

# A Turbulent quarter Despite Record Gains in the Stock Market

**Markets.** The second quarter was among the most turbulent in recent times—though not if one only considers the performance of assets at the beginning and end of the quarter. The turmoil escalated when the U.S. announced reciprocal tariffs, triggering the fifth-largest two-day drop in the S&P 500 since World War II. However, after President Trump postponed the tariff increases by 90 days, the markets regained, and the S&P 500 ended the quarter in record territory with a total gain of +10.9%. This occurred during a period when the global economy generally demonstrated resilience, with little indication that tariffs had significantly affected inflation.

On the geopolitical stage, oil prices experienced sharp fluctuations following Israel's attack on Iran's nuclear facilities in June—though tensions eased after the parties agreed to a ceasefire a week and a half later. At the same time, U.S. fiscal concerns weighed on the market, leading to rising long-term yields on U.S. government bonds. Another key theme was the continued weakening of the U.S. dollar. The dollar index recorded its worst first half since 1973, which has also impacted Danish investors' returns on U.S. equities when measured in Danish kroner.

**The Portfolio.** After accounting for expenses, the fund achieved a net return of 0.8% in the second quarter of 2025, underperforming its benchmark by 1.8 percentage points.

Global equities, as measured by the MSCI ACWI in local currency, experienced a significant increase of 9.4% during the same period. However, when converted to EUR, the gain was reduced to 2.6%, primarily due to the US dollar weakening significantly against the euro, with an 8.5% depreciation.

Among the largest positive contributors in the quarter were the global growth index pool, which delivered a return of 8.5%. Conversely, Global Value (SI) faced challenges, posting a return of -1.9%, while the overall benchmark rose by 2.6% during the quarter.

The relative performance gap can primarily be attributed to factor rotation, where growth stocks outperformed value stocks—largely driven by the AI theme and the continued strength of the "Magnificent Seven" stocks.

Additionally, the overweight position in Danish equities contributed positively to relative performance.

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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.

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