Balance EUR

GLOBAL GROWTH STEADIES AS MARKETS SHOW RESILIENCE

Markets:

The fourth quarter delivered an overall solid return, marked by positive developments in both global equities and bonds. This performance is particularly noteworthy given the challenges faced during the quarter, including the longest U.S. government shutdown in history and ongoing skepticism about the long-term profitability of AI integration and deployment. Despite these uncertainties, macroeconomic data on the whole reflected a robust and resilient global economic environment, which supported market performance.

We maintain a cautious overweight stance on equities compared to bonds. We remain optimistic about developments in the global growth environment, and recent market fluctuations are not viewed as the beginning of a deeper decline in equities. Global equities continue to be supported by strong earnings growth, lower interest rates, and diminishing political headwinds. Our central scenario remains that we are entering a reflationary environment, where growth expectations are being revised upward—though potentially at the expense of fewer interest rate cuts from the Federal Reserve than currently priced in by the market. We anticipate global growth to gain momentum as the negative effects of tariff increases subside, the impact of global fiscal stimulus measures takes hold, and financial conditions remain accommodative.

The Portfolio:

The strategy concluded the fourth quarter with a return after costs above its benchmark. The portfolio achieved a net return of 1.6% outperforming the benchmark by 0,1 percentage points.

The equity component performed in line with the fund's equity benchmark, achieving a return of 3.3%. The Danish Equity pool and Global Value Pool delivered strong returns of 10% and 7%, respectively. However, the Global Sustainable Pool was a detractor the fund’s relative performance.

On the fixed-income side, performance was supported by strong contributions from allocations to convertible bonds, credit, and emerging market bonds. Additionally, the active management of Danish government bonds and mortgage bonds and Convertible Bonds also delivered positive returns, helping to bolster the fixed-income segment of the portfolio.

Conversely, other asset classes such as infrastructure, private equity, and tactical allocation weighed negatively on the relative performance. These areas detracted from the overall results.

Strategy

Balance is targeted at investors with a short investment horizon and/or low risk tolerance. The fund has a well-diversified exposure to equities, mortgage credit bonds, developed market treasury bonds, emerging market treasury bonds, corporate bonds and cash. The equities exposure is tilted to benefit from the value, small cap and momentum factors, and the exposure to corporate bonds is sought to be obtained through small issuers, low net debt and strong asset backing. For treasury and mortgage credit bonds, the strategy is to maintain a constant portfolio duration within a tight range. The overall exposure to the different asset classes is strategic and no attempt is made to time the market. The target equity exposure is 50%, but a deviation of +/- 5% is allowed before the portfolio is rebalanced.

Equity 50%	Fixed Income 50%