Sparinvest

LOSS OF ECONOMIC MOMENTUM

Loss of economic momentum

Markets. Key figures point to a significant loss of growth momentum in the OECD area during June. This can be seen in the order components of the recently published business confidence indicators. The order index for both the U.S., the EU and Japan fell below index 50 in June, according to data from S&P Global. The development was subsequently confirmed by ISM data from the U.S. The order component fell from 51.1 in May to 49.2 in June. In comparison, the ISM order index was 66.4 in June 2021. The widespread vacuum in order intake again coincides with signs of stockpiling. The balance between the order index and the inventory index has not been lower since November 2001 - disregarding the extraordinary major shocks associated with the financial crisis and the corona crisis.

Overall, the development has brought the CLI indicator for the OECD area into a downturn phase. However, the aforementioned development in order intake and inventory build-up may indicate that the ongoing slowdown in growth in the OECD area is at risk of becoming harsher in comparison with the "mini-cycles" in the periods 11/12 and 15/16, where moderate growth slowdown was replaced by moderate growth progress. However, it must also be emphasized that China is currently experiencing renewed growth momentum. The development is mainly due to less restrictive Corona interventions in China, where partial shutdowns in Shanghai, Shenzhen and Beijing are underway.

Rising interest rates lead to lower prices

The Portfolio delivered a return after costs of -9.0% in the second quarter, which was enough to outperform the fund's benchmark index MSCI World ACWI, which gave a return of -10.2%.

The second quarter was again characterized by rising interest rates, which contributed to lower share prices. This particularly affected companies with the highest valuation, where expectations for future earnings were greatest, which made them particular sensitive to increasing interest rates. Concerns about declining growth prospects helped send equities down and fear of recession sent investors towards more defensive sectors such as healthcare, suppliers and consumer goods, which performed best in the quarter.

The fund's excess performance was mainly driven by the exposure to the value segment, that with a return of -6.7% contributed significantly to the relative performance. The rising interest rates generally helped the value segment, but also a smaller exposure to tech, as well as more defensive positions contributed to the excess performance. The Sustainable Equities Pool also performed relatively well during the period, with a return of -8.8%. The Emerging Markets exposure also contributed positively with a return for the period of -4.7%.

Danish equities and global equities SRI were the only pools that contributed negatively to the relative performance with returns of -11.4% and -11.0%, respectively.

See performance and fund data Click here >

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.