of the conflict will be considered worthless - and key figures covering the period immediately following the outbreak of the conflict will be so affected by the event that the interpretation must be approached with caution.

The general trend in terms of confidence indicators in the manufacturing industry has been on the downside in March. The loss of confidence has been greatest in Europe, where, for example, the German IFO Expectations Index fell sharply from the level of 98.4 to 85.1. Confidence indicators in Asia also lost ground in March. The decline was most pronounced in China, which again was negatively impacted by Corona-related restrictions - but loss of momentum also occurred in South Korea and Taiwan. In the U.S., developments in March have been on the positive side. Business confidence rose from 57.3 to 58.5 according to Markit PMI Manufacturing. Overall, it gives a picture of a declining growth momentum in March, which is also reflected in the continuing negative trend in the relationship between order development and inventory development in the manufacturing industry.

Negative returns in the first quarter of 2022

The Portfolio delivered a return of -3.4% after costs in the first quarter, which is in line with the fund's benchmark index MSCI World ACWI, which gave a return of -3.3%.

The relative performance of the portfolio was reduced by the allocations in Danish equities and sustainable equities. The driver of the underperformance in the pool of Danish equities was mainly exposure to companies directly affected by the invasion of Ukraine. These are mainly the Carlsberg and Rockwool shares, both of which have production in Russia.

In terms of sustainable equities, the pool has no positions in the traditional energy sector, which by far was the best performing sector in the first quarter of 2022. In addition, the strategy's allocation in growth and quality has resulted in underperformance, as these sectors have had a difficult first quarter due to the rising inflationary pressures that have resulted in rising interest rates.

Conversely, the value strategy had a sensible first quarter with a return of 2.0%, mainly driven by the underlying style exposure, which in the form of MSCI World Value delivered a return of 1.6%. The relative performance was primarily driven by a slight overweight in energy and raw material.

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Strategy

Equitas invests in a global portfolio comprised exclusively of shares from the mature markets compared with the current prospectus. The goal is to optimise the relationship between risk and return by exploiting documented market factors such as value, momentum and size.