Equity Markets Weather the Rate Headwind

Markets:

Global equities extended their gains in the third quarter, albeit at a more moderate pace. Global equities returned 2.3% during the period, lifting year-to-date performance to 16.9%. Fixed income markets, by contrast, faced a weaker backdrop as higher government bond yields and wider credit spreads weighed on returns. U.S. and German 10-year government bond yields rose by 82bps and 73bps, respectively, while European investment-grade and high-yield credit spreads widened by 11bps and 35bps.

The repricing in rates markets was driven by a combination of factors. Renewed geopolitical tensions in the Middle East pushed oil prices above USD 100 per barrel, reinforcing inflation concerns and increasing central banks' focus on potential second-round effects. Consequently, both the Federal Reserve and the ECB tightened monetary policy further, while markets priced in an additional three to four rate hikes through 2026 and into 2027. Yield pressure was amplified by elevated sovereign and corporate bond issuance, including funding linked to AI-related investment activity, concerns surrounding French fiscal policy, and resilient economic data in both the euro area and the Unit-ed States.

Equity market performance remained concentrated in U.S. equities, supported by another solid earnings season and continued economic resilience. Danish equities also delivered positive returns in line with the broader global equity market over the quarter.

The Portfolio:

The strategy delivered a net return of -1.4% during the quarter, modestly underperforming its benchmark on a net-of-fees basis.

Performance within the equity allocation was the primary driver of relative underperformance. The equity component generated a return of 0.5%, compared with 2.3% for the fund's equity benchmark. The majority of the shortfall was attributable to Axiom, which faced a challenging market environment during the quarter. Performance was negatively impacted by overweight positions in the industrials and technology sectors, most notably through holdings in ASML and Fujikura. In contrast, the Danish Equity strategy was the only equity mandate to outperform the funds equity benchmark, partially offsetting the weakness elsewhere in the equity portfolio.

Within fixed income, allocations to convertible bonds, emerging market debt, investment-grade credit, and high-yield credit detracted from the relative performance. The primary headwind stemmed from the broad-based widening of credit spreads over the period, which weighed on spread-sensitive assets across the portfolio.

On the positive side, exposures to infrastructure, the tactical asset allocation, and private equity contributed positively to returns.

Strategy

Securus 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 25%, but a deviation of +/- 5% is allowed before the portfolio is rebalanced.

This is marketing communication prepared by Sparinvest S.A. ("Sparinvest"). Please, refer to the Sparinvest SICAV prospectus and to the KIID/KID before making any final investment decisions. This is not a solicitation, an offer, or a recommendation to buy or sell any investment or to engage in any other transaction, or to provide investment advice. Past performance does not predict future returns. Capital at risk: the value of investments and the income from them can fall as well as rise and are not guaranteed. Investors may not get back the amount invested. Investments may be subject to foreign exchange risks. Investment in the Sparinvest product concerns the acquisition of units of shares in a fund, and not in a given underlying asset. The indicated performance is calculated without consideration of subscription or redemption fees. All relevant materials (in English) are available free of charge at sparinvest.eu or by request. Information from external sources is used without verification and Sparinvest accepts no responsibility for their accuracy. Sparinvest may decide to terminate the arrangements made for the marketing of investment products.