From Goldilocks to Higher-for-Longer

Markets:

We entered the year expecting a low-flying Goldilocks environment, with favorable conditions for a more reflationary backdrop to emerge. This view was supported by continued improvement in the U.S. labor market, sustained momentum in the manufacturing sector, the gradual fading of negative tariff effects, and the increasing impact of fiscal support measures. However, the prolonged conflict in Iran has altered the outlook. The persistence of geopolitical uncertainty has reinforced the current higher-for-longer environment, tempering the constructive expectations that characterized the start of the year.

The situation in the Middle East has also left a clear mark on fixed income markets. In March, sovereign bond yields rose sharply in response to a significant increase in energy prices, prompting markets to shift expectations for major central banks from policy rate cuts in 2026 towards potential rate hikes. While equity markets have largely moved beyond the conflict in Iran, the picture is notably different in bond markets. Expectations for future policy rates have increased materially relative to the levels seen at the beginning of the year. This reflects concerns that central banks may be forced to maintain a restrictive monetary policy stance for longer due to heightened inflation uncertainty, particularly the risk of second-round effects from higher energy prices.

At present, the likelihood of such second-round effects appears relatively limited. Nevertheless, the same factors suggest that meaningful monetary easing remains some distance away. As a result, the prevailing macroeconomic environment continues to be characterized by a higher-for-longer interest-rate regime.

The Portfolio:

The strategy delivered a strong second quarter, finishing the period with a return ahead of its benchmark. After costs, the portfolio returned 16.4%, compared with 15.9% for the benchmark.

Active returns were largely driven by the Global Equity Growth Pool and the Emerging Markets Value Pool, which return. ed 27.0% and 23.8%, respectively. In contrast, the Danish Equity Pool underperformed the strategy equity benchmark and detracted from relative performance.

The Global Equity Growth strategy significantly outperformed its benchmark in the first half of 2026, driven primarily by strong stock selection. Performance benefited from investments in companies exposed to AI infrastructure, semiconductors, data centres, and electrification. The largest positive contributions came from industrials, communication services, and key holdings such as Taiwan Semiconductor, ASML, Alphabet, and Siemens Energy. During the quarter, exposure to AI-related growth opportunities was increased, while positions in financials, industrials, and healthcare were reduced.

The Emerging Markets Value Pool returns were robust from both an absolute and relative perspective. In Emerging Markets, performance was largely driven by the AI theme. The IT sector accounted for most of the return, while technology-oriented markets such as Taiwan and Korea led the way.

Stock selection also made a significant contribution. AI-related holdings such as Mediatek, SK Hynix and Hon Hai Precision Industry were among the largest positive contributors, as they all benefited from the rising demand linked to the expansion of AI infrastructure.

Unsurprisingly, IT stocks also played a central role among the largest negative contributors. The fund's underweight to benchmark stocks such as TSMC, SK Square and Samsung weighed on relative performance.

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.