CAP Scan

Equity Factors, Sectors & Stock Picks

September 24, 2021

The current equity market is in the midst of a transformation where LT Growth exposure is less likely to perform, and exposure to other factors is preferred.
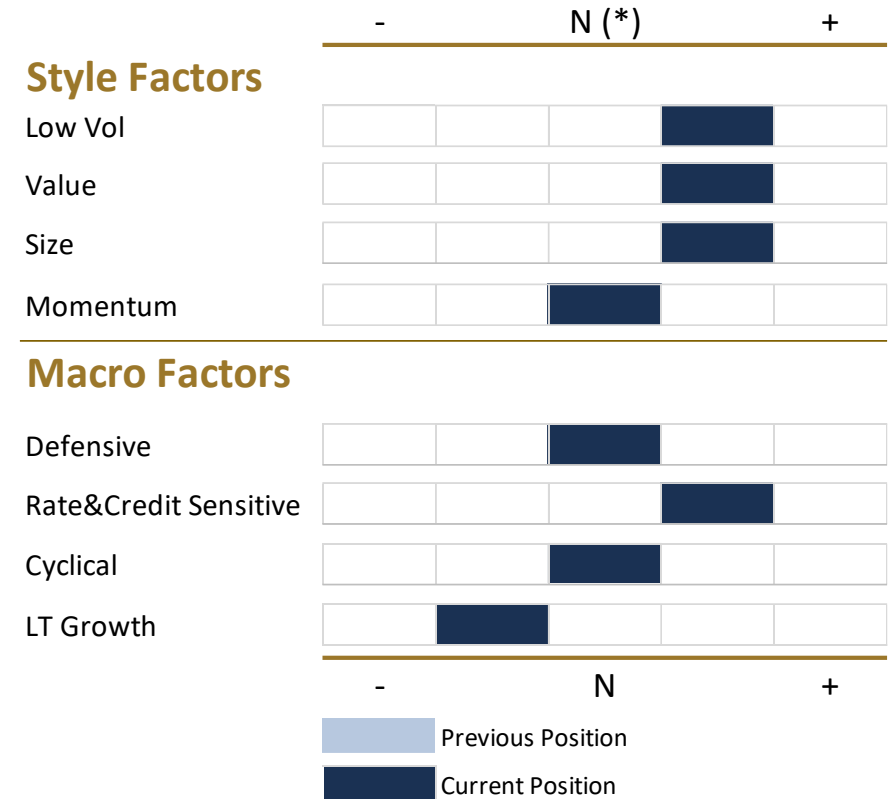
In CAP, we are currently adding equity exposure to the factors:

Value
Rate&Credit Sensitive
Low Vol
Size

The strategy is unchanged from last month.

❑ In CAP's investment process, we use factor allocation as the first step when building an equity portfolio. Earlier, we preferred sectors, but as GICS 11 sectors generally are very diverse and heterogeneous, we find it easier to allocate via factors as a first step, sectors/Industries as a 2nd step, and stock picks as the final step.

Equity Factor Allocation

	-	N (*)	+

Style Factors

Low Vol
Value
Size
Momentum

Macro Factors

Defensive
Rate&Credit Sensitive
Cyclical
LT Growth

	-	N	+

Previous Position
Current Position

(*) (-) Underweight positions: <-25%, <-10%
(+) Overweight positions : >+10%, >+25%
(N) Neutral position   : > -5%, < +5%

Long-only investment cases in Late-September 2021:

Telecom

Semiconductors

Real Estate

Russell2000 (Size)

Materials (NEW)

Removed: Financials, Autos&Parts, Durable Consumption (all back to Neutral)

- Our sector and industry universe is not complete. All the sectors/industries that we use hold a factor profile. If we have not been able to identify a satisfactory factor profile, we will not take positions in the specific industry/Industry group.
- We have deliberately excluded the Energy (fossil fuel) sector from our investment universe. Instead, we have created a new group of stocks called New Energy. This cross-GICS sector group of stocks holds some of the same characteristics as the GIGS Energy sector. Still, New Energy holds a Growth-Momentum profile when it comes to its factor profile, while 'Old' Energy is a (deep) Value sector.

*) Total DREX: The score framework's suggested allocation:
(-) Underweight positions: <-25%, <-10% ,
(+) Overweight positions : >+10%, >+25%,
(N) Neutral position
: > -5%, < +5%

**) Factors (CAP): LTG: Long Term Growth, C: Cyclical, D: Defensive, RCS: Rate&Credit Sensitive, MOM: Momentum, LV: Low Vol, V: Value, S: Size

Sector Allocation - DREX Score Card

Sectors&Industries (GICS)	Total DREX*)	Total return in pct. (EUR)		
	- N +	1 Mth	3 Mth	YTD
Communication(LTG) **)		0.9%	7.5%	28.1%
Media&Entertainment (MOM, LTG)		1.3%	9.8%	34.9%
Telecom (LV, D, RCS)		-0.9%	-0.9%	7.2%
Consumer Discretionary(MOM, C, LTG)		3.6%	4.8%	18.3%
Auto&Parts (MOM, C)		7.1%	5.9%	21.3%
Consumer Durables & App (V, C, LTG, MOM)		0.9%	4.8%	18.6%
Hotel&Leisure (RCS)		3.8%	2.8%	15.6%
Retailing (MOM, LTG)		3.2%	4.9%	18.1%
Consumer Staples(LV, D, RCS)		-1.8%	3.1%	12.1%
Food&Beverage&Tobacco(LV, D, RCS)		-1.5%	1.0%	12.6%
Household&Personal Prod. (LV, D)		-1.5%	2.1%	6.1%
Financials(V, C, RCS)		-0.1%	5.6%	30.3%
Banks (V, C, RCS)		0.9%	3.7%	31.8%
Div.Financials (V, C, RCS)		-0.4%	8.0%	34.6%
Capital Markets (RCS)		1.2%	8.2%	37.6%
Healthcare(D, LTG)		-2.6%	7.5%	21.9%
Biotech ()		-0.9%	9.9%	22.7%
Phamaceuticals (D)		-7.8%	1.8%	15.2%
Healthcare Equipment (LV, D, LTG)		1.8%	13.9%	26.7%
Healthcare Services (D)		-1.0%	5.9%	25.6%
Industrials (V, C, RCS)		0.3%	4.4%	19.6%
Capital Goods (V, C, RCS)		0.3%	4.3%	20.0%
Commercial Services (LV, LTG, RCS)		2.5%	12.7%	26.2%
Transportation (V, C)		-0.9%	-0.4%	13.9%
Trans.Infrastructure (RCS)		2.7%	-0.9%	2.5%
Rail&Road (V, C)		-3.0%	-2.7%	6.4%
Infrastructure (ETF)(RCS)		-2.6%	1.6%	16.2%
Information Technology(MOM, LTG)		0.9%	11.2%	25.5%
Software (MOM, LTG)		-0.3%	14.5%	30.1%
Comm.Equipment (LTG)		-2.8%	8.6%	32.5%
Semiconductors & Equip. (LTG)		6.0%	13.2%	38.6%
Materials (V, C)		-2.0%	1.2%	14.4%
Gold (D)		0.6%	-15.1%	-0.1%
Real Estate(LV, D, RCS)		-1.0%	4.8%	28.2%
Utilities (LV, D, RCS)		-5.4%	2.9%	9.3%
New Energy(MOM, LTG)		-1.5%	7.5%	4.5%
Water (ETF)()		-0.9%	10.8%	24.4%
Segments	- N +	1 Mth	3 Mth	YTD
Nasdaq 100 (MOM, LTG)		1.1%	10.2%	25.2%
Russell2000 (S, C, LTG)		2.7%	1.0%	15.9%
MidDAX (S, MOM, C, LTG)		-1.0%	3.7%	16.0%

Report Content

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- We have not changed our Factor strategy since early August.
- We stay Neutral in **Defensive/Cyclical**, as we have not yet received a sign that a rotation into Defensive is on the cards. At the same time, we find the Cyclical Factor 'too late to harvest'.
- The high inflation underpins **Momentum**. Still, we hold the factor in Neutral due to the weaker business cycle.
- Both **Value, Low Vol**, and the macro factor **Rate&Credit Sensitive** continue in OW. However, Value appears to take the lead with a rising probability harvest score.
- **Size** is also in an OW position, as inflation and relative growth to Large caps are tailwinds.
- The still lower real rates have contributed to the continued positive performance **for LT Growth**. A weaker Digital economy, 'priced to perfection' and risk of higher rates keep the harvest probability lower than other factors. We keep our UW position despite the short-term loss it has coursed.

Performance

Factor	Total return in pct. (EUR)		
	1 Mth	3 Mth	YTD
Cyclical	-0.1%	0.9%	15.8%
Defensive	-3.8%	-2.0%	9.1%
LT Growth	1.6%	11.7%	25.0%
Credit Sensitive	0.7%	2.7%	20.1%
Low Vol	-2.5%	4.5%	13.4%
Momentum	2.6%	8.3%	14.0%
Value	-0.8%	2.6%	20.3%
Size	2.5%	4.8%	23.3%
World	-1.4%	4.7%	19.8%

Equity Factor Allocation

	Benchmark Weight	-	N (*)	+
Style Factors	**55%**			
Low Vol	20%			current
Value	15%			current
Size	10%			current
Momentum	10%		current	
Macro Factors	**45%**			
Defensive	15%		current	
Rate&Credit Sensitive	5%			current
Cyclical	5%		current	
LT Growth	20%	current		

Previous Position
Current Position

CAP Factor Benchmark vs MSCI World

Our Eight Factor Benchmarks

2021

— CAP-M Factor Portfolio - SAA
······ MSCI World - ESG Enhanced (TR, UCITS ETF, EUR)

Risk Profile(*)

	MSCI World (EUR)	CAP Factor Benchmark (EUR)
Return (total, EUR)	8.2%	8.9%
Ann. Standard Deviation	17.60%	14.2%
Ann. Sharpe Ratio	0.3	0.43
Maximum Drawdown	58.50%	47.2%
Monthly Value at Risk (95%)	-7.80%	-6.2%
Monthly Expected Shortfall (95%)	-11.30%	-8.5%
Bond Correlation	-0.23	-0.21
Stock Correlation	1.00	0.89

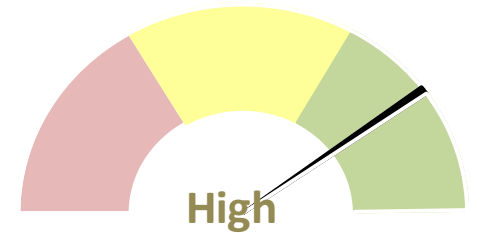**(**) Based on weekly data since 1997**

Source: Refinitiv Datastream

Possible to harvest a premium?

Our Probability Score for the Low Vol Factor remains in solidly positive territory, but recent performance has not followed suit. Risk appetite, driven by liquidity and solid GDP, is still too high **(see p.7)** for the factor to perform. Our Probability Score suggests, however, an overweight position driven by higher inflation, a weaker Digital economy, and a likely weakening in global trade in the coming months.
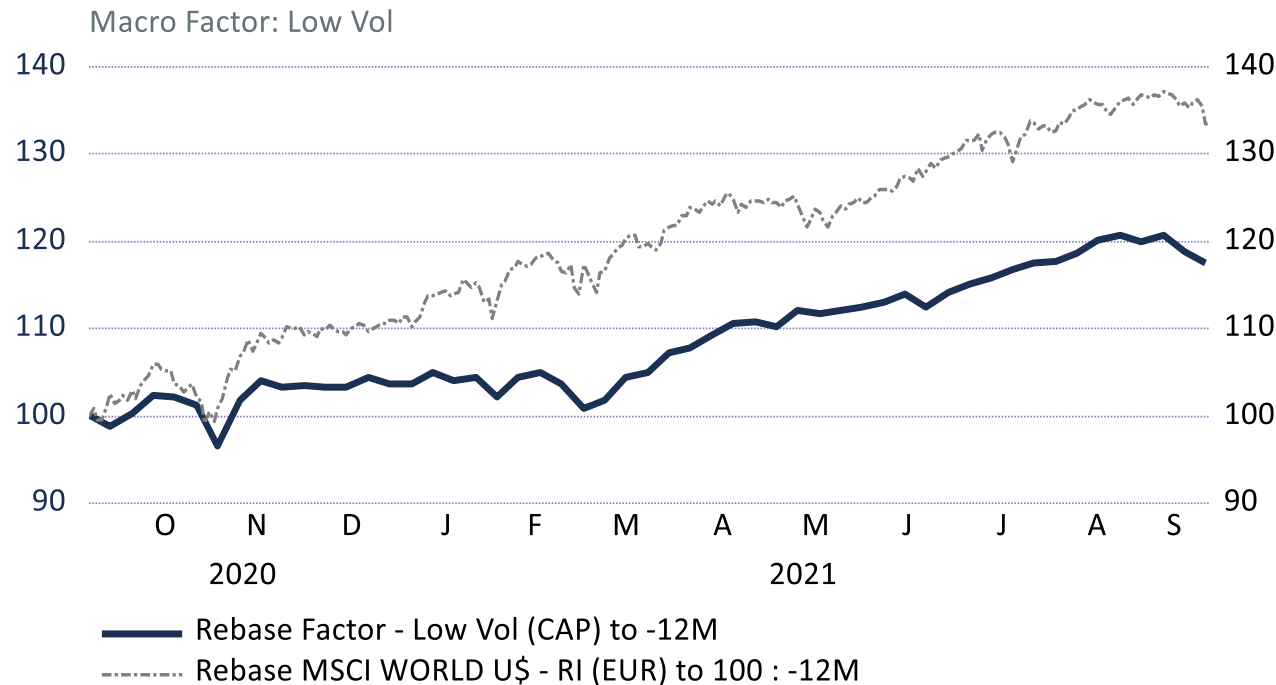
Our preferred Segment/Sector/Industries: **Telecom, Real Estate, Food&Beverage**
Our preferred stock picks: Telekom Austria AG, Merck KGaA, Abbott Laboratories, Koninklijke Ahold Delhaize NV &Beiersdorf AG

Harvest Probability

High

Factor Performance

Macro Factor: Low Vol

—— Rebase Factor - Low Vol (CAP) to -12M
---- Rebase MSCI WORLD U$ - RI (EUR) to 100 : -12M

Source: Refinitiv Datastream

Factor Details

	22-Sep	-1m	-3m	-1y	ytd
Performance	Index	Change in %			
Total return	701	-2.5%	4.5%	17.4%	13.4%
Relative return	100	-2.7%	-1.7%	-12.8%	-7.5%
Possible to harvest a premium?	22-Sep	-1m	-3m	-1y	boy
Drift model(+6 mth F: 9.07%) - pct. an	6.5%	7.9%	5.4%	-7.7%	-10.1%
Pulse model - pct. an.	-0.8%	1.1%	11.2%	3.0%	-2.9%
Probaility Score (*)	1.0	1.3	1.3	1.3	1.3

(*) Positive or negative expected premium ? (score: -2 to +2)

Risk Profile(**)

Factor Premium - average	1.1%
Ann. Standard Deviation	12.7%
Ann. Sharpe Ratio	0.4
Maximum Drawdown	45.5%
Monthly Value at Risk (95%)	-5.1%
Monthly Expected Shortfall (95%)	-7.7%
Bond Correlation	-0.14
Stock Correlation	0.77
Balance Correlation	0.71

Momentum vs Low Vol

& CAP Risk Allocation Index

Weaker risk appetite

Weaker risk appetite

Weaker Risk appetite

......but still Low Vol underperformance....

—— Factor - Momentum (CAP)/Factor - Low Vol (CAP) Performance Ratio

CAP Risk Allocation Index
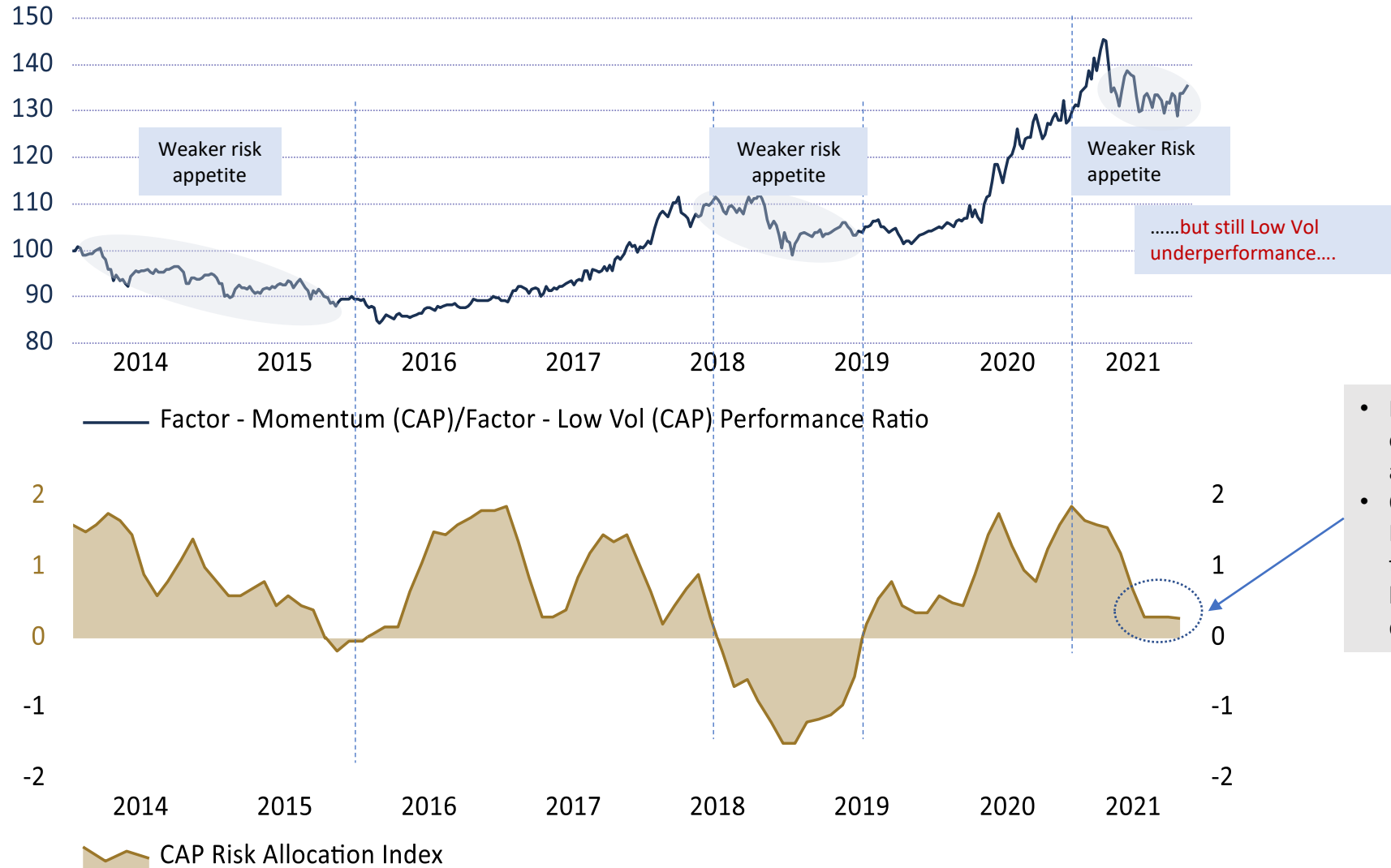
- Low Vol. is a play on weaker risk appetite.
- Our Risk Allocation Index indicates that we are heading in that direction!

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Possible to harvest a premium?

Our Score for the Momentum Factor has deteriorated significantly over the last three-month period. As a result, our score suggests that harvesting the premium is uncertain.

Higher Inflation and (still) solid Chinese economic expansion are positives. But the weaker digital economy and potentially weaker global trades are likely obstacles to performance in the coming months. As a result, we anticipate higher real rates over the next 12 months. Moreover, if risk appetite subsides over the coming weeks and months, rotation out of Momentum should be expected (**see p.7**).

Our preferred Segment/Sector/Industries: **Semiconductors.**

Our preferred stock picks: Applied Materials Inc, Janus Henderson Group PLC

Harvest Probability

Possible
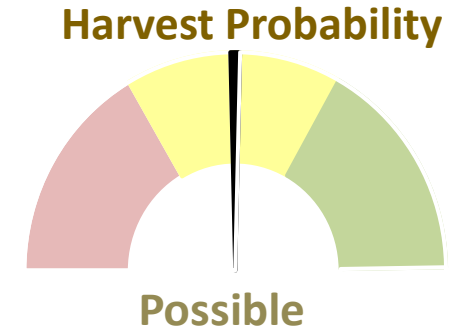
Factor Performance

Macro Factor: Momentum
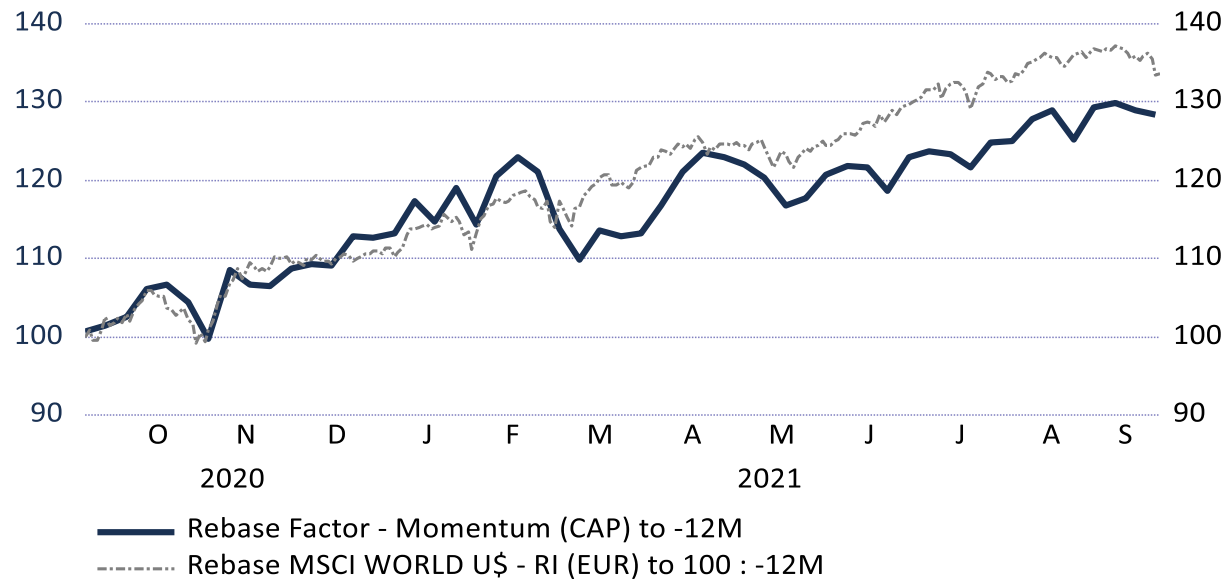
— Rebase Factor - Momentum (CAP) to -12M
-·- Rebase MSCI WORLD U$ - RI (EUR) to 100 : -12M

Source: Refinitiv Datastream

Factor Details

	22-Sep	-1m	-3m	-1y	ytd
Performance	Index		Change in %		
Total return	1322	2.6%	8.3%	27.5%	14.0%
Relative return	189	2.4%	1.8%	-5.3%	-7.0%
Factor Premium (pct. an.)	8-May	-1m	-3m	-1y	boy
Drift Model(+6 mth F: 5.02%)	7.4%	7.6%	8.0%	13.1%	17.2%
Pulse Model	0.3%	2.3%	8.5%	7.5%	0.6%
Position	-1.0	-1.0	0.5	1.0	0.0
Score (*)	0.0	1.3	1.6	1.5	1.3

(*) Positive or negative expected premium ? (score: -2 to +2)

Risk Profile(**)	
Factor Premium - average	3.4%
Ann. Standard Deviation	17.7%
Ann. Sharpe Ratio	0.45
Maximum Drawdown	52.9%
Monthly Value at Risk (95%)	-7.2%
Monthly Expected Shortfall (95%)	-10.5%
Bond Correlation	-0.17
Stock Correlation	0.69
Balance Correlation	0.6

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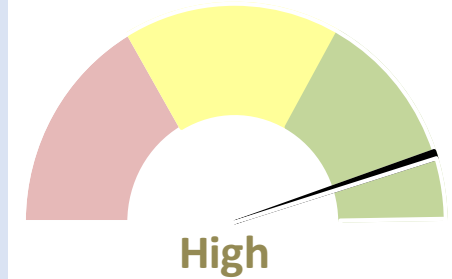## Possible to harvest a premium?

Our Score for the Value Factor has increased in recent months. Our score suggests that investors can harvest a value premium and should hence overweight the factor.

The Value factor is still receiving positive pulse support from global GDP, CPI, and commodities prices. In addition, a bit higher Real rate increase has also been a tailwind factor. As credit conditions are still favorable, the rate environment appears a 'sweet spot'. The outlook for the Value factor would further brighten, if real interest rates moved higher. **(see p.10)**

Our preferred Segment/Sector/Industries: **Financials, Materials, Transportation, and Rail&Road**

Our preferred stock picks: Anglo American PLC, Deutsche Post AG, NN Group NV, Raiffeisen Bank International AG

Harvest Probability

High

Factor Performance

Macro Factor: Value
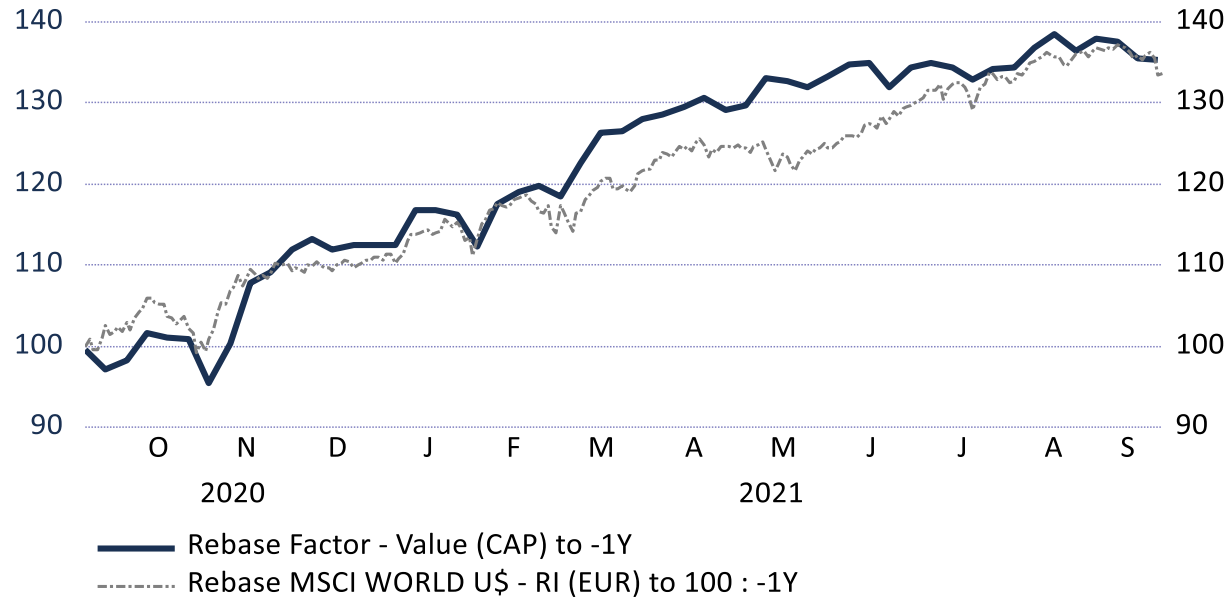
— Rebase Factor - Value (CAP) to -1Y
···· Rebase MSCI WORLD U$ - RI (EUR) to 100 : -1Y

Source: Refinitiv Datastream

Factor Details

	22-Sep	-1m	-3m	-1y	ytd
Performance	Index		Change in %		
Total return	561	-0.8%	2.6%	35.8%	20.3%
Relative return	80	-1.0%	-3.5%	0.9%	-1.8%
Possible to harvet a premium?	22-Sep	-1m	-3m	-1y	boy
Drift Model(+6 mth F: 3.5%) - pct. an.	5.4%	6.7%	8.7%	-12.5%	-11.5%
Pulse Model - pct. an.	0.0%	3.6%	4.6%	8.1%	0.4%
Probaility Score (*)	1.7	1.8	1.7	0.0	-0.7

(*) Positive or negative expected premium ? (score: -2 to +2)

Risk Profile(**)	
Factor Premium - average	-0.6%
Ann. Standard Deviation	17.7%
Ann. Sharpe Ratio	0.24
Maximum Drawdown	59.6%
Monthly Value at Risk (95%)	-7.5%
Monthly Expected Shortfall (95%)	-11.4%
Bond Correlation	-0.28
Stock Correlation	0.84
Balance Correlation	0.78

Value vs LT Growth

& OECD Real rate incl. CAP Forecast

- The lower real rates are essential to understand the long-term underperformance of Value to Growth.

- We anticipate a partial reversal of real rates, which should lift Value to Growth performance
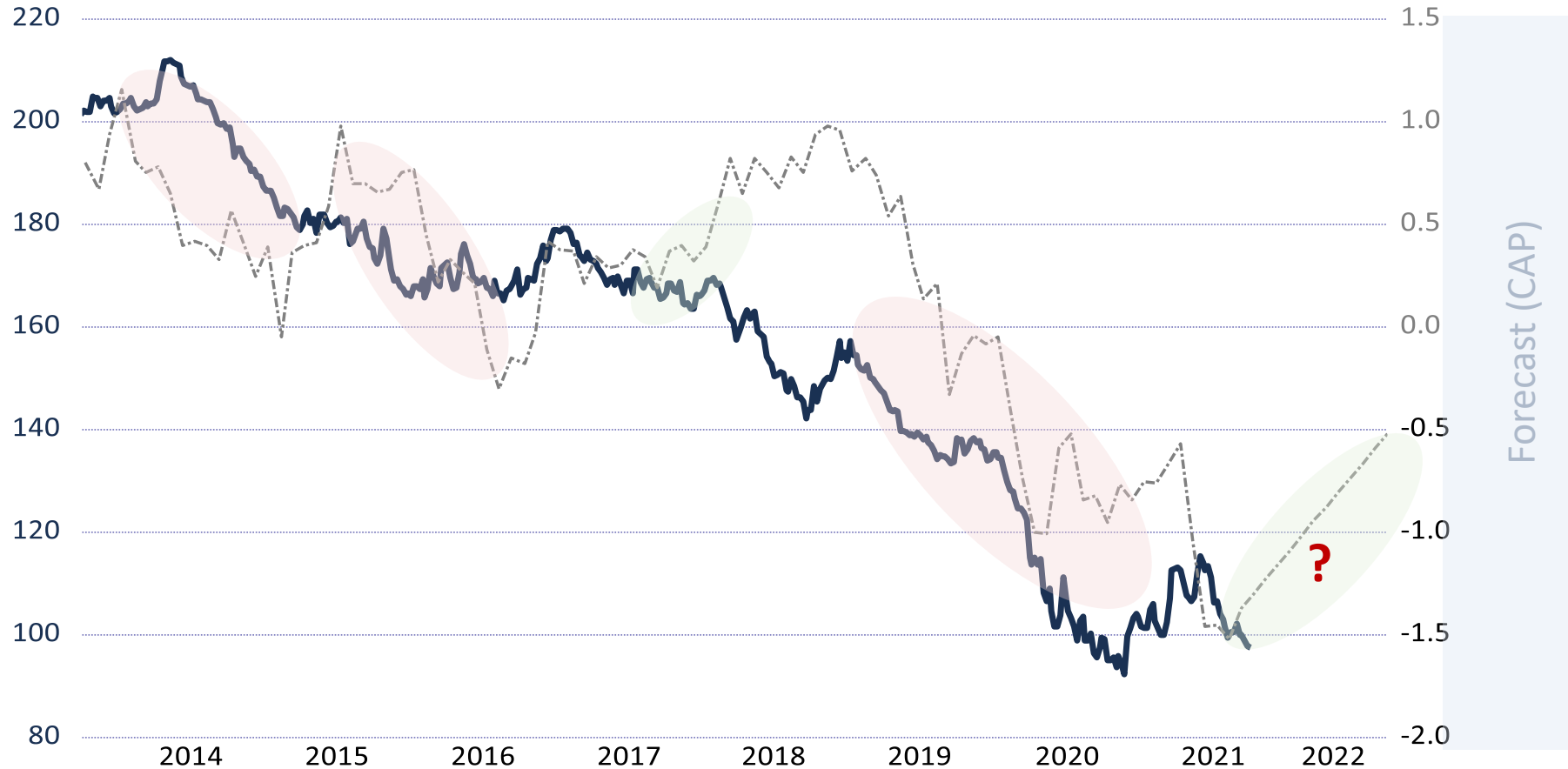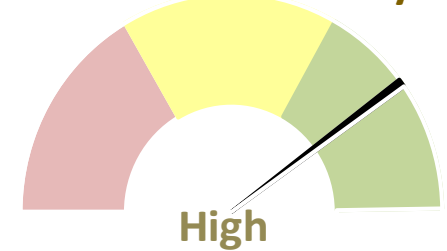
Legend:
— Factor - Value (CAP)/Factor - LT Growth (CAP) Performance Ratio
-·-· Real Rate (OECD) incl. 12 mth forecast (RH Scale)

Source: Refinitiv Datastream

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Possible to harvest a premium?

Our Probability Score for the Size Factor Return has eased off a bit in recent months. Still, we expect investors to be able to harvest a Size premium.

Both the weaker Digital economy and the stronger commodities price trend are short-term supportive factors. Also, the higher consumer inflation trend supports Small Cap performance. I the coming months, slow down in global Trade & GDP are return headwinds (**see p.12**). A tailwind factor that few yet have acknowledged is that the downtrend in growth differential between Small / Large caps appears to have stopped (see p.13). If correct, it will be a tailwind for the Size factor going forward. Our preferred segment has shifted from MDAX to now **Russell 2000.**

Harvest Probability

High

Factor Performance

Macro Factor: Size

— Rebase Factor - Size (CAP) to -1Y
‒·‒ Rebase MSCI WORLD U$ - RI (EUR) to 100 : -1Y

Source: Refinitiv Datastream
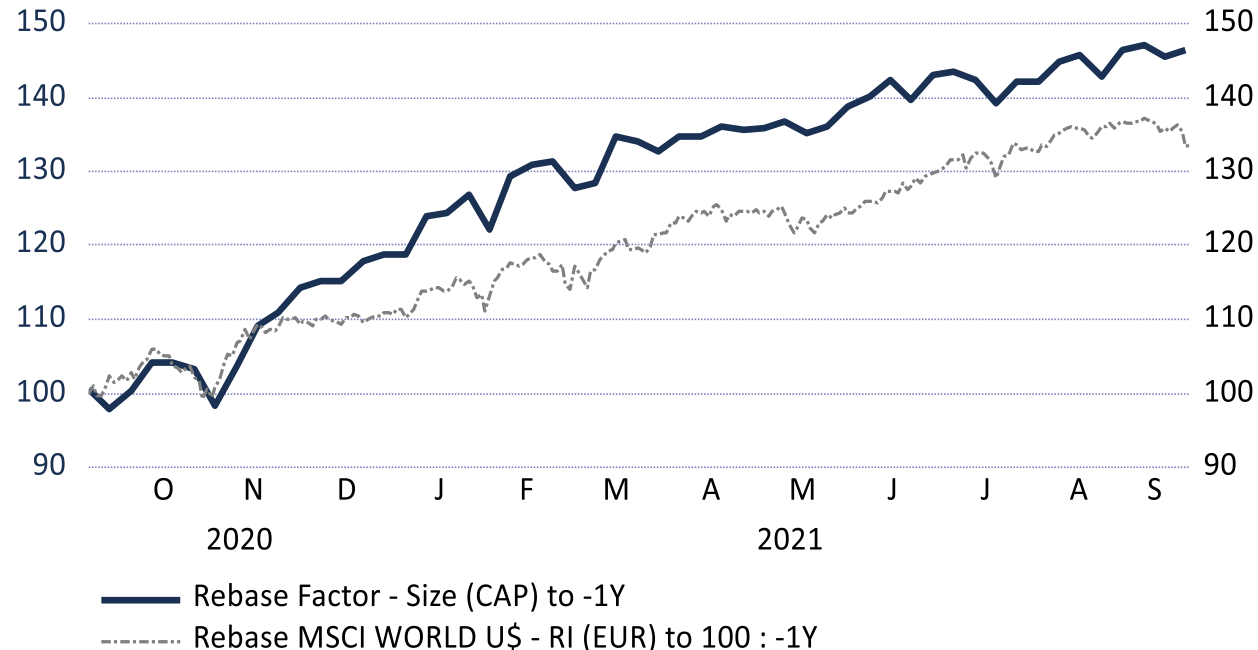
Factor Details

	23-Sep	-1m	-3m	-1y	ytd
Performance	Index		Change in %		
Total return	615	2.5%	4.8%	45.7%	23.3%
Relative return	88	2.3%	-1.4%	8.2%	0.6%
Possible to harvest a premium?					
Drift Model(+6 mth F: 1.88%) - pct.	5.8%	6.5%	9.0%	-9.9%	-7.3%
Pulse Model - pct. an.	1.4%	3.2%	-0.1%	9.8%	2.9%
Probability Score (*)	1.0	1.0	1.7	0.0	-0.3

(*) Positive or negative expected premium ? (score: -2 to +2)

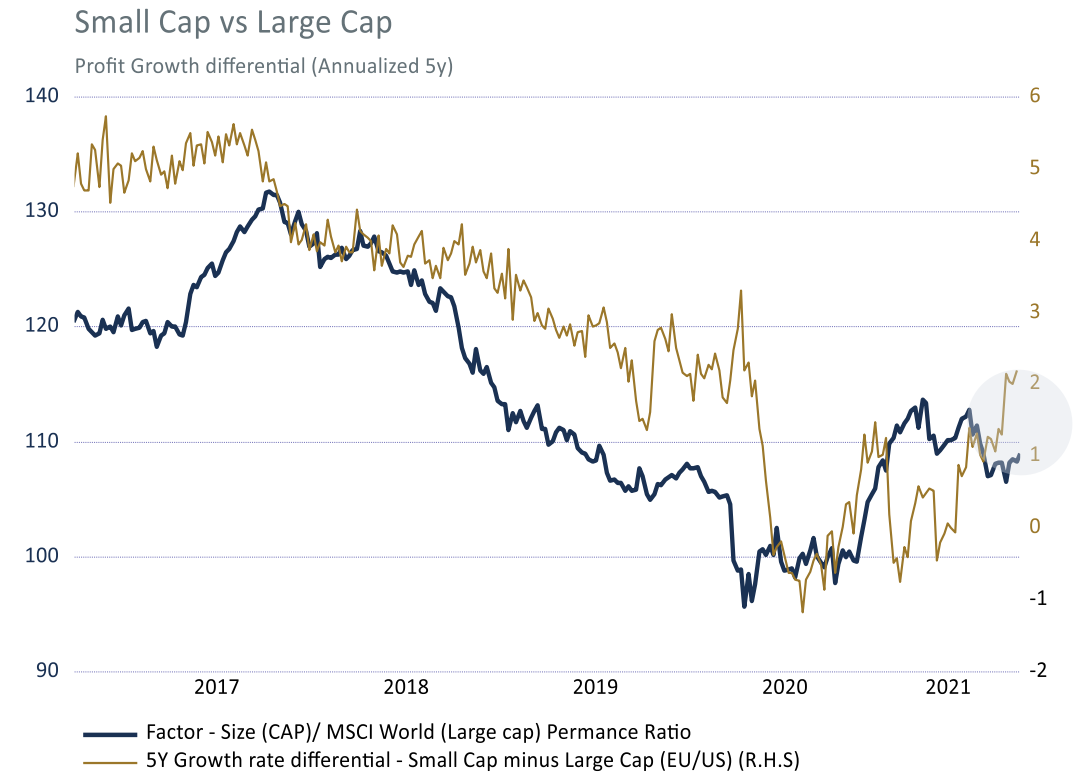| **Risk Profile(**)**	
Factor Premium - average	-0.2%
Ann. Standard Deviation	18.5%
Ann. Sharpe Ratio	0.24
Maximum Drawdown	56.5%
Monthly Value at Risk (95%)	-7.8%
Monthly Expected Shortfall (95%)	-11.6%
Bond Correlation	-0.28
Stock Correlation	0.82
Balance Correlation	0.74

- In the coming months, one of the most significant obstacles for Size performance is likely to be the softer business cycle.

- Where to find Long-Term growth? Investors hold Small Caps due to presumed higher growth. However, in many years the growth differential to Large Cap has decreased. Now it appears to rise again.
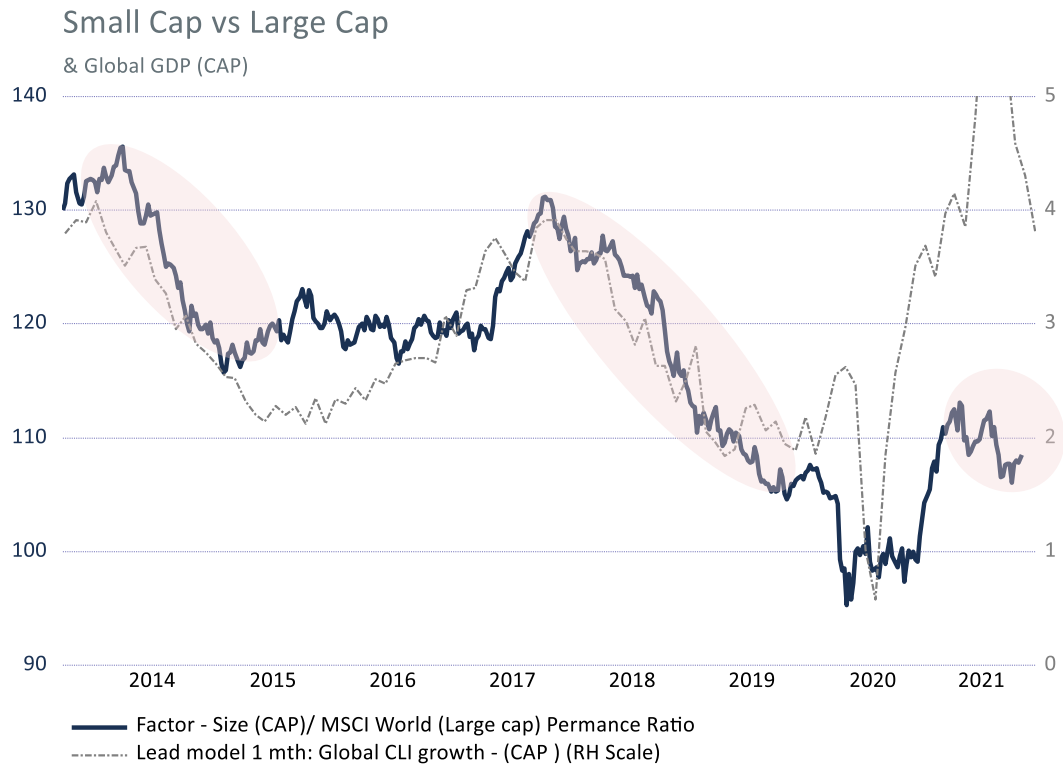
Small Cap vs Large Cap
& Global GDP (CAP)

Factor - Size (CAP)/ MSCI World (Large cap) Permance Ratio
Lead model 1 mth: Global CLI growth - (CAP) (RH Scale)

Source: Refinitiv Datastream

Small Cap vs Large Cap
Profit Growth differential (Annualized 5y)

Factor - Size (CAP)/ MSCI World (Large cap) Permance Ratio
5Y Growth rate differential - Small Cap minus Large Cap (EU/US) (R.H.S)

Source: Refinitiv Datastream

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Possible to harvest a premium?

Our Score for the Defensive Factor is stable and suggests a Neutral Position.

In contrast to Cyclicals, the defensive factor depends on the slow down to become more solid for the factor to perform. Thus, more substantial signs of a slow down (like OECD PMI below 55) will, in our view, trigger a significant rotation into defensives. For now, however, the (still) strong GDP cycle is an obstacle to this factor's performance.
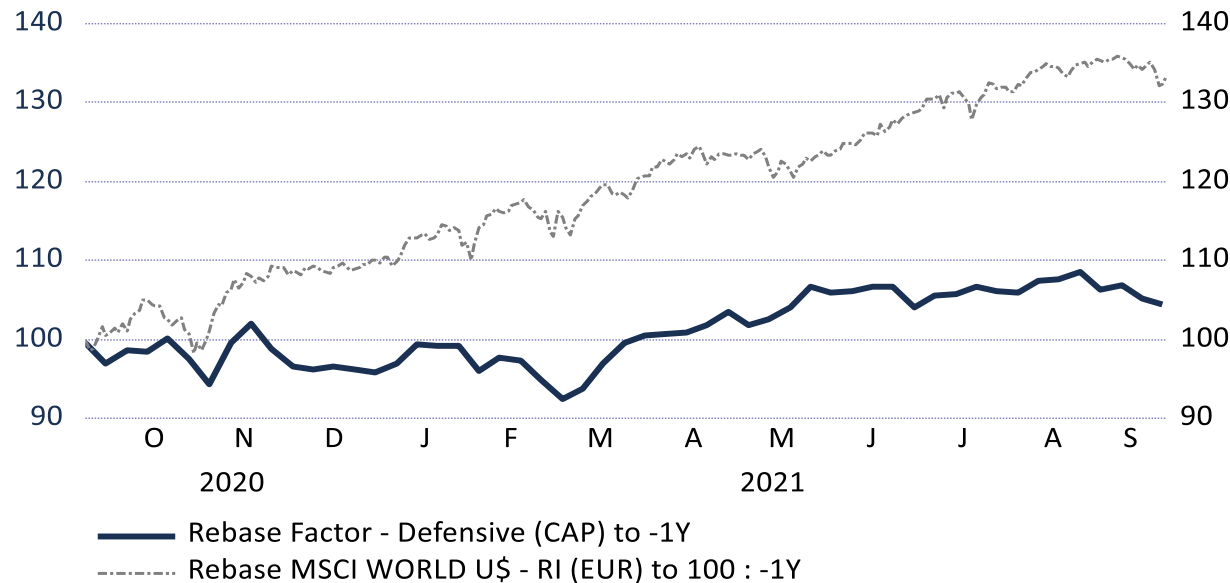
Our preferred Sector/Industries: **Telecom, Pharmaceuticals, Food&Beverage**
Our preferred stock picks: Novo Nordisk A/S, British American Tobacco PLC &

Harvest Probability
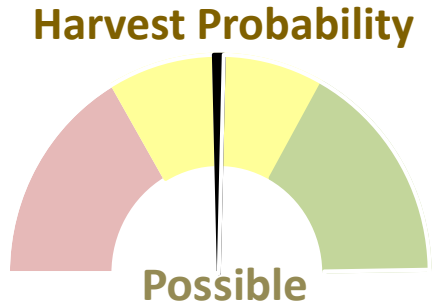
Possible

Factor Performance

Macro Factor: Defensive

— Rebase Factor - Defensive (CAP) to -1Y
‒·‒ Rebase MSCI WORLD U$ - RI (EUR) to 100 : -1Y

Source: Refinitiv Datastream

Factor Details

	23-Sep	-1m	-3m	-1y	ytd
Performance	Index		Change in %		
Total return	611	-3.8%	-2.0%	4.9%	9.1%
Relative return	88	-3.9%	-7.8%	-22.0%	-11.0%
Possible to harvets a premium?	23-Sep	-1m	-3m	-1y	boy
Drift (+6 mth F: 11.89%) - pct. an.	5.8%	5.4%	-0.7%	11.2%	5.0%
Pulse - pct. an.	-2.4%	-1.7%	4.7%	-2.4%	-2.8%
Probability Score (*)	0.0	1.3	0.0	0.0	0.3

(*) Positive or negative expected premium ? (score: -2 to +2)

Risk Profile(**)	
Factor Premium - average	0.9%
Ann. Standard Deviation	15.0%
Ann. Sharpe Ratio	0.31
Maximum Drawdown	34.8%
Monthly Value at Risk (95%)	-5.1%
Monthly Expected Shortfall (95%)	-6.8%
Bond Correlation	-0.04
Stock Correlation	0.67
Balance Correlation	0.64

Defensives vs. Cyclicals

& OECD PMI

Legend:
- Factor - Size (CAP)/ MSCI World (Large cap) Permance Ratio
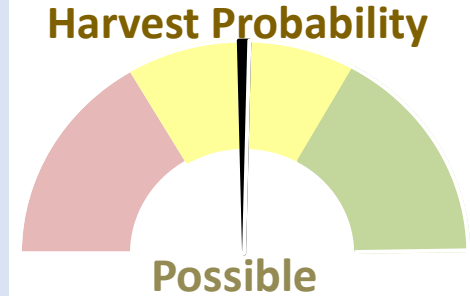- OECD PMI (Inverted scale) (R.H.S)
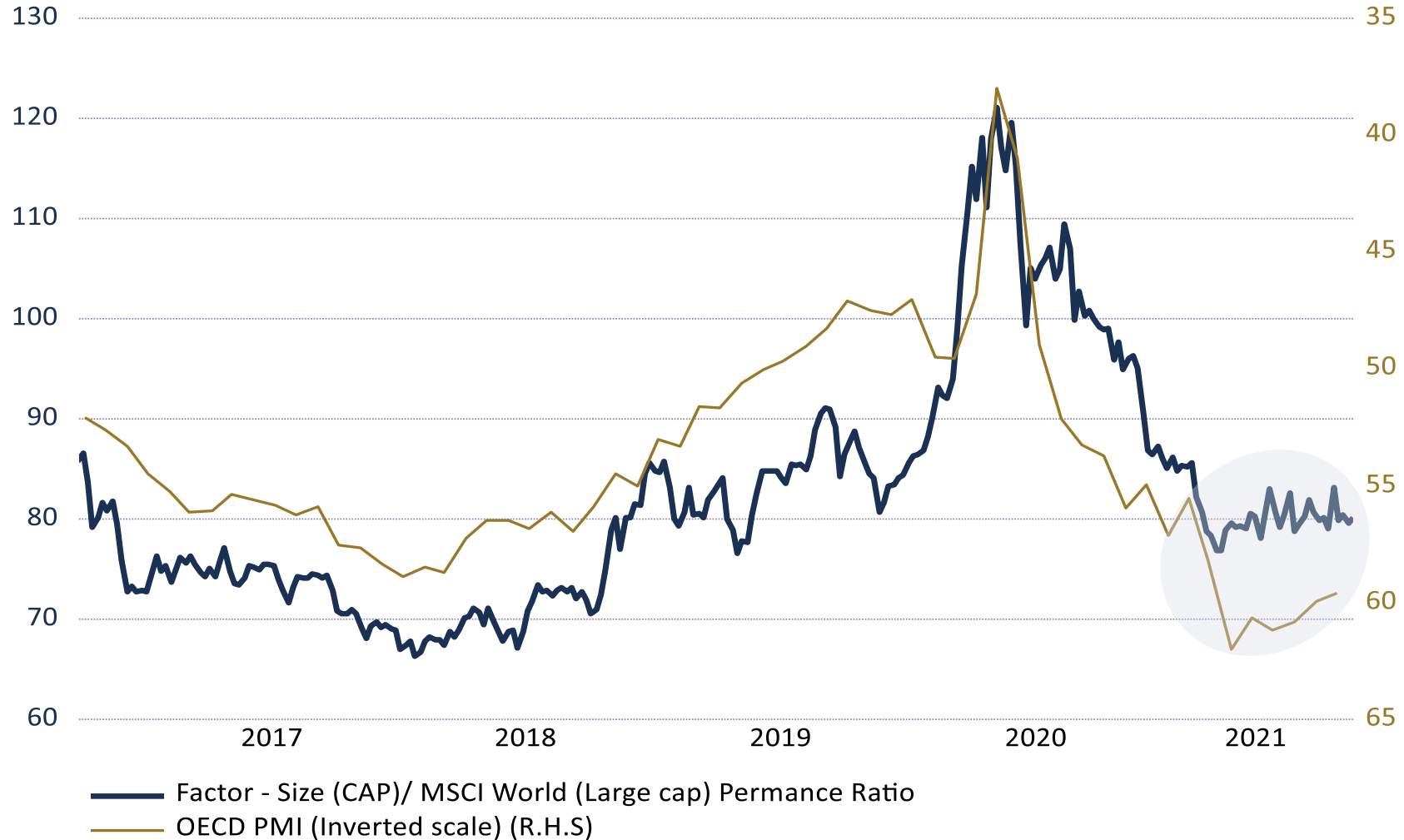
- If PMIs trend down, it is a sign that the Defensive factor can again be harvested.

- PMIs are currently stable at a high level. This makes investors hold on to their Cyclical bets with no reason to rotate into defensives.

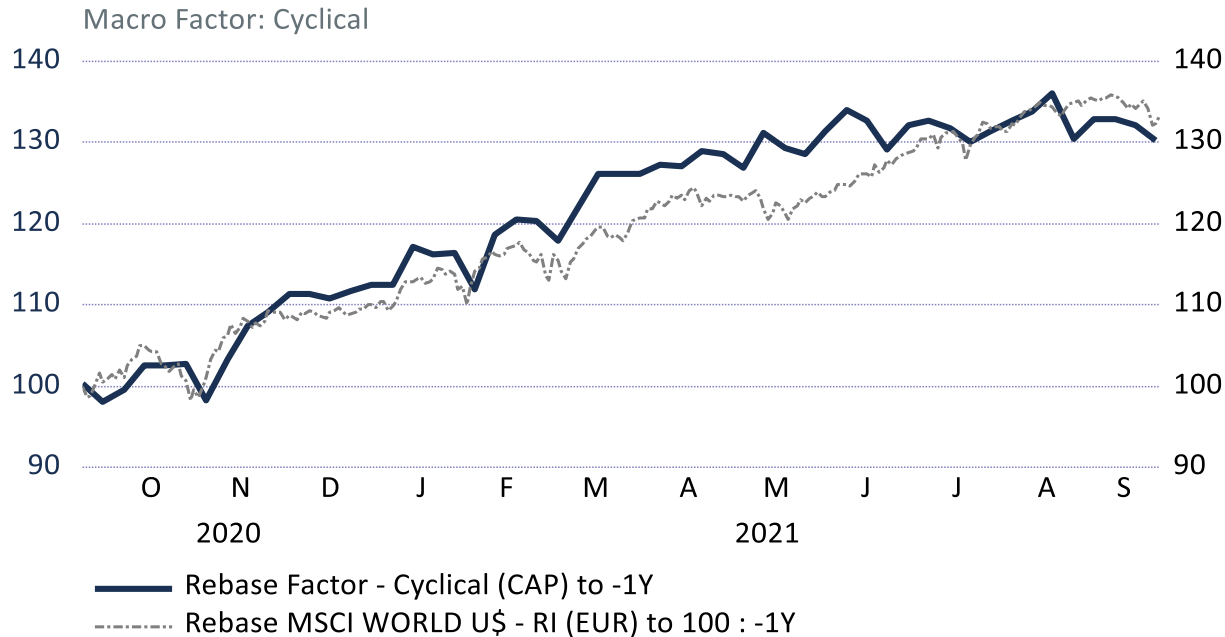- Harvesting of either Cyclicals or Defensive premia seems currently quite uncertain.

Source: Refinitiv Datastream

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Possible to harvest a premium?

Our Score for the Cyclical Factor has deteriorated in recent months and is now suggesting a Neutral Position.
The current CPI inflation puls (3 mth. effects) is negative, while easy credit is a positive. Both global economy and global trade are still tailwind factors, although less so than three months ago. Further slow down is likely to be a key obstacle for the Cyclical factor in the coming months.
Our preferred Industries: **Materials, Autos&Parts, Transportation** and **Rail&Road**
Our preferred stock picks: Compagnie Generale des Etablissements Michelin SCA, Volkswagen AG

Harvest Probability

Possible

Factor Performance

Macro Factor: Cyclical

— Rebase Factor - Cyclical (CAP) to -1Y
-·-·- Rebase MSCI WORLD U$ - RI (EUR) to 100 : -1Y

Source: Refinitiv Datastream

Factor Details

	23-Sep	-1m	-3m	-1y	ytd
Performance	Index		Change in %		
Total return	436	-0.1%	0.9%	29.9%	15.8%
Relative return	62	-0.3%	-5.1%	-3.5%	-5.5%
Possible to harvest a premium?	23-Sep	-1m	-3m	-1y	boy
Drift (+6 mth F: -0.39%) - pct. an.	5.4%	6.5%	10.9%	-9.6%	-6.5%
Pulse - pct. an.	0.0%	-5.0%	-6.7%	15.1%	3.1%
Probability Score (*)	0.0	0.0	0.3	0.0	-1.7

(*) Positive or negative expected premium ? (score: -2 to +2)

Risk Profile(**)	
Factor Premium - average	-1.1%
Ann. Standard Deviation	19.8%
Ann. Sharpe Ratio	0.17
Maximum Drawdown	59.9%
Monthly Value at Risk (95%)	-9.0%
Monthly Expected Shortfall (95%)	-12.5%
Bond Correlation	-0.26
Stock Correlation	0.91
Balance Correlation	0.81

Possible to harvest a premium?

Our Harvest probability Score for the LT Growth Factor has recovered somewhat compared to three months ago. Still, investors should not expect to harvest a growth premium despite the recent positive performance. The current crude and final goods inflation puls (3mth chg.) is modestly negative for the Growth factor. Still, the main short-term headwind comes from the recovery of the analog economy compared to the digital one. Slow down in e-commerce sales to total sales is a proxy for this. Weaker GDP and global trade cycle are likely headwinds for the factor in the coming months. Excessive 5Y forward growth expectations for global stocks are likely to dampen performance in coming months and years (**see p.17**). Still, the timing of the next downturn for analysts' Long-term profit expectations is difficult to predict.

Our preferred Industries are **Consumer Durables, New Energy, Media&Entertainment.**

Our preferred stock picks: Vivendi SE, Tetra Tech inc, LG Electronics Inc

Harvest Probability

Possible

Factor Performance

Macro Factor: LT Growth

Rebase Factor - LT Growth (CAP) to -1Y
Rebase MSCI WORLD U$ - RI (EUR) to 100 : -1Y

2020   2021

Factor Details

Performance	23-Sep	-1m	-3m	-1y	ytd
	Index		Change in %		
Total return	1298	1.6%	11.7%	37.9%	25.0%
Relative return	186	1.4%	5.1%	2.4%	2.0%
Possible to harvest a premium?	23-Sep	-1m	-3m	-1y	boy
Drift (+6mth F: 1.27%) - pct. an.	-1.9%	-1.9%	-3.2%	21.6%	23.8%
Pulse - pct. an.	4.0%	3.3%	-0.9%	-1.0%	3.5%
Probaility Score (*)	-0.3	-0.5	-1.3	0.0	1.3

(*) Positive or negative expected premium ? (score: -2 to +2)

Risk Profile(**)	
Factor Premium - average	3.0%
Ann. Standard Deviation	22.2%
Ann. Sharpe Ratio	0.34
Maximum Drawdown	72.5%
Monthly Value at Risk (95%)	-9.7%
Monthly Expected Shortfall (95%)	-13.4%
Bond Correlation	-0.18
Stock Correlation	0.75
Balance Correlation	0.69

Source: Refinitiv Datastream

LT Growth to Total Market

& Long term EPS expectations
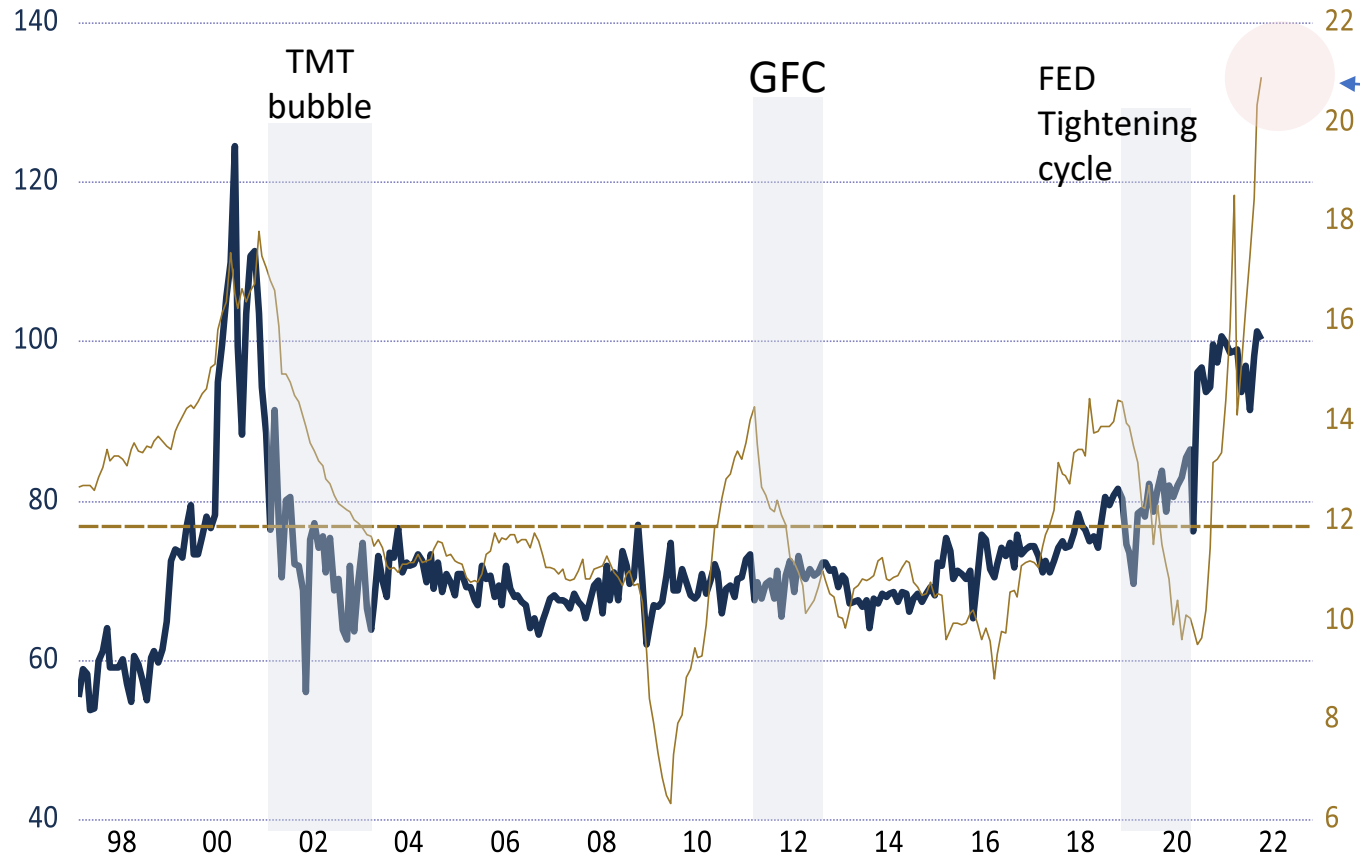
- According to IBES, consensus analyst expectations for average LT EPS growth (5y) was in Sep 2021 20.9% (annualized)!

- Has growth outlook never been any brighter? Really!

- The issue is not IF growth expectations come down but how and when!!

Legend:
— Factor - LT Growth to MSCI WORLD Performance Ratio
— 5Y forward EPS growth expectations (IBES, annualized) - MSCI World
-- 5Y EPS exp. - Long-term average

Chart labels: TMT bubble, GFC, FED Tightening cycle

Source: Refinitiv Datastream

Possible to harvest a premium?

Our Rate & Credit Sensitive score remains positive, suggesting that investors will be able to harvest a premium. Strong backing from attractive credit conditions and a favorable analog economy is tailwind drivers. Solid economic growth conditions are supportive as well. In the coming months, likely higher real rates will be a positive driver factor.

Our preferred Sectors are **Financials, Real Estate.**

Our preferred stock picks: Vonovia SE, Skandinaviska Enskilda Banken AB

Harvest Probability

High
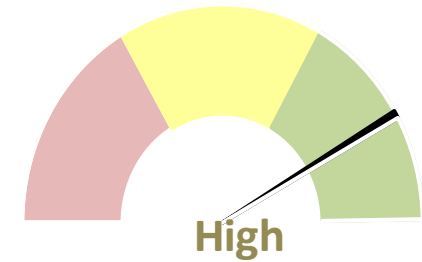
Factor Performance

Macro Factor: Credit Sensitive
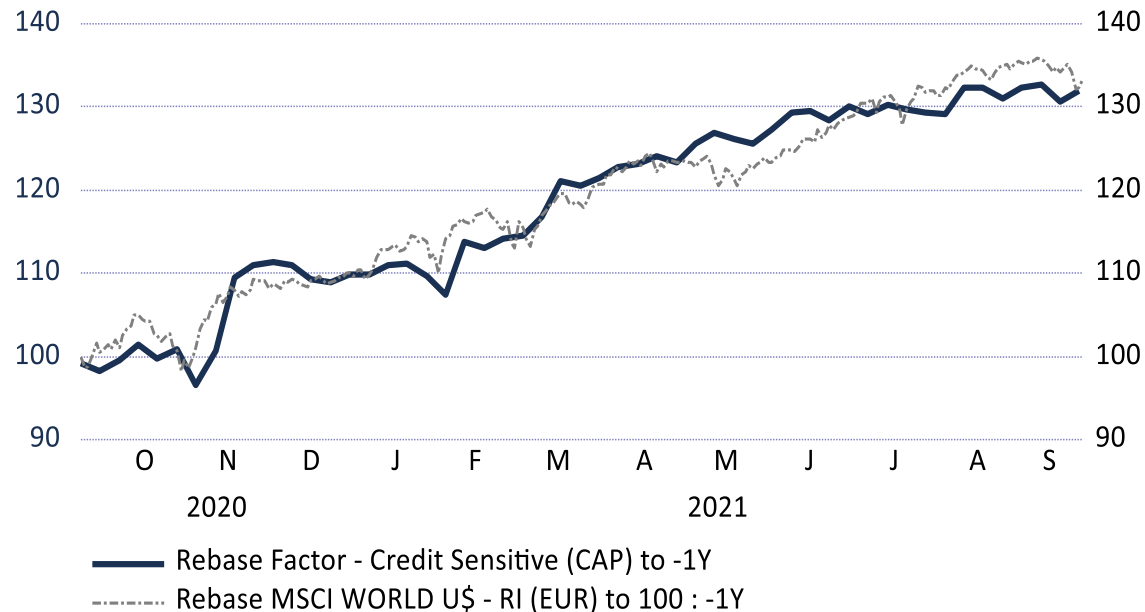
Rebase Factor - Credit Sensitive (CAP) to -1Y
Rebase MSCI WORLD U$ - RI (EUR) to 100 : -1Y

Source: Refinitiv Datastream

Factor Details

	23-Sep	-1m	-3m	-1y	ytd
Performance	Index	Change in %			
Total return	386	0.7%	2.7%	33.0%	20.1%
Relative return	55	0.6%	-3.4%	-1.2%	-2.0%
Possible to harvest a premium?	23-Sep	-1m	-3m	-1y	boy
Drift Model(+6 mth F: 3.6%) - pct. an.	6.2%	9.1%	13.0%	-18.0%	-17.8%
Pulse Model - pct. an.	0.0%	3.2%	13.2%	15.5%	-0.9%
Probability Score (*)	1.3	1.3	1.0	0.0	-1.3

(*) Positive or negative expected premium ? (score: -2 to +2)

Risk Profile(**)	
Factor Premium - average	-1.5%
Ann. Standard Deviation	18.6%
Ann. Sharpe Ratio	0.14
Maximum Drawdown	68.2%
Monthly Value at Risk (95%)	-7.2%
Monthly Expected Shortfall (95%)	-12.4%
Bond Correlation	-0.19
Stock Correlation	0.87
Balance Correlation	0.78

Credit Sensitive vs total market

& DM Yield curve

Factor - Credit Sensitive (CAP)/ MSCI World (Large cap) Permance Ratio

lead 12 mth: Yield curve 10Y vs 3 mth (US/EU)
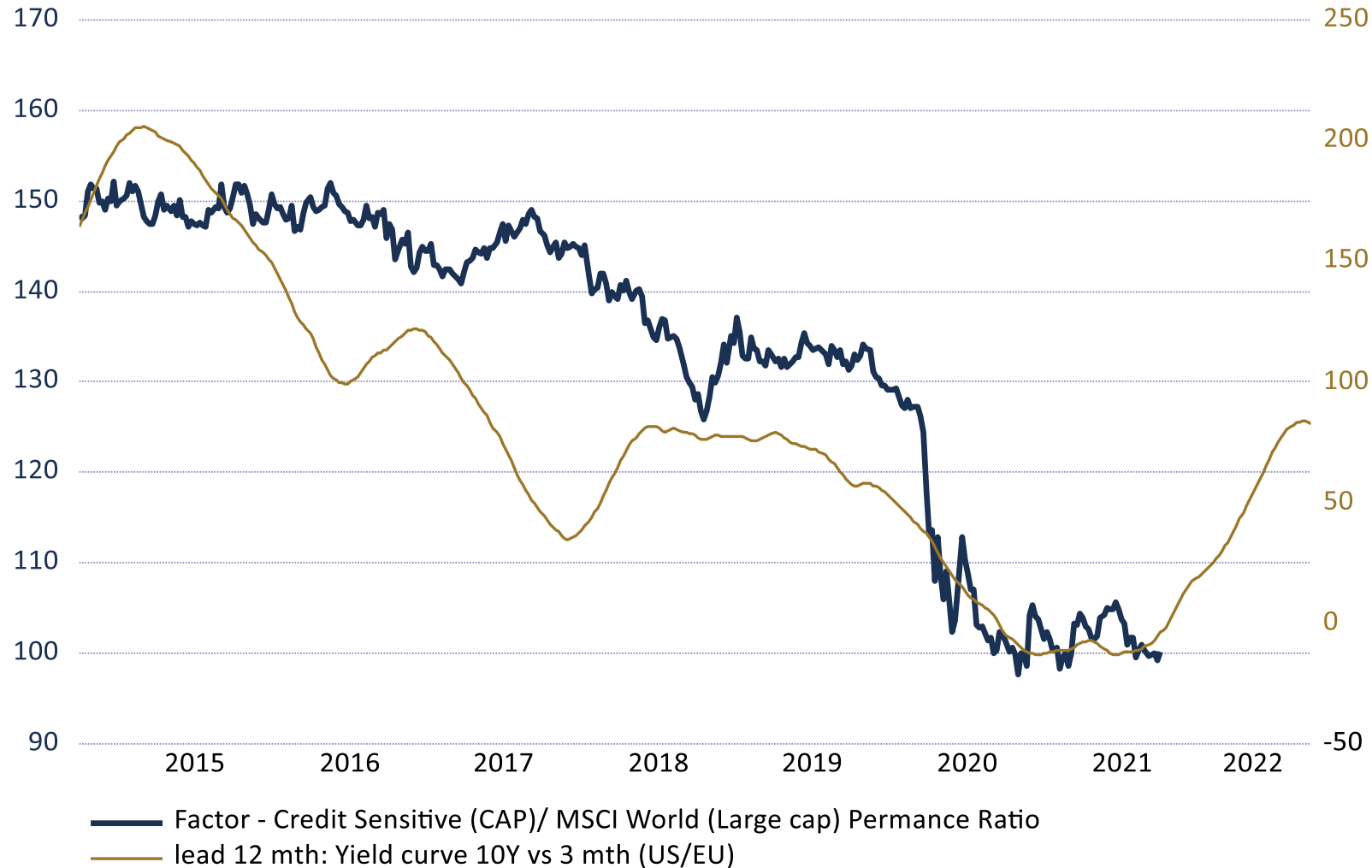
- For many years, a driver of the Rate & Credit Factor underperformance has been the down-trending carry/ flattening of the yield curves.

- It takes time to turn the tide, but a 12 mth. lead is now suggesting that the experienced curve steepening will soon underpin the Rate&Credit Sensitive factor.

Source: Refinitiv Datastream

Sector/Industry Scorecard

Sector/Industry DREX Scorecard

Our key focus is to find sectors/Industries we can use in our long-only Equity allocation.In late September 2021:

- We have identified **Materials and Real Estate** as sectors with above average DREX scores when it comes to sectors.
- We have identified **Telecom & Semi-conductors** as Industry Groups with high DREX scores
- When it comes to segments, **Russell2000** holds an above-average score.
- Financials, **MDAX & Autos, Consumer Durables**, have all returned to average scores.

*) DREX: Dynamic Return Expectations (CAP): Consists of four-pillar scores that add up to a Total-score. The Totals are key input behind our aggregated return expectation

**) Factor sensitivity is mapped for each sector/Industry/Segment.
LTG: Long Term Growth, C: Cyclical, D: Defensive, RCS: Rate&Credit Sensitive, MOM: Momentum, LV: Low Vol, V: Value, S: Size

***) Total DREX: The score framework's suggested allocation:
(-) Underweight positions: <-25%, <-10% ,
(+) Overweight positions : >+10%, >+25%,
 N) Neutral position : > -5%, < +5%

Sector Allocation - DREX Score Card

Sectors&Industries (GICS)	1 Mth	3 Mth	YTD
Communication(LTG) **)	0.9%	7.5%	28.1%
Media&Entertainment (MOM, LTG)	1.3%	9.8%	34.9%
Telecom (LV, D, RCS)	-0.9%	-0.9%	7.2%
Consumer Discretionary(MOM, C, LTG)	3.6%	4.8%	18.3%
Auto&Parts (MOM, C)	7.1%	5.9%	21.3%
Consumer Durables & App (V, C, LTG, MOM)	0.9%	4.8%	18.6%
Hotel&Leisure (RCS)	3.8%	2.8%	15.6%
Retailing (MOM, LTG)	3.2%	4.9%	18.1%
Consumer Staples(LV, D, RCS)	-1.8%	3.1%	12.1%
Food&Beverage&Tobacco(LV, D, RCS)	-1.5%	1.0%	12.6%
Household&Personal Prod. (LV, D)	-1.5%	2.1%	6.1%
Financials(V, C, RCS)	-0.1%	5.6%	30.3%
Banks (V, C, RCS)	0.9%	3.7%	31.8%
Div.Financials (V, C, RCS)	-0.4%	8.0%	34.6%
Capital Markets (RCS)	1.2%	8.2%	37.6%
Healthcare(D, LTG)	-2.6%	7.5%	21.9%
Biotech ()	-0.9%	9.9%	22.7%
Phamaceuticals (D)	-7.8%	1.8%	15.2%
Healthcare Equipment (LV, D, LTG)	1.8%	13.9%	26.7%
Healthcare Services (D)	-1.0%	5.9%	25.6%
Industrials (V, C, RCS)	0.3%	4.4%	19.6%
Capital Goods (V, C, RCS)	0.3%	4.3%	20.0%
Commercial Services (LV, LTG, RCS)	2.5%	12.7%	26.2%
Transportation (V, C)	-0.9%	-0.4%	13.9%
Trans.Infrastructure (RCS)	2.7%	-0.9%	2.5%
Rail&Road (V, C)	-3.0%	-2.7%	6.4%
Infrastructure (ETF)(RCS)	-2.6%	1.6%	16.2%
Information Technology(MOM, LTG)	0.9%	11.2%	25.5%
Software (MOM, LTG)	-0.3%	14.5%	30.1%
Comm.Equipment (LTG)	-2.8%	8.6%	32.5%
Semiconductors & Equip. (LTG)	6.0%	13.2%	38.6%
Materials (V, C)	-2.0%	1.2%	14.4%
Gold (D)	0.6%	-15.1%	-0.1%
Real Estate(LV, D, RCS)	-1.0%	4.8%	28.2%
Utilities (LV, D, RCS)	-5.4%	2.9%	9.3%
New Energy(MOM, LTG)	-1.5%	7.5%	4.5%
Water (ETF)()	-0.9%	10.8%	24.4%
Segments	1 Mth	3 Mth	YTD
Nasdaq 100 (MOM, LTG)	1.1%	10.2%	25.2%
Russell2000 (S, C, LTG)	2.7%	1.0%	15.9%
MidDAX (S, MOM, C, LTG)	-1.0%	3.7%	16.0%

Current Position / -3mth

21

Macro Environment

CAP | COPENHAGEN ALLOCATION PARTNER

Our expectations for six key secular trend drivers of factor performance:

### Securlar Trends
Dominating trends of the last 25 years

Real Credit Rate Stabilization
Now: Below trend and dropped 130 bps over 12 mth.
+6mth.: By end-Q1 2022, we expect the rate to be 25bps higher. On a y-o-y basis, the rate change -50bps.

— Real Credit Yield
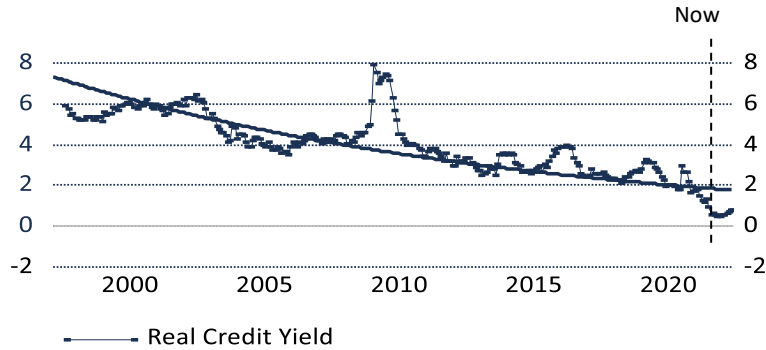
China expansion at trend pace
Now: Just Below trend.
+6mth.: China will stay close to trend and trend-growth

·········· China GDP of Global GDP (IMF)
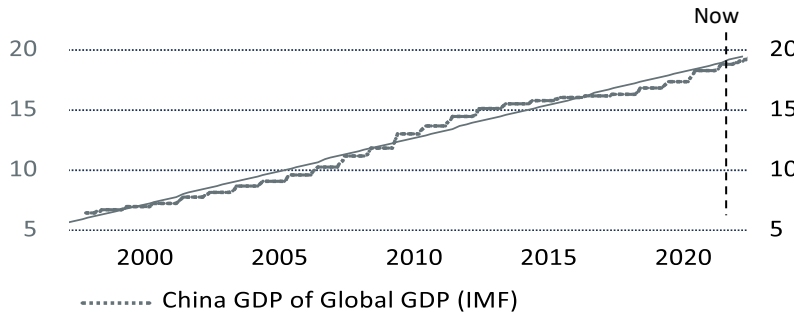
Global trade slow-down
Now: Has soared back to trend following re-opening.
+6mth. It has eased off in recent months and seen moving further below-trend growth.

— Global Trade Volume to Global GDP
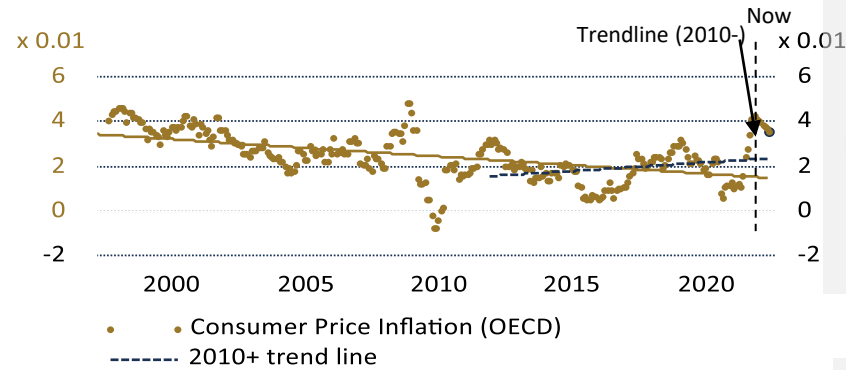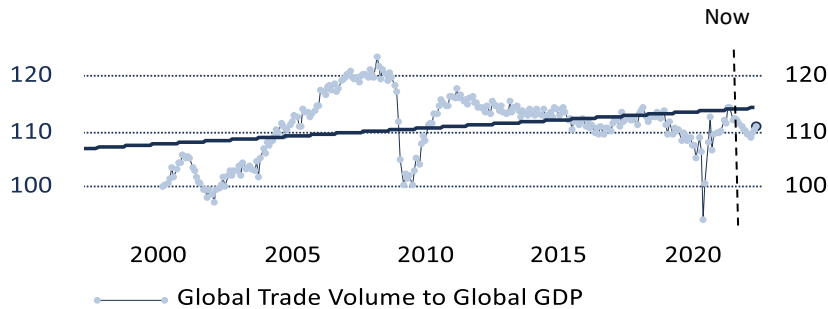
CPI Inflation above trend
Now: Significantly above trend .
+6mth.: By end-Q1 2022, Inflation has dropped 100 bps – still above trend.
Note: Trend Inflation is measured from 2010

Trendline (2010-)

• Consumer Price Inflation (OECD)
------ 2010+ trend line
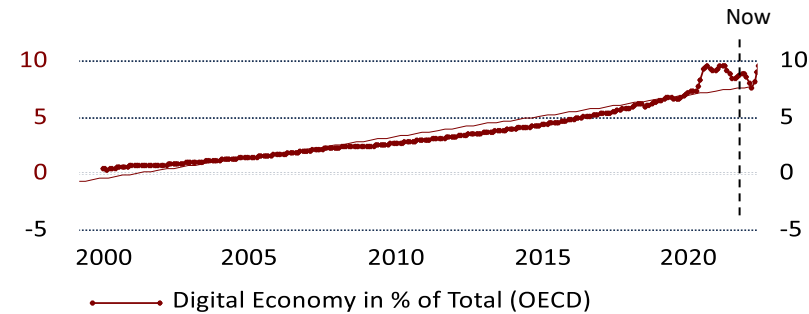
Digital Slowdown
Now: Slowing down on 'Analog' economic recovery
+6mth.: By end-Q1 2021, 'Digital' economic growth has reached a trough and returns to trend.

— Digital Economy in % of Total (OECD)
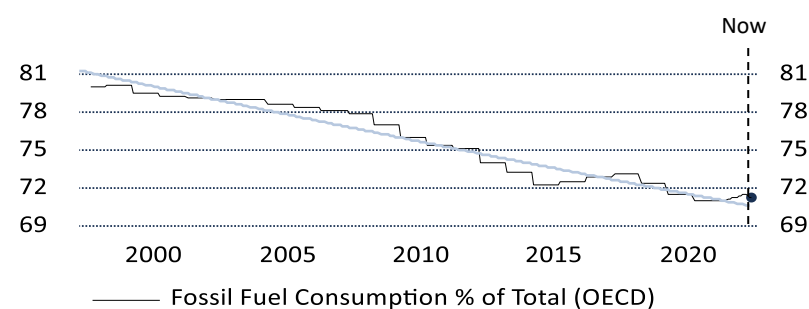
Fossil Fuel Consumption downtrend
Now: Above Trend
+6mth.: By end-Q1 2022, the downtrend is again followed.

— Fossil Fuel Consumption % of Total (OECD)
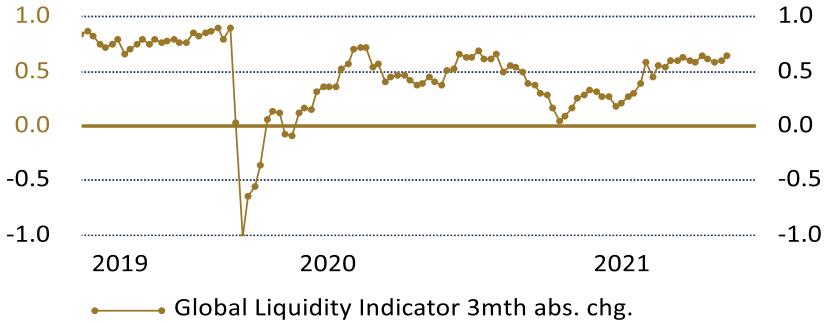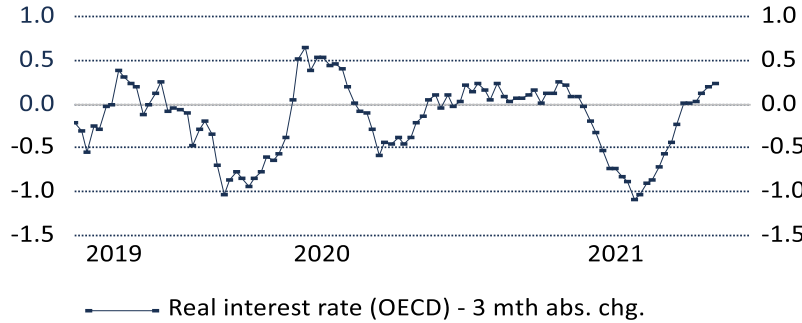
The development for five 3mth. cyclical pulse drivers of factor performance:

Pulse Factor Trends

Dominating trends of the last two years

Real rate has risen marginally.
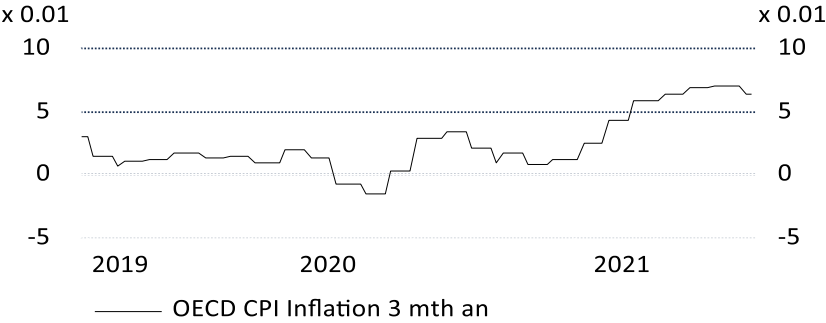

Real interest rate (OECD) - 3 mth abs. chg.

Liquidity continues to expand.

Global Liquidity Indicator 3mth abs. chg.

The pace for commodity price increases are slowing

Commodity Price (GSCI) 3 mth pct. chg.
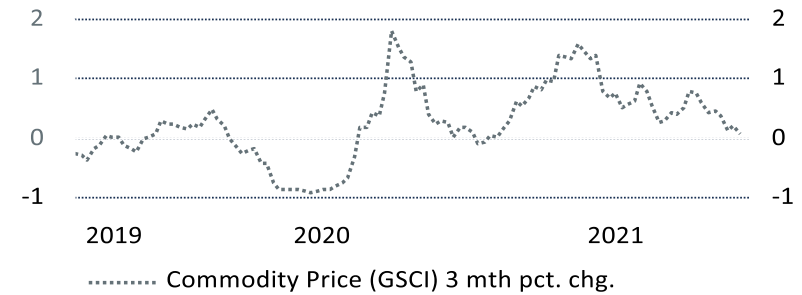
GDP growth is slowing down

Global CLI growth 3mth an (Now)

Inflation uptrend stabilizes!

OECD CPI Inflation 3 mth an