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# Middle East Conflict Drives Market Volatility

## Markets:

Global equities delivered a modest negative return in the first quarter when measured in Euro. The quarter started off strong but was overshadowed by the Middle East conflict following the attacks on February 28 and the subsequent impact on global energy prices. Regionally, Europe and parts of Asia were hit hardest as net energy importers, in contrast to the U.S., which, as a net energy exporter, is better shielded from the price shock. Sector-wise, energy was the clear winner. On the final trading day of the quarter, markets interpreted the conflict as de-escalating, triggering a significant relief rally.

Oil prices remain around \$100 per barrel, and the conflict has yet to deescalate, contrary to our initial expectations at the onset of the war. The longer the war and the resulting supply shock in commodity markets persist, the greater the risk of adverse effects on both inflation and growth, particularly in energy-sensitive regions such as Europe and parts of Asia.

Our baseline scenario remains that the global growth outlook will stay robust through 2026. However, in the very near term, this outlook is challenged by rising energy prices, which may prove to be more persistent than initially anticipated. In other words, the economic risks increase significantly as time progresses.

## The Portfolio:

The strategy concluded the first quarter with a return after costs slightly below its benchmark. The portfolio achieved a net return of -1.7%.

The active strategies such as Global Focus/Select Equities, Tactical Equity Allocation, and allocations to Danish equities and U.S. growth equities have contributed negatively.

In contrast, Sparinvest Global Value and Sparinvest EM Value have made particularly strong positive contributions.

Axiom faced challenges due to headwinds for the growth factor during the quarter but still delivered a return that outperformed what could have been expected from the pure growth factor alone.

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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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