

## GAINING ECONOMIC MOMENTUM

**Markets.** The CLI indicator for G20 economies remains in the expansion phase, indicating that these economies have gained economic momentum. Based on this economic momentum, the financial market in the third quarter of 2024 realized a return pattern that was characterized by higher returns for risky assets compared to risk-free assets.

We anticipate that stocks will continue their upward trend into the fall, though they will do so in a volatile environment characterized by ongoing low economic visibility. This scenario suggests limited tactical risk-taking within portfolios. Further reductions in interest rates from current levels are not expected to benefit stocks. The bond markets appear to have already accounted for a slightly weaker labor market and more favorable inflation dynamics, but not a recession. In the absence of negative macroeconomic surprises, we do not foresee additional interest rate cuts moving forward.

Despite the marginal weakening in the labor market compared to six months ago, incoming data does not yet seem to challenge the soft landing. The persistent weakness in the manufacturing sector is concerning, even though it has been weak for a longer period, while the service sector remains robust. The relative growth outlook still favors the U.S. over the rest of the world, although the recent Chinese stimulus measures mitigate some of the weakness in the Chinese economy, it is uncertain whether they are sufficient in the long run.

Although we are still in a 'goldilocks' environment, continued weaker growth momentum in the fall will limit the returns for stocks relative to bonds compared to the first half of the year.

The U.S. labor market remains the most important single parameter for assessing the robustness of the stock rally going forward – especially considering the upcoming easing cycle from central banks.

**The Portfolio.** After accounting for expenses, the fund achieved a 2.3% return in the third quarter of 2024, on par with its benchmark of 2.4%.

In the third quarter of 2024, global stocks, as measured by the MSCI ACWI in local currency, increased by 4.9%. When converted to EUR, this increase amounted to 2.4%, driven by the weakening of the U.S. dollar. We observed a shift away from U.S. technology stocks, which had delivered significant returns in the first half of 2024. This trend was exemplified by the "Magnificent 7" index underperforming the broader market by 1 percentage point in the third quarter.

The performance across sectors was varied. Real Estate and Utilities sectors led the gains, while the Energy sector experienced negative returns, ranking at the bottom of the return hierarchy.

The fund's relative performance benefited from an underweight position in U.S. technology stocks and strong returns from the Sustainable and Value equity pools, which exceeded the fund's equity benchmark with returns of 2.9% and 4.3%, respectively.

The strategic overweight in Danish equities negatively impacted the fund, despite a relatively decent return from the Danish equity pool.

See performance and fund data

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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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