

ONGOING ECONOMIC MOMENTUM

Markets. The CLI indicator for the G20 economies has been in the expansion phase since the end of August 2023, indicating that the economies have gained economic momentum. However, the trend is uneven and fragile due to an increase in interest rates, with a 100-basis point increase from the FED and a 200-basis point increase from the ECB in 2023. The market expects an imminent monetary easing cycle, which has affected broadly based financial conditions in a downward direction, potentially opening the possibility for positive effects on confidence indicators and thus a new tactical growth leg.

Based on the economic momentum, the financial market realized a return pattern in the first quarter of 2024 characterized by higher returns for risky assets compared to risk-free assets.

The expansion of the economic momentum in the G20 economies is expected to flatten out during the first half of 2024. The strategic backdrop is expected to shift from positive to negative. After nearly 14 years of growth, the labor market is "overheated," which the U.S. central bank and other central banks aim to curb. They will do this through interest rate hikes and quantitative tightening to stop the wage-price spiral before it runs rampant. Global equities rose in the first quarter of 2024 by 8.2% according to MSCI ACWI measured in local currency. Converted to EUR, the increase amounted to 10.7%, driven by the strong performance of the U.S. dollar. The only sector that experienced a negative return was Real Estate, while the highest returns were realized in sectors such as Information Technology and Communication Services. The negative return in Real Estate has been driven, among other factors, by rising long-term interest rates, while Information Technology and Communication Services continue to benefit from the AI theme. During the first quarter of 2024, the U.S. 10-year treasury bond yield increased by 27 basis points and was at 4.2% at the end of the quarter.

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.

The Portfolio. After accounting for expenses, the fund generated a return of 8.8% during the first quarter, falling short of the benchmark set for the fund. The benchmark given by MSCI World All Countries index yielded a return of 10.7%.

The underperformance was driven by the strategic overweight of Danish equities that underperformed the global equity index, coupled with underperformance in the active managed pools.

The Danish equity pool underperformed the global equity index but outperformed its own regional benchmark by 1.6%-points, mainly due to the performance in companies like Zealand Pharma, Demand, Danske Bank and Novo Nordisk.

The Sustainable equity pool returned 8.35%, lagging its own benchmark by 2.3%-points. The underperformance was mainly driven by an underweight to the AI theme in companies like Nvidia and Amazon. In general, the sustainable theme has been a headwind to the pool in the last year.

The value equity pool returned 10.6% in the quarter, slightly below the funds benchmark. This was mainly due to the value style underperforming in the first two months, despite a significant rebound in March. The portfolio outperformed the MSCI World Value index, but small-cap stocks had a negative impact on its performance. However, stock selection, particularly Sampo Holdings and Western Digital Corp, contributed positively to returns, while Leggett & Platt and AMN Healthcare were weak performers due to specific company-related issues.

See performance and fund data

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