Sparinvest

ECONOMIC EXPANSION AMID MONE-TARY POLICY EASING

Markets. The leading OECD indicators remain above 100 for the world's largest economies, and we expect them to stay in the expansion phase in the coming months, supported by monetary policy easing. Based on the economic momentum, the financial market realized a return pattern in the fourth quarter of 2024 characterized by higher returns for risky assets compared to risk-free assets.

We believe the foundation for future stock price increases remains intact: Investors are becoming more comfortable with the strength of the economy, and central banks will continue with monetary easing in 2025. Data continues to indicate a tactical Goldilocks environment, but the risk of a reflationary higher-for-longer regime has increased. This is not only due to strong macroeconomic data but also potential policy measures from President Trump. We expect continued progress in the manufacturing sector over the next 1-2 quarters. We are already seeing a downgrade in median consensus expectations for a recession in 2025, as well as a positive momentum shift in the orders/inventory ratio, which typically leads the manufacturing cycle by about one quarter.

We still see no signs of accelerating inflation, and the Fed remains clearly attentive to its dual mandate. Markets appear to be ahead of the Fed, reflecting stronger-than-expected economic development and stagnant inflation in the coming quarters. This also means that we need to see a reacceleration of macro data to witness a further repricing of market expectations for the Fed in 2025.

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 6.7%.

In the third quarter of 2024, global stocks, as measured by the MSCI ACWI in local currency, increased by 1.3%. When converted to EUR, this increase amounted to 6.7.4%, driven by a strong appreciation of the U.S. dollar. At the top of sector returns, we find communication services, information technology, and finance, while materials, healthcare, utilities, and real estate are at the bottom. These latter sectors were the only ones that delivered negative returns during the period.

The relative underperformance of the fund was driven by the performance across all active managers. Generally, a significant portion of the underperformance among active strategies has been driven by an underweight in American technology stocks, which have risen considerably in 2024.
The strategic overweight in Danish equities had a negative impact on the relative performance as well.

See performance and fund data | Click here >

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.