Fund report, Q3 2024
Securus EUR
Blend Funds

Sparinvest

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 2.8% return in the third quarter of 2024, marginally falling short its benchmark of 2.9%.

The primary contributor to the absolute return was European sovereign and mortgage bonds, which added 1.4 percentage points. This was followed by equities and emerging markets debt, contributing 0.6 and 0.3 percentage points, respectively.

The allocation to credit, convertible bonds, and particularly emerging markets debt, at the expense of Danish sovereign and mortgage bonds, positively influenced the relative return. On a relative basis, all fixed income asset classes performed in line with their respective benchmarks.

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 a weakening U.S. dollar.

The equity component of the fund outperformed its equity benchmark. This outperformance was partly attributed to an underweight position in American technology stocks, which, after a period of high returns, underperformed the broader market in the third quarter. The performance of the Sustainable and Value equity pools both exceeded the fund's equity benchmark, returning 2.9% and 4.3%, respectively.

The strategic overweight in Danish equities had a negative impact, despite a decent relatively return for the Danish equity pool.

See performance and fund data Click here >

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.