CAP Scan

Equity Factors, Sectors & Stock Picks

December 1, 2021

CAP | COPENHAGEN ALLOCATION PARTNER

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.
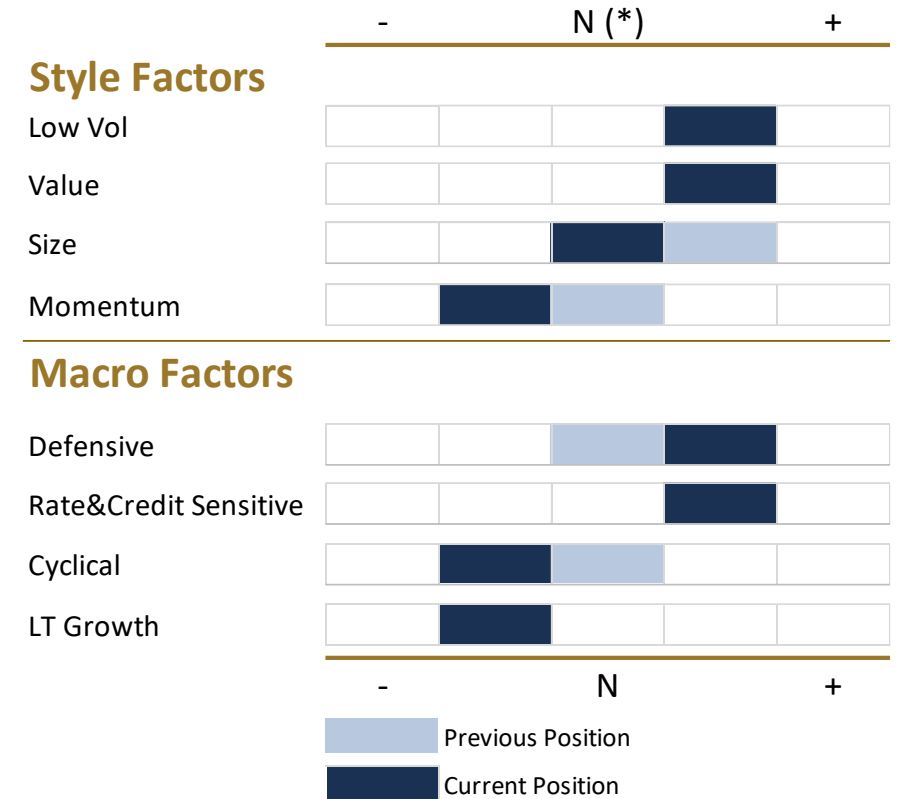
In CAP, we are currently adding equity exposure to the factors:

Value
Rate&Credit Sensitive
Low Vol
Defensive (NEW)

The strategy is changed from last month. Besides our upgrade of Defensive, we are reducing exposure to both Size (neutral), Momentum (uw) and Cyclicals (uw)

❑ 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%

Strong performance for growth & cyclical sectors and segments have weakened our DREX return expectations from these sectors. At the same time, there are limited support from DREX to low-risk Sectors/Industries. This leaves us with only a few sector/Industry cases:

Healthcare (Pharmaceuticals) (NEW)

Real Estate

_____

Removed: Semiconductors, Materials, Telecom, Russell2000
(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*) - N +	Total return in pct. (EUR) 1 Mth	3 Mth	YTD
Communication(LTG) **)		-0.7%	-2.7%	25.6%
Media&Entertainment (MOM, LTG)		-1.2%	-2.7%	32.6%
Telecom (LV, D, RCS)		1.5%	-2.7%	4.0%
Consumer Discretionary(MOM, C, LTG)		2.6%	11.5%	29.5%
Auto&Parts (MOM, C)		1.0%	29.5%	51.3%
Consumer Durables & App (V, C, LTG, MOM)		3.1%	7.2%	27.3%
Hotel&Leisure (RCS)		-3.1%	-0.9%	14.2%
Retailing (MOM, LTG)		5.1%	9.2%	25.9%
Consumer Staples(LV, D, RCS)		2.2%	4.1%	17.1%
Food&Beverage&Tobacco(LV, D, RCS)		0.6%	2.6%	16.0%
Household&Personal Prod. (LV, D)		3.5%	4.3%	10.5%
Financials(V, C, RCS)		-2.4%	3.2%	37.1%
Banks (V, C, RCS)		-3.3%	4.7%	40.1%
Div.Financials (V, C, RCS)		-1.5%	2.6%	41.7%
Capital Markets (RCS)		2.2%	9.8%	49.1%
Healthcare(D, LTG)		0.3%	1.4%	24.8%
Biotech ()		1.0%	-7.8%	14.9%
Phamaceuticals (D)		1.9%	2.1%	23.7%
Healthcare Equipment (LV, D, LTG)		-2.3%	-1.6%	21.8%
Healthcare Services (D)		-1.3%	6.8%	32.7%
Industrials (V, C, RCS)		0.2%	1.9%	23.1%
Capital Goods (V, C, RCS)		0.5%	0.2%	21.9%
Commercial Services (LV, LTG, RCS)		1.0%	6.9%	32.5%
Transportation (V, C)		-1.2%	4.4%	20.7%
Trans.Infrastructure (RCS)		-3.0%	1.1%	2.6%
Rail&Road (V, C)		-1.1%	9.0%	20.1%
Infrastructure (ETF)(RCS)		0.0%	3.3%	21.8%
Information Technology(MOM, LTG)		3.8%	7.8%	35.7%
Software (MOM, LTG)		-0.2%	8.5%	41.9%
Comm.Equipment (LTG)		2.0%	0.8%	38.5%
Semiconductors & Equip. (LTG)		13.2%	18.8%	63.1%
Materials (V, C)		1.5%	0.4%	19.8%
Gold (D)		3.0%	6.1%	4.4%
Real Estate(LV, D, RCS)		0.8%	3.8%	33.2%
Utilities (LV, D, RCS)		1.2%	1.2%	13.8%
New Energy(MOM, LTG)		-3.3%	2.3%	9.8%
Water (ETF)()		1.8%	2.2%	29.0%
Segments	- N +	1 Mth	3 Mth	YTD
Nasdaq 100 (MOM, LTG)		3.4%	8.2%	35.7%
Russell2000 (S, C, LTG)		0.0%	2.7%	20.7%
MidDAX (S, MOM, C, LTG)		-2.9%	-6.3%	11.3%

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- Due to our current top-down views, we are adding stocks to our factor sub-portfolios in **Low Vol & Defensive.**

- We are at the same time shifting to Europe in our **Size** sub-portfolio and from Auto/Materials exposure to Capital Goods exposure in our **Cyclical** sub-portfolio.

- Finally, we add Real Estate exposure to **Rate&Credit Sensitive** sub-portfolio.

❑ The last step I our investment process is to use our bottom-up CAP Screener together with our Top Down 1. Cross-Asset and 2. Equity Factor & Sector analysis.
❑ The stock picks mentioned are picks that matches our current investment strategy, but not the full investment portfolios recommended to investors.

Dec-2021				
ID & Recom.				
Benchmark & GICS	**Recommendation** [2]		**Name**	**RIC/ISIN**
Equity Factor Portfolio - Single Stocks				
Global Stable Stocks (Low Vol) [5]	**Overweight**	**5.0%**	**Global Low Vol Index**	
Integrated Telecommunication Services	Added: 3.06.2021		Telekom Austria AG	<TELA.VI>
Multi-line Insurance	Added:30.11.2021		Gjensidige Forsikring ASA	<GJFG.OL>
Health Care Equipment	Added:04.02.2021		Abbott Laboratories	<ABT.N>
Food Retail	Added:04.02.2021		Koninklijke Ahold Delhaize NV	<AD.AS>
Health Care Equipment	Added:30.11.2021		Siemens Healthineers AG	<SHLG.DE>
Global Value Stocks [5]	**Overweight**	**2.5%**	**Global Value Index**	
Diversified Banks	Added: 04.02.2021		Skandinaviska Enskilda Banken AB	<SEBa.ST>
Diversified Banks	Added:02.03.2021		Raiffeisen Bank International AG	<RBIV.VI>
Life & Health Insurance	Added: 14.09.2021		NN Group NV	<NN.AS>
Air Freight & Logistics	Added: 04.02.2021		Deutsche Post AG	<DPWGn.DE>
Global Small Cap (Size) [5]	**Underweight**	**-2.5%**	**Global Size Index**	
German Midcap (Size)	Added:30.11.2021		iShares MDAX Ucits ETF (de)	DE000593392
Global Momentum Stocks [5]	**Underweight**	**-2.5%**	**Global Momentum Index**	
Semiconductor Equipment	Added: 04.02.2021		Applied Materials Inc	<AMAT.OQ>
Asset Management & Custody Banks	Added: 04.02.2021		Janus Henderson Group PLC	<JHG.N>
Globale Growth Stocks (LT Growth) [5]	**Underweight**	**-5.0%**	**Global LT Growth Index**	
Interactive Media & Services	Added: 01.10.2021		Alphabet Inc	<GOOGL.OQ>
Environmental & Facilities Services	Added: 04.02.2021		Tetra Tech inc	<TTEK.OQ>
Application Software	Added: 15.10.2021		Adobe Inc	<ADBE.OQ>
Global Rate & Credit Sensitive Stocks [5]	**Overweight**	**1.0%**	**Global Credit Sensitive Index**	
Real Estate Operating Companies	Added: 04.08.2021		Vonovia SE	<VNAn.DE>
Real Estate Operating Companies	Added:30.11.2021		LEG Immobilien se	<LEGn.DE>
Global Cyclical Stocks [5]	**Underweight**	**-1.0%**	**Global Cyclical Index**	
Industrial Machinery	Added: 30.11.2021		Sandvik ab	<SAND.ST>
Automobile Manufacturers	Added: 14.09.2021		Volkswagen AG	<VOWG_p.DE>
Global Defensive Stocks [5]	**Overweight**	**2.5%**	**Global Defensive Index**	
Pharmaceuticals	Added: 04.05.2021		Novo Nordisk A/S	<NOVOb.CO>
Pharmaceuticals	Added:02.03.2021		Merck KGaA	<MRCG.DE>
Tobacco	Added: 03.07.2021		British American Tobacco PLC	<BATS.L>
Electric Utilities	Added: 30.11.2021		Verbund AG	<VERB.VI>

In November, our Risk Allocation Index has dropped to negative for the first time since Spring 2020
Hence, in our risk allocation, we now underweight Risk assets for the first time here in 2021. At the same time, we overweight Cash/Hedge Assets.

In recent months, most activity indicators (ex, Metals prices) suggest that a global slow down started in Q3.
At the same time, most price data suggest that inflation moves higher across supply chains from crude to final.
Global liquidity, a key driver of risk assets in recent months, has re-accelerated.
Cost pressures continue to mount at a surprising pace. As a result, both Real household incomes and corporate profit margins suggest that an economic slowdown will continue into Q1 2022.
According to our global GDP model, the global economy has slowed to 3.5% at the start of Q4, down from 5% at the start of Q3. Furthermore, our six mth lead model for global GDP suggests that this slowing will continue in Q1 2022 to below 2%!

For investors, the question is now how fast and how hard the GDP cooling will become? The answers to these questions are linked to both the inflation and the liquidity cycle. If the high inflation is seen as out of control and sustainable, funding rates will rise while cost inflation will slow the economy. If central banks, on the other hand, are correct, and inflation will cool off when short-term supply-chain disruptions are resolved, funding rates will not aggressively shoot up, and liquidity will hence stay positive. Time will tell.
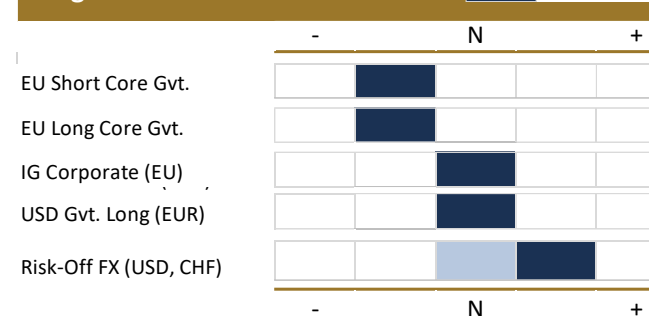
For now, we allocate with caution. That means that we follow the guidance of our Risk Allocation Index (P.42) to **reduce allocation to our Risk Portfolio.** EMD, High Yield, and EM equities are unchanged in UW. We reduce exposure to US & JP stocks from Neutral to UW. We also remove our OW positions in Core Equities & European Equities to now Neutral. **In our Hedge&Cask portfolio**, OUR DREX scores for EU rate markets are too poor for an upgrade. Instead, we upgrade USD (& US 2Y rates) from Neutral to OW. And Cash from Neutral to a double OW position. Both IG & Long US bonds are kept in a Neutral position.
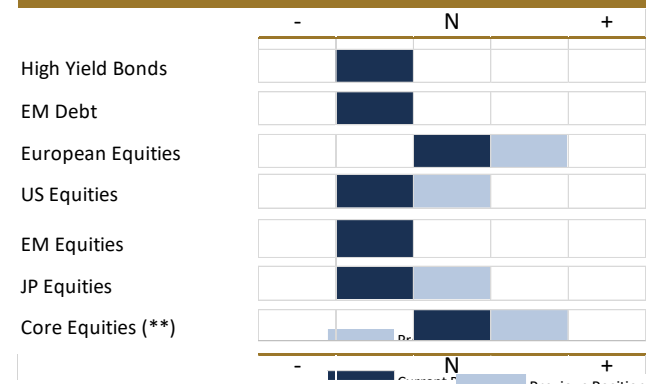
For details see: http://c-a-p.dk/cap-scan-cross-assets-summary-nov-2021/

Cross Asset Portfolio

	-	N (*)	+
Cash			
Hedge Portfolio			
Risk Portfolio			

Previous Position
Current Position

Hedge Portfolio

	-	N	+
EU Short Core Gvt.			
EU Long Core Gvt.			
IG Corporate (EU)			
USD Gvt. Long (EUR)			
Risk-Off FX (USD, CHF)			

Risk Portfolio

	-	N	+
High Yield Bonds			
EM Debt			
European Equities			
US Equities			
EM Equities			
JP Equities			
Core Equities (**)			

(*) Our Factor Portfolio

Previous Position
Current Position

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

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Report Content

CAP | COPENHAGEN ALLOCATION PARTNER

- We have changed our Factor strategy for the first time since early August.
- We rotate into **Defensive** (OW) as we see signs that risk appetite will follow a weaker business cycle moving into 2022. At the same time, we rotate out of the **Cyclical** Factor (UW).
- **Momentum** has as an investment style weakened during 2021. The lack of a strong consensus about the winning strategy is weakening the factor's performance. High Inflation could give the factor 'new wind' but for now we move from Neutral to UW.
- Both **Value, Low Vol**, and the macro factor **Rate&Credit Sensitive** continue in OW. Value takes the lead with a rising probability score for harvesting. The latter is especially true taking the current set back into consideration.
- **Size** is moved back into Neutral as business cycle headwinds are anticipated to challenge the factor.
- 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 low. We stay in UW although it has been painful.
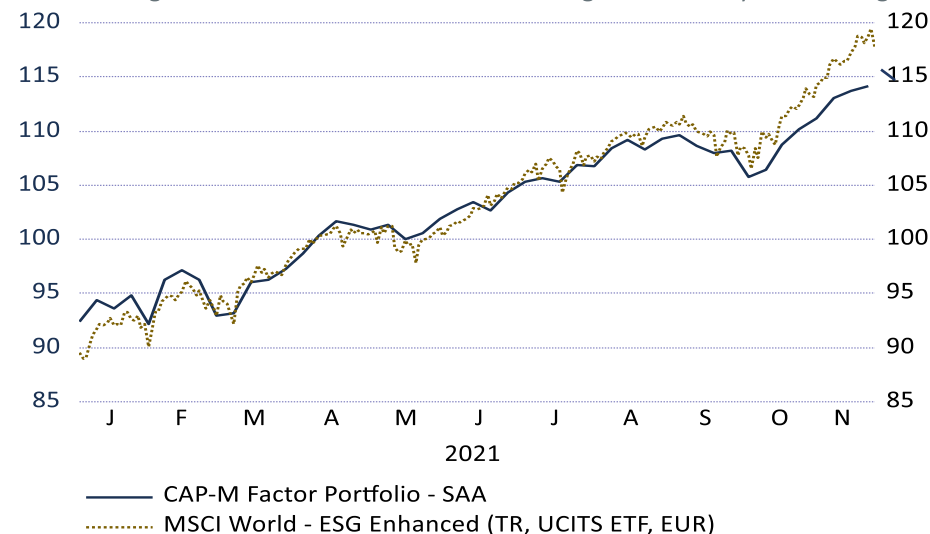
Performance

Factor	Total return in pct. (EUR)		
	1 Mth	3 Mth	YTD
Cyclical	1.8%	4.5%	21.2%
Defensive	3.3%	1.1%	14.6%
LT Growth	3.7%	6.2%	30.7%
Credit Sensitive	-1.9%	4.5%	24.5%
Low Vol	0.3%	-0.9%	15.3%
Momentum	-0.5%	5.0%	16.7%
Value	-1.0%	1.9%	23.6%
Size	-1.1%	2.7%	23.6%
World	2.5%	4.9%	28.0%

Equity Factor Allocation

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

Previous Position
Current Position

CAP Factor Benchmark vs MSCI World

Our Eight Factor Benchmarks - SAA fixed weights. Quarterly rebalancing

J F M A M J J A S O N
2021

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

Source: Refinitiv Datastream

Risk Profile(*)

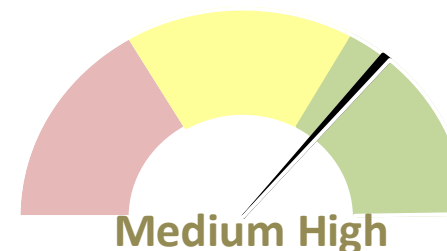|	MSCI World (EUR)	CAP Factor Benchmark (EUR)
Return (total, EUR)	8.2%	8.9%
Ann. Standard Deviation	17.60%	14.2%
Ann. Sharpe Ratio	0.3	0.43
Maximum Drawdown	58.50%	47.2%
Monthly Value at Risk (95%)	-7.80%	-6.2%
Monthly Expected Shortfall (95%)	-11.30%	-8.5%
Bond Correlation	-0.23	-0.21
Stock Correlation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

(**) Based on weekly data since 1997

Possible to harvest a premium?

Our Probability Score for the Low Vol Factor has moved a bit lower to a 'Medium-High' position from 'High' three months ago.

Within six month, we expect the Low Vol Premium to be positive (se Drift model F), and we continue to Overweight the factor taking the current global climate uncertainty into consideration.

The factor has continued to underperform other factors. Headwinds come from (still) strong liquidity, business&earnings cycles, plus the new regime for real rates (see page 7).

Our preferred Segment/Sector/Industries: **Healthcare Equipment**

Harvest Probability

Medium High

Factor Performance

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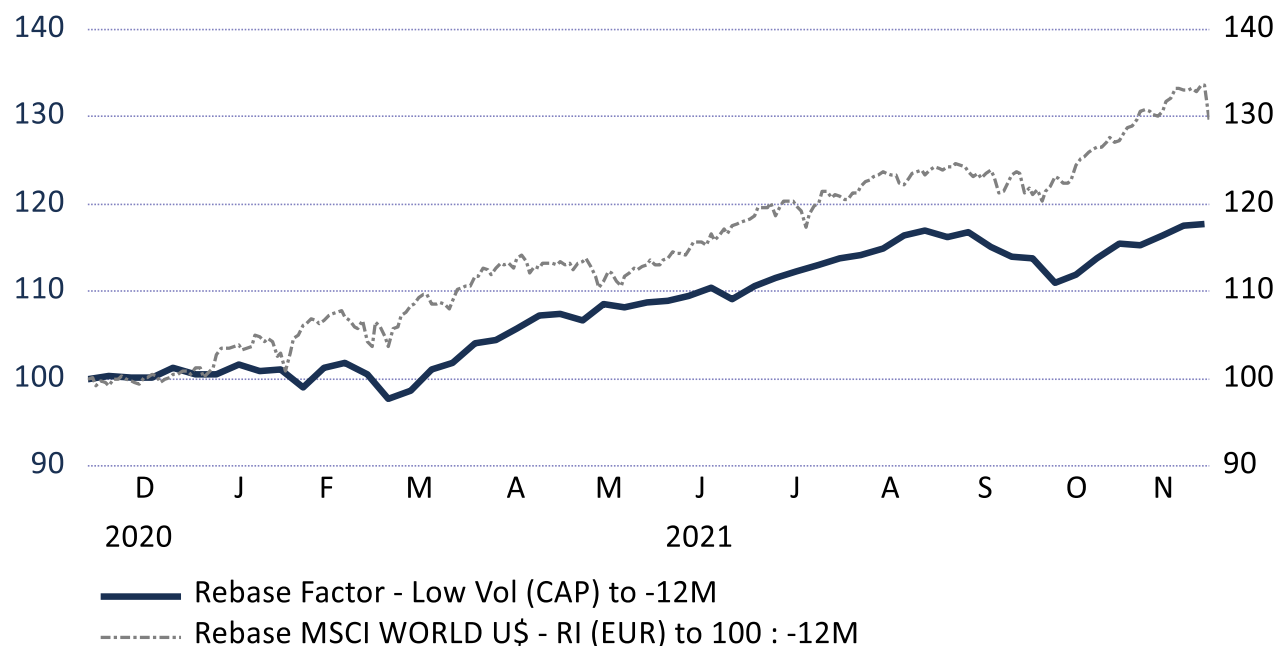
— Rebase Factor - Low Vol (CAP) to -12M
-·-· Rebase MSCI WORLD U$ - RI (EUR) to 100 : -12M

Source: Refinitiv Datastream

Factor Details

	29-Nov	-1m	-3m	-1y	ytd
Performance	Index		Change in %		
Total return	712	0.3%	-0.9%	15.8%	15.3%
Relative return	97	-2.1%	-6.0%	-12.0%	-10.7%
Possible to harvest a premium?	29-Nov	-1m	-3m	-1y	boy
Drift model(+6 mth F: 9.22%) - pct. an	11.3%	9.0%	8.8%	-8.6%	-10.2%
Pulse model - pct. an.	0.5%	-1.5%	-3.4%	-1.8%	-4.1%
Probaility Score (*)	0.7	0.7	1.3	1.3	1.3

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

Risk Profile(**)	
Factor Premium - average	1.0%
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

Low Vol vs MSCI World

& US real rate

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

10Y T-note - Yield-US Inflation Expectations (CAP)
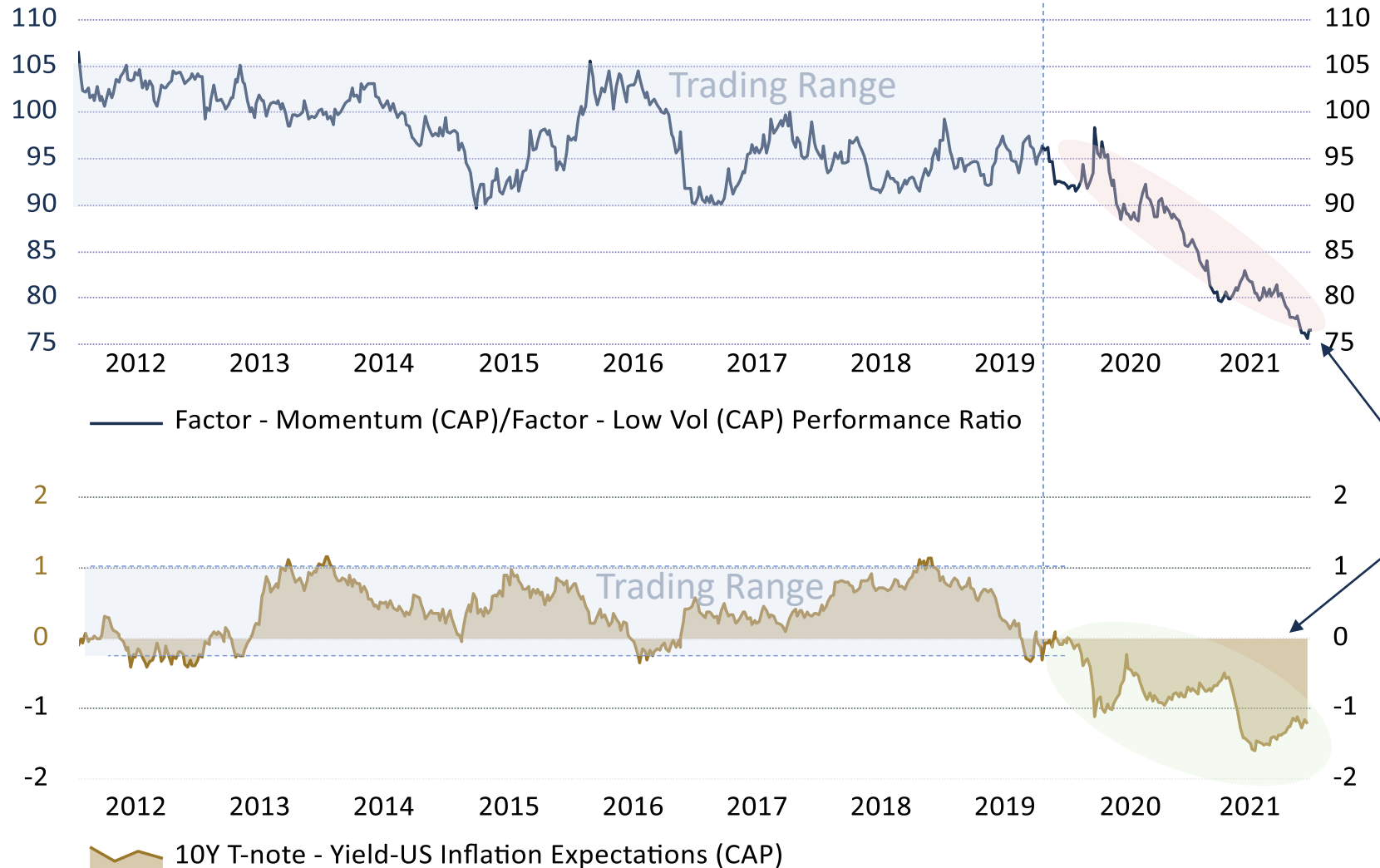
From 2012 to 2019 the real rate fluctuated between -0.25 to 1.10. After 2019 the US real rate has dropped below that range and triggered a regime shift in Factor performance.

Our Low Vol. Benchmark suffers as sharply lower real rates drive investors away from Stable Stocks to Growing Stocks.
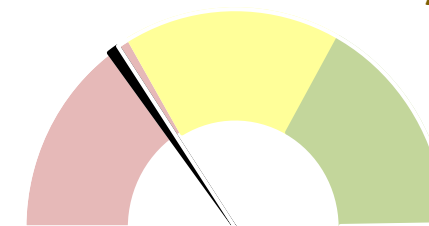
Momentum

Possible to harvest a premium?

Our Score for the Momentum Factor has dropped from Medium High three months ago to now Medium-Low.

The score indicates that investors should slightly underweight the Momentum Factor.

The factor has underperformed this year, as momentum has shifted quickly around among sectors and segments. The latter means that the stocks with the highest 12-1 month momentum have not been the ones that have performed the best in the recent 5-6 months. Momentum has in recent years been a top-performing factor as 'last year's winner' companies and sectors have also been seen as 'today's winners'. In 2021, this has now changed. Picking alpha and rotating into other factor styles have both been winning strategies (see p.9)

Our preferred Segment/Sector/Industries: **Software (New), Semiconductors, MidDAX**

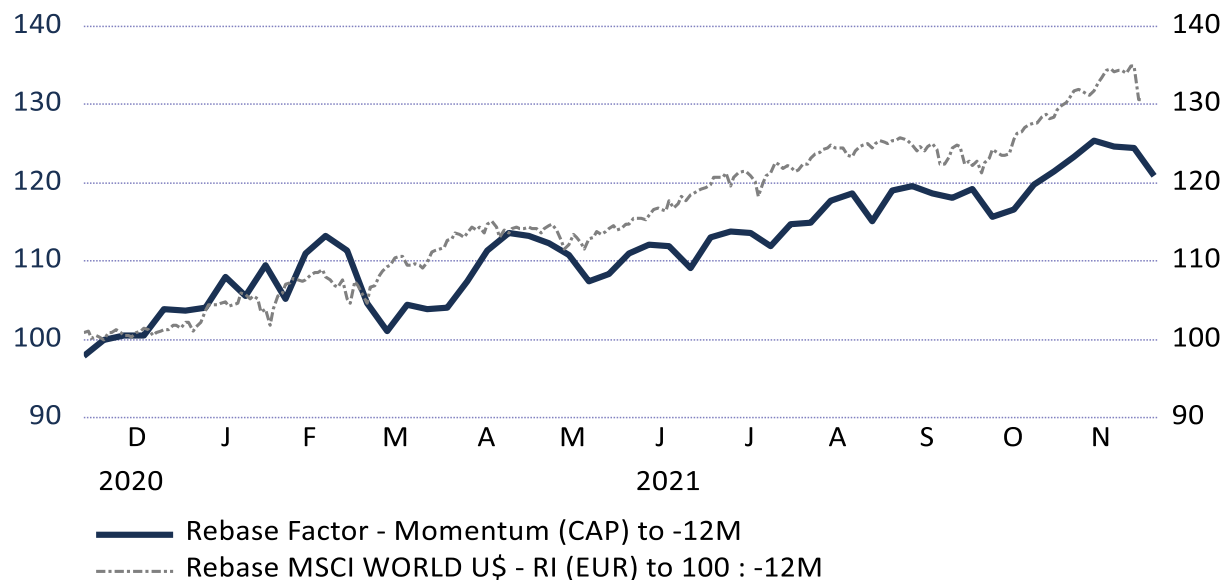### Harvest Probability

Medium Low

Factor Details

	29-Nov	-1m	-3m	-1y	ytd
Performance	Index	Change in %			
Total return	1353	-0.5%	5.0%	23.5%	16.7%
Relative return	184	-2.9%	-0.4%	-6.2%	-9.5%
Factor Premium (pct. an.)	29-Nov	-1m	-3m	-1y	boy
Drift Model(+6 mth F: 8.5%)	7.0%	7.2%	7.6%	15.1%	17.2%
Pulse Model	0.2%	-0.5%	2.1%	1.2%	0.5%
Position	-0.5	-0.5	-0.5	0.0	0.0
Score (*)	-0.7	-0.7	0.7	1.0	0.0

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

Risk Profile(**)	
Factor Premium - average	3.3%
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

Factor Performance

Macro Factor: Momentum

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

Source: Refinitiv Datastream

Regression Tool

2020

Dependent Variable: *Global Equities (MSCI World - EUR), c.o.p. 4 Weeks*

Start Date	03-01-2020
End Date	25-12-2020
Observations	52
R2	0.8924
Adjusted R2	0.8903
F-Stat	414.7436
P-Value (F)	0
AIC	716.9496
Durbin-Watson (p)	0

	Coefficient	Standard Error	t-Stat
Intercept	-126.9224	32.8861	-3.8595
x1	9.3785	0.4605	20.3653

Legend	
x1	Factor - Momentum (CAP), c.o.p. 4 Weeks

In 2020, Momentum was the Factor that dominated. 'Past winners' have been 'today's winners'

Picking alpha and other factor styles were almost irrelevant!

2021

Dependent Variable: *Global Equities (MSCI World - EUR), c.o.p. 4 Weeks*

Start Date	20-11-2020
End Date	19-11-2021
Observations	53
R2	0.3946
Adjusted R2	0.3827
F-Stat	33.2424
P-Value (F)	0
AIC	709.0631
Durbin-Watson (p)	0

	Coefficient	Standard Error	t-Stat
Intercept	185.149	28.6736	6.4571
x1	3.0786	0.5339	5.7656

Legend	
x1	Factor - Momentum (CAP), c.o.p. 4 Weeks

In 2021, Momentum has lost its power. 'Past winners' are not necessarily 'today's winners'.

Picking alpha and other factor styles matters a lot!

Value

Possible to harvest a premium?

Our Score for the Value Factor has increased from **High** position to now **Very High** Position. Our score suggests that investors can harvest a value premium and should hence overweight the factor.

As with Low Vol the Value factor has experienced heavy headwinds from low and falling real rates, as it keeps investors in Long cash flow stocks (Growth). However, we anticipate this to change in the coming months (see p.11). Furthermore, the factor receives support to performance from the inflation cycle.

Our preferred Segment/Sector/Industries: **Banks**

Harvest Probability
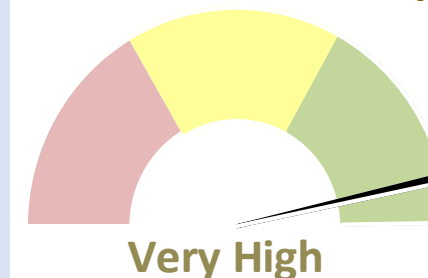
Very High

Factor Performance

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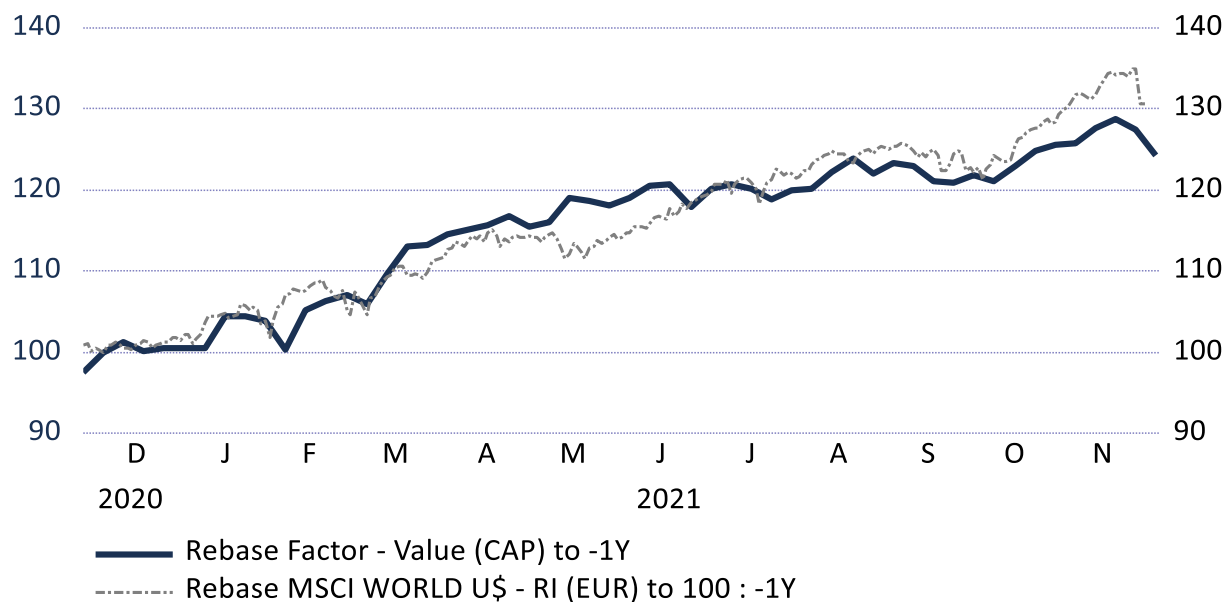
- Rebase Factor - Value (CAP) to -1Y
- Rebase MSCI WORLD U$ - RI (EUR) to 100 : -1Y

Source: Refinitiv Datastream

Factor Details

	29-Nov	-1m	-3m	-1y	ytd
Performance	Index	Change in %			
Total return	576	-1.0%	1.9%	27.4%	23.6%
Relative return	78	-3.4%	-3.4%	-3.2%	-4.2%
Possible to harvet a premium?	29-Nov	-1m	-3m	-1y	boy
Drift Model(+6 mth F: -1.45%) - pct. an	6.0%	4.9%	6.7%	-11.6%	-11.5%
Pulse Model - pct. an.	0.9%	0.8%	2.9%	1.3%	0.2%
Probaility Score (*)	1.9	1.8	1.8	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
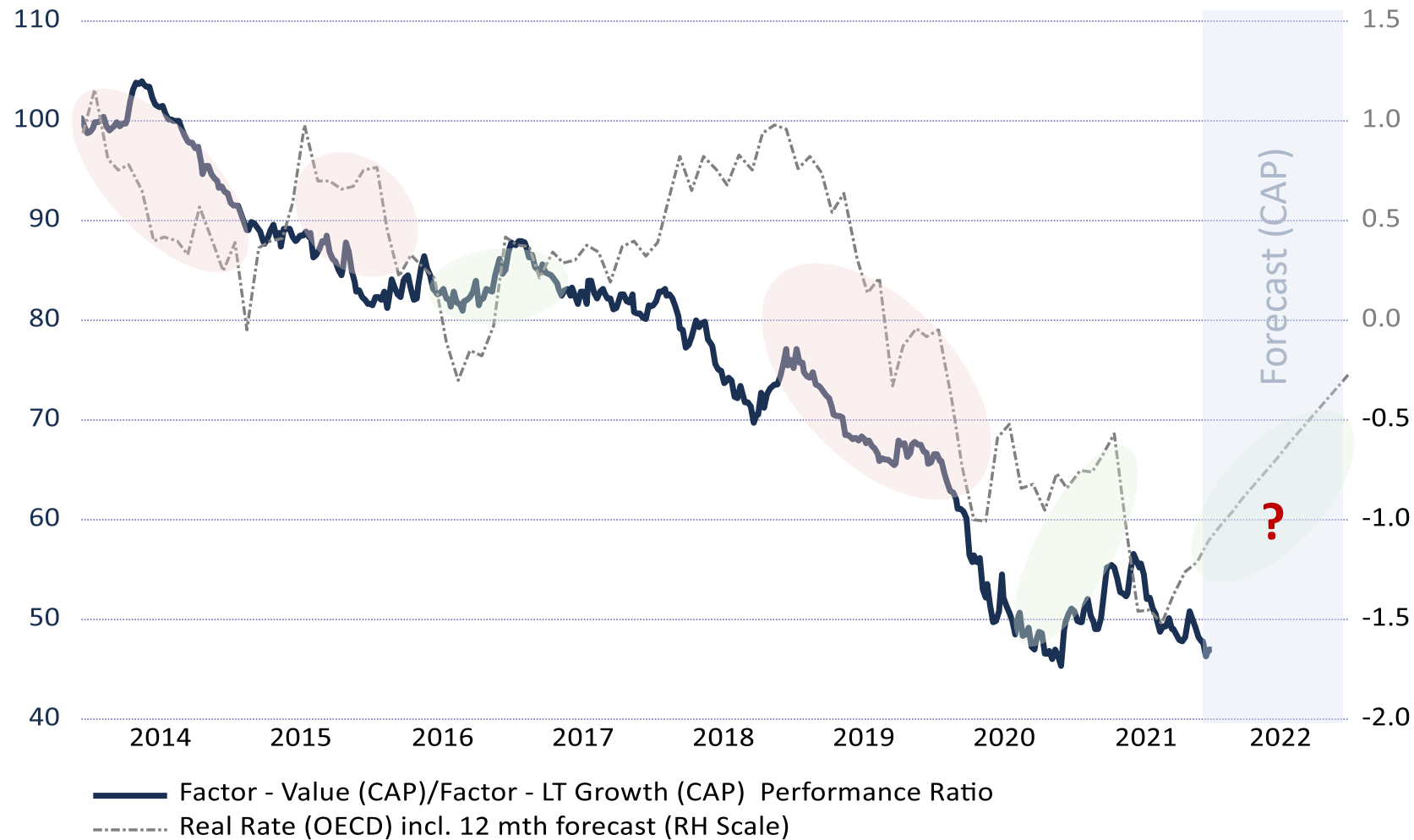
- The lower real rates are essential to understand the long-term underperformance of Value to Growth.

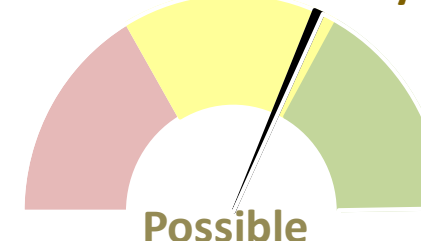- We anticipate a partial reversal of real rates, which should lift Value to Growth performance

Legend:
— Factor - Value (CAP)/Factor - LT Growth (CAP) Performance Ratio
–·– Real Rate (OECD) incl. 12 mth forecast (RH Scale)

Source: Refinitiv Datastream

Possible to harvest a premium?

Our Probability Score for the Size Factor Return has deteriorated in recent weeks and is now rated as 'Possible' down from 'High' three months ago. Our score suggests that investors may be able to harvest a value premium but should keep factor exposure in Neutral position.

Besides the Cyclical factor, Size is the most business cycle sensitive factor of our eight style&macro factors. As global economy is slowing, this is likely a challenge for the factor in the coming months.
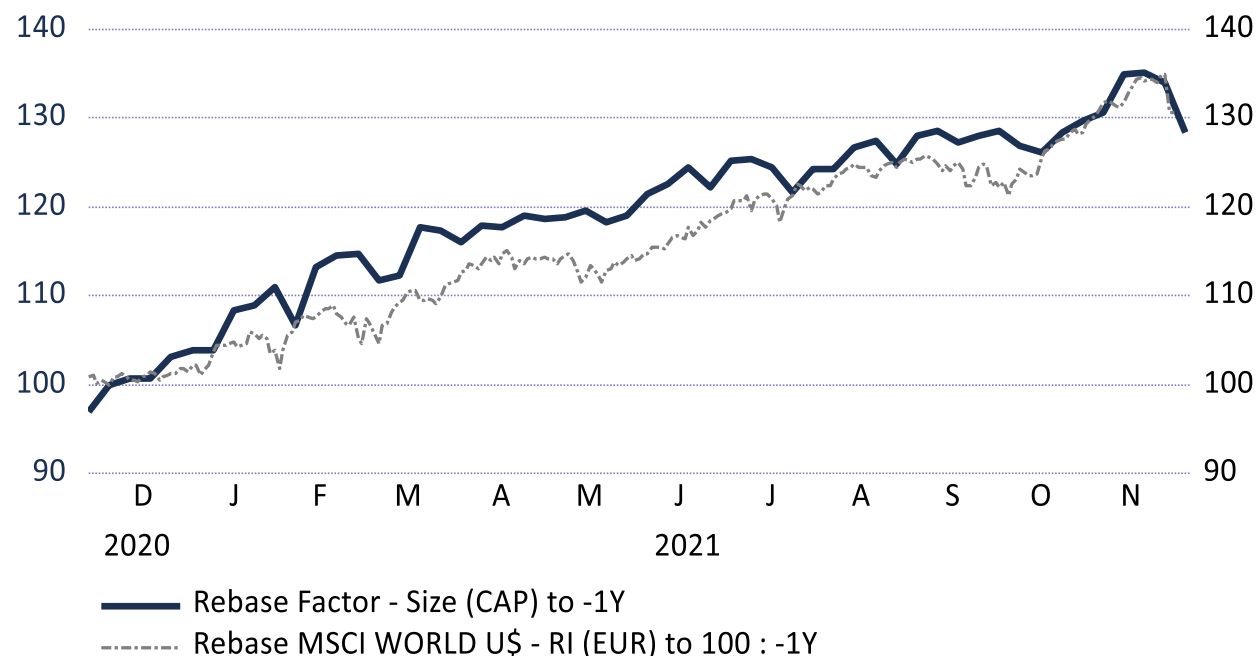
Our preferred Segment/Sector/Industries: **MidDAX**

Harvest Probability

Possible

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

	29-Nov	-1m	-3m	-1y	ytd
Performance	Index		Change in %		
Total return	616	-1.1%	2.7%	32.3%	23.6%
Relative return	84	-3.5%	-2.6%	0.5%	-4.2%
Possible to harvest a premium?					
Drift Model(+6 mth F: -3.25%) - pct	5.1%	4.3%	5.8%	-8.2%	-7.3%
Pulse Model - pct. an.	2.4%	1.2%	3.1%	2.3%	2.8%
Probability Score (*)	0.3	0.3	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

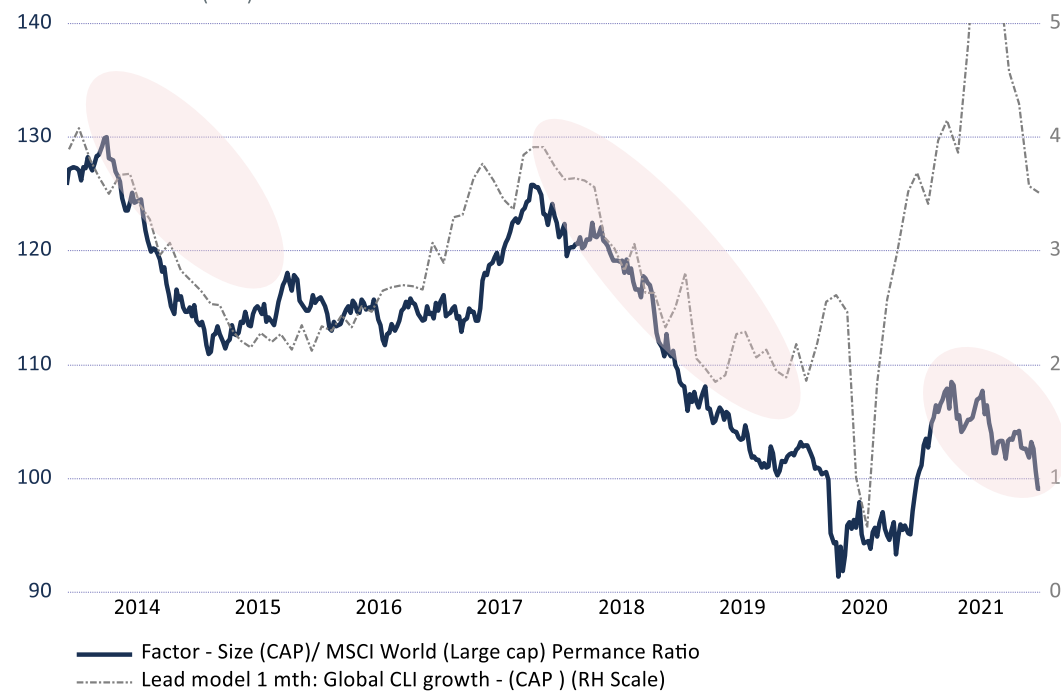# Size

- 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.
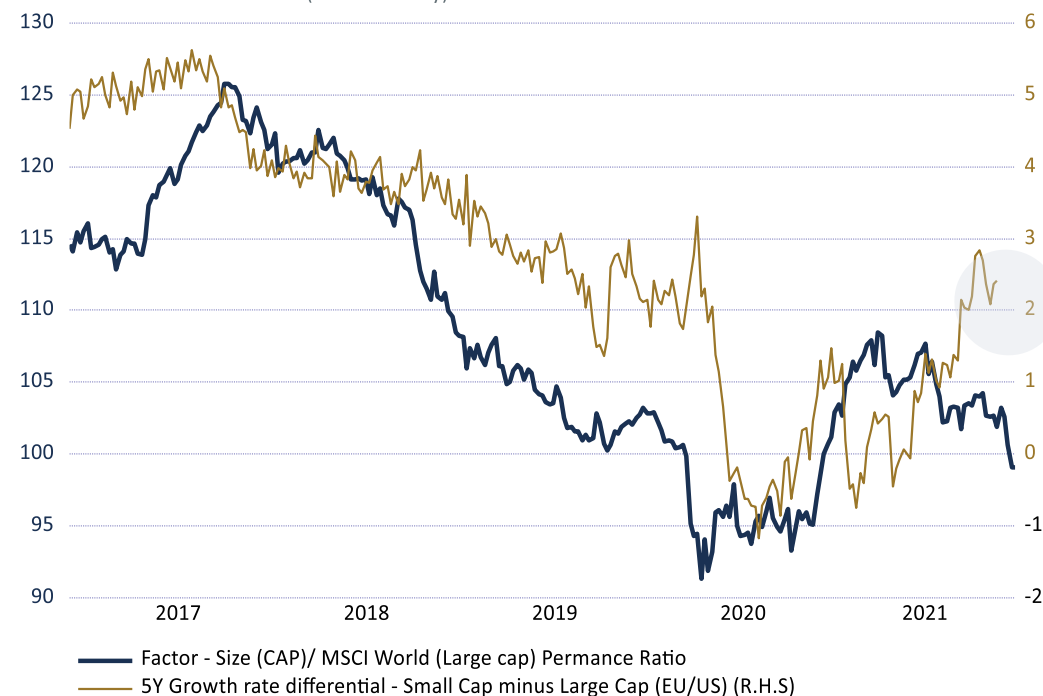
Small Cap vs Large Cap
& Global GDP (CAP)

Legend:
- 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)

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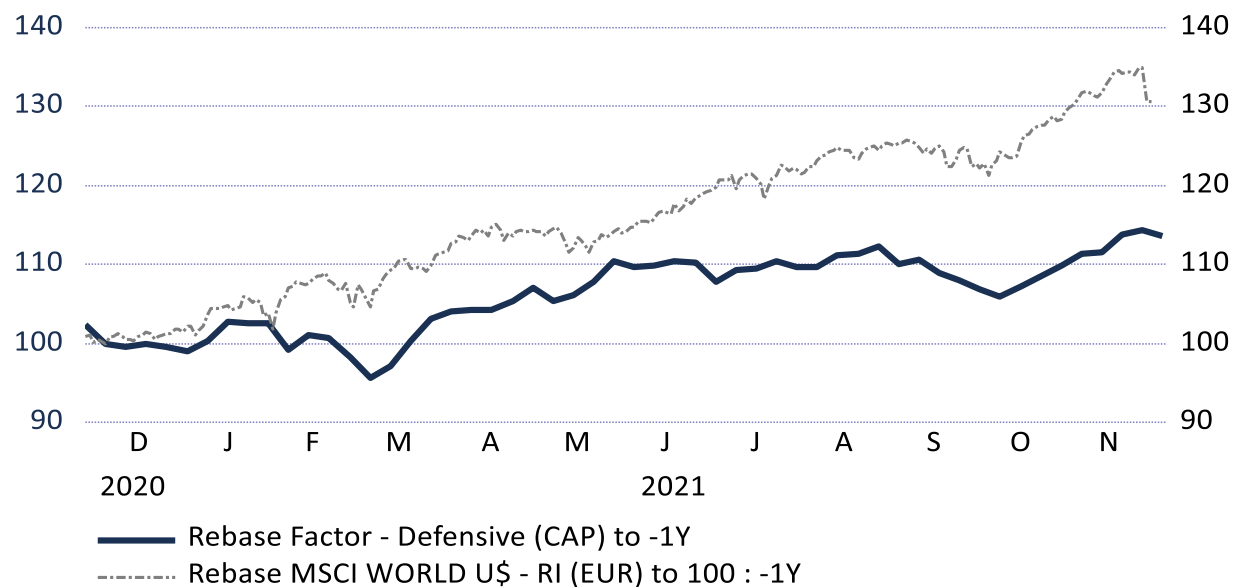
Source: Refinitiv Datastream

Possible to harvest a premium?

Our probability score for the Defensive Factor has been stable at Medium High. Our score suggests that investors will be able to harvest a Defensive premium. Until November, we have kept the factor in a Neutral position. As the factor is the best hedge against GDP slow down, we are now upgrading Defensive to overweight while downgrading the Cyclical factor to underweight (see p. 15)

Our preferred Sector/Industries: **Pharmaceuticals**

Harvest Probability

Medium High
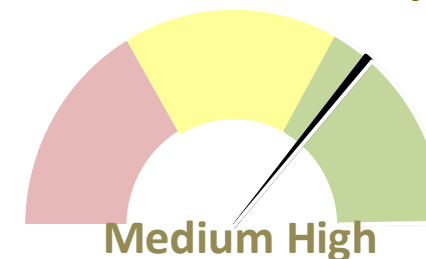
Factor Performance

Macro Factor: Defensive

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

Source: Refinitiv Datastream

Factor Details

	29-Nov	-1m	-3m	-1y	ytd
Performance	Index	Change in %			
Total return	642	3.3%	1.1%	11.0%	14.6%
Relative return	87	0.8%	-4.1%	-15.7%	-11.2%
Factor Premium (pct. an.)	29-Nov	-1m	-3m	-1y	boy
Drift Model(+6 mth F: 6.68%) - pct.	11.9%	10.8%	7.0%	7.7%	5.1%
Pulse	-2.0%	-3.0%	-2.0%	-2.6%	-2.8%
Score (*)	0.7	0.7	1.0	0.3	0.3

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

Risk Profile(**)	
Factor Premium - average	0.7%
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

(**) Based on weekly data since 1997

Defensives vs. Cyclicals

& OECD PMI

Defensive (CAP)/Cyclical (CAP) — 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, although only slowly, falling from a high level. We anticipate this to continue due to the broad-based business cycle slowing that we expect will continue to at least end-Q1 2022.

- Harvesting of the Cyclical premium now appears uncertain, while harvesting of a Defensive premium appears more certain.
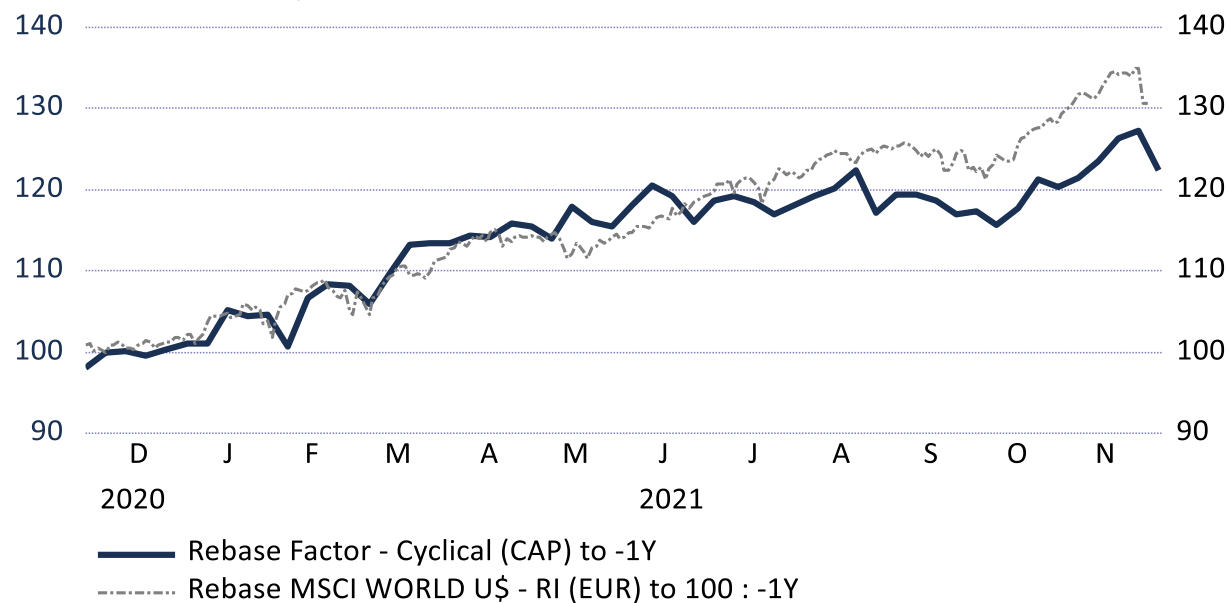
Source: Refinitiv Datastream

Possible to harvest a premium?

Our Score for the Cyclical Factor has deteriorated in recent months and is now suggesting an underweight position. The slowing of the global business cycle is a key obstacle, and as suggested on p.15, the Defensive factor is now preferred to the Cyclical one.

Our preferred Industries: **Capital Goods (New)**

Harvest Probability

Underweight
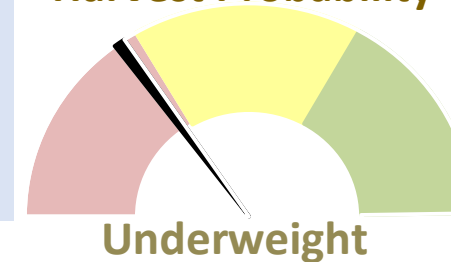
Factor Performance

Macro Factor: Cyclical

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

Source: Refinitiv Datastream

Factor Details

	26-Nov	-1m	-3m	-1y	ytd
Performance	Index		Change in %		
Total return	474	5.8%	8.6%	29.7%	26.0%
Relative return	63	0.5%	0.3%	-4.1%	-5.0%
Factor Premium (pct. an.)	26-Nov	-1m	-3m	-1y	boy
Drift (+12 mth F: %)	3.2%	3.1%	5.6%	-7.6%	-6.3%
Pulse	-4.7%	-4.9%	-5.7%	1.7%	2.8%
Position	0.0	-0.5	0.5	-0.5	-0.5
DREX Score (*)	-0.7	-0.6	0.3	-0.7	-1.7

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

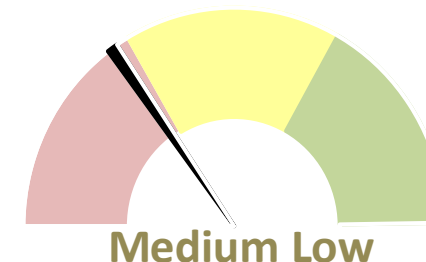| **Risk Profile(**)**	
Factor Premium - average	-1.2%
Ann. Standard Deviation	19.8%
Ann. Sharpe Ratio	0.17
Maximum Drawdown	59.9%
Monthly Value at Risk (95%)	-9.0%
Monthly Expected Shortfall (95%)	-12.5%
Bond Correlation	-0.26
Stock Correlation	0.91
Balance Correlation	0.81

(**) Based on weekly data since 1997

Possible to harvest a premium?

Our Harvest probability Score for the LT Growth Factor has recovered somewhat compared to three months ago. Still, we do not expect to be able to harvest a growth premium despite the recent month of stellar performance. If real rates are moving higher, as we anticipate to happen over the coming months, it will likely weaken the relative performance of the factor. Although economic transition from the Analog to the Digital economy has underpinned growth optimism, the rate&credit climate has fueled Long-term growth expectations in a way not even experienced in 1999-2000s TMT bubble (see p.18)
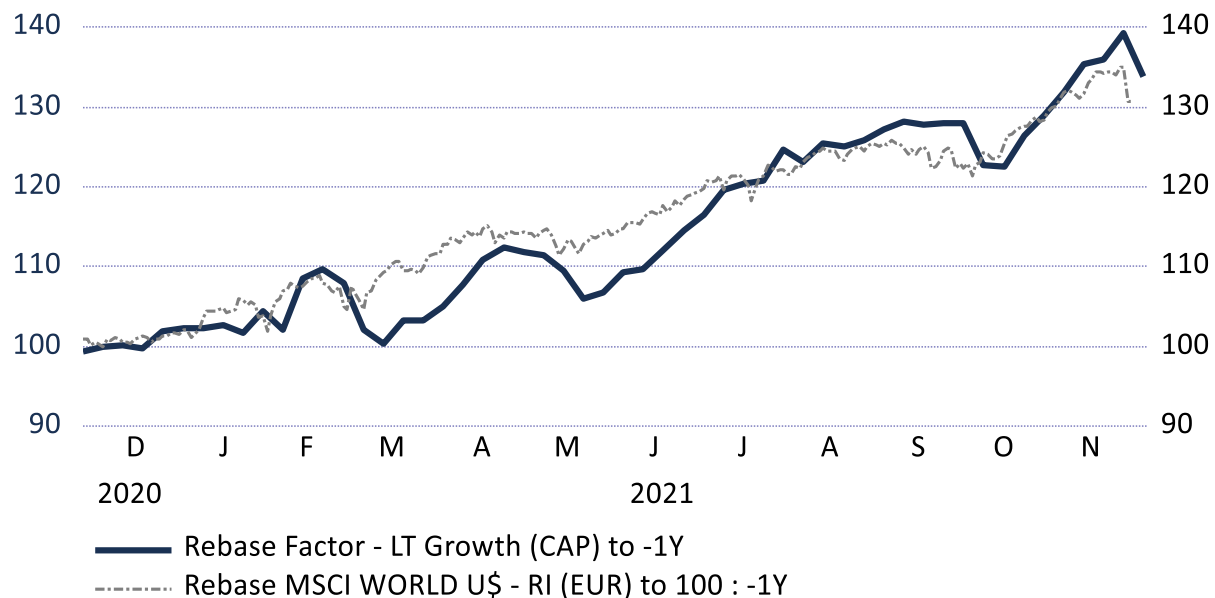
Our preferred Industries is **Software (New)**

Harvest Probability

**Medium Low**

Factor Performance

Macro Factor: LT Growth

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

Source: Refinitiv Datastream

Factor Details

	29-Nov	-1m	-3m	-1y	ytd
Performance	Index		Change in %		
Total return	1358	3.7%	6.2%	34.7%	30.7%
Relative return	185	1.2%	0.8%	2.4%	1.3%
Possible to harvest a premium?	29-Nov	-1m	-3m	-1y	boy
Drift (+6mth F: 5.38%) - pct. an.	-1.9%	-1.9%	-1.9%	22.2%	24.0%
Pulse - pct. an.	4.0%	4.8%	3.6%	3.4%	3.6%
Probaility Score (*)	-0.7	-0.3	-0.3	1.3	1.3

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

Risk Profile(**)	
Factor Premium - average	2.9%
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

LT Growth to Total Market

& Long term EPS expectations

TMT bubble

GFC

FED Tightening cycle
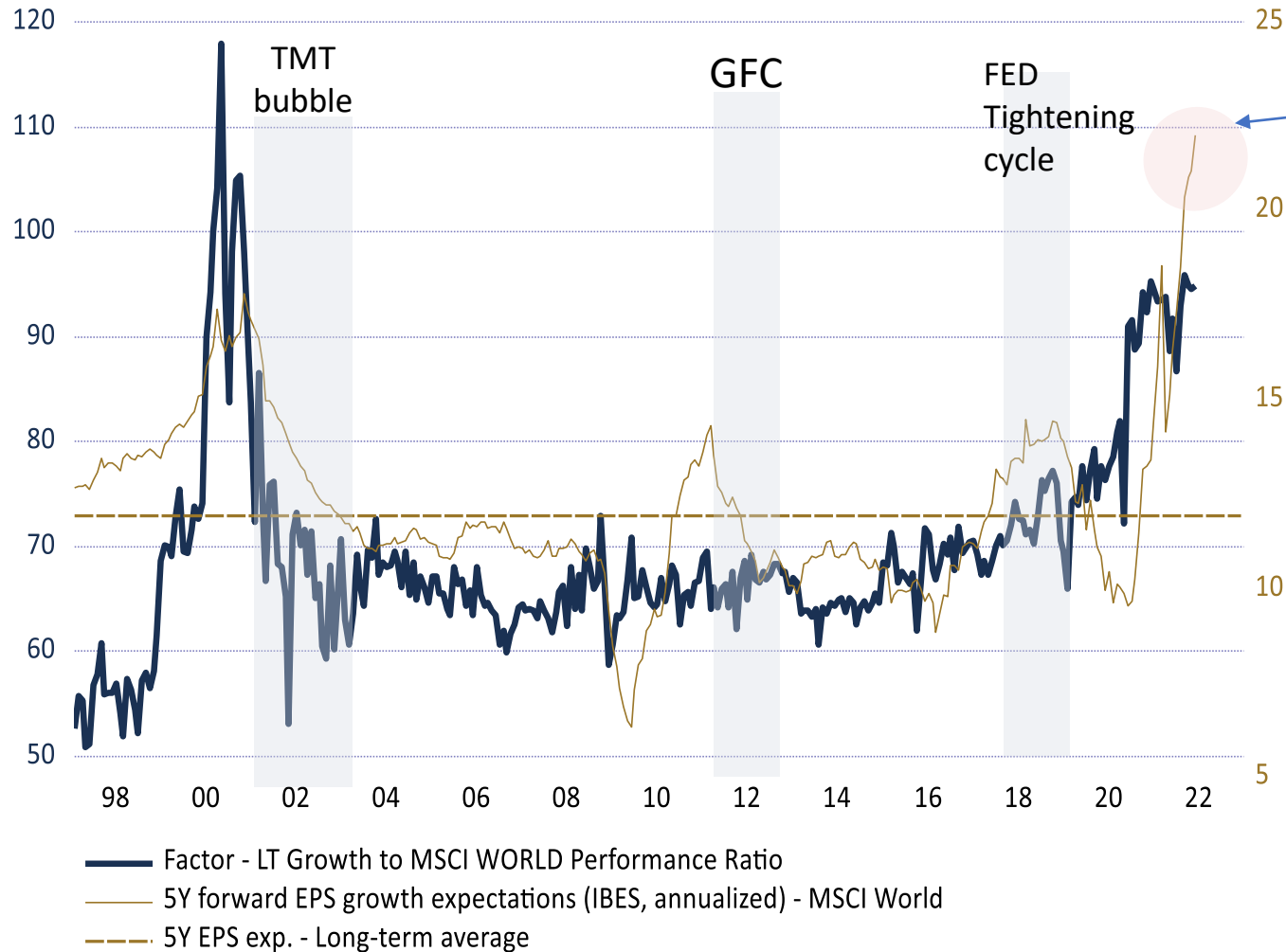
- According to IBES, consensus analyst expectations for average LT EPS growth (5y) was in Late-November 2021 22% (annualized)! The LT average is 12%!

- Has growth outlook never been any brighter? Really!

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

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

Source: Refinitiv Datastream

CAP | COPENHAGEN ALLOCATION PARTNER

Possible to harvest a premium?

Our Rate & Credit Sensitive score remains positive at 'Medium High', suggesting that investors will be able to harvest a premium and that investors should keep factor exposure in overweight.
The near-term challenge is likely to be a slow down in the global business cycle. However, if credit conditions are stable, while inflation and rates move higher, Rate&Credit Sensitivity will become a positive performing factor.
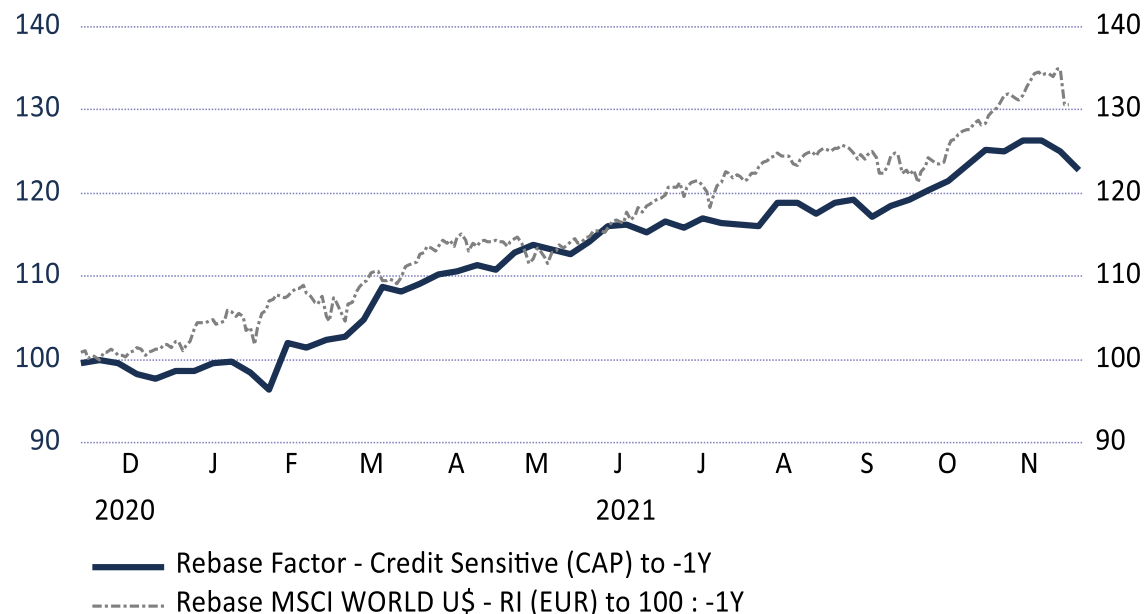
Our preferred Sector is **Real Estate, Financials**

Harvest Probability

Medium High
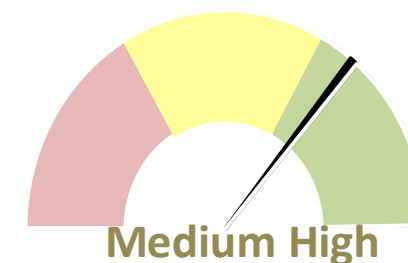
Factor Performance

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

	26-Nov	-1m	-3m	-1y	ytd
Performance	Index	Change in %			
Total return	410	0.4%	7.0%	26.3%	27.5%
Relative return	55	-3.3%	0.1%	-5.4%	-2.5%
Possible to harvest a premium?	26-Nov	-1m	-3m	-1y	boy
Drift Model(+6 mth F: -2.77%) - pct. an.	7.2%	6.2%	9.6%	-17.3%	-17.6%
Pulse Model - pct. an.	-1.0%	-2.4%	3.0%	1.4%	-1.2%
Probability Score (*)	0.7	0.7	1.7	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)
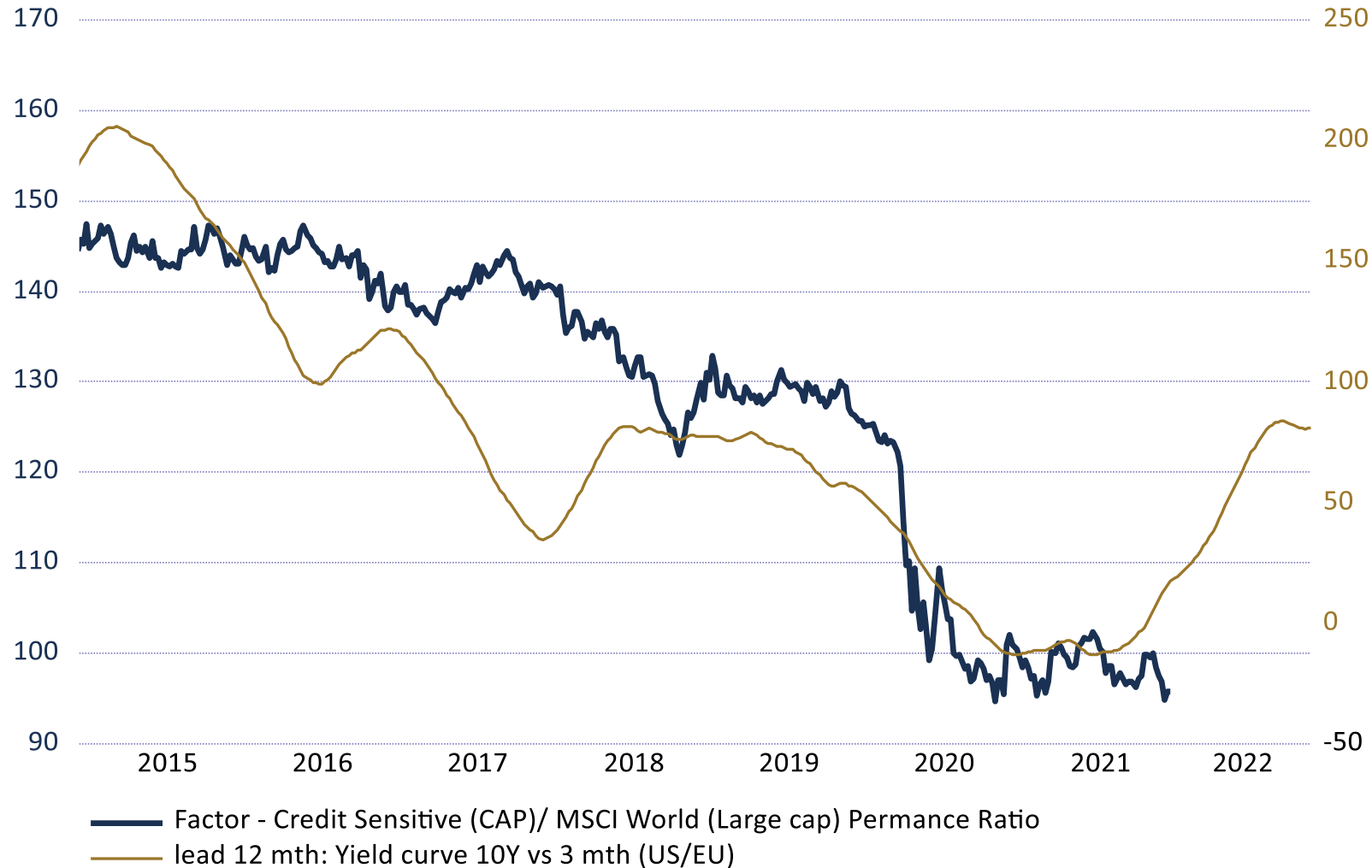
- For many years, a driver of the Rate & Credit Factor under-performance has been the down-trending carry/ flattening of the yield curves (affecting Financials).

- 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

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

- ❑ We have identified Healthcare and Real Estate as sectors with above-average DREX scores.

- ❑ We have identified Pharmaceuticals as an Industry Group with high DREX scores. Retailing, Software, HC Equipment, and Capital Goods are among the few IG's with improved DREX support.

- ❑ When it comes to segments, no one has an above-average score.

- ❑ Russell2000, Semiconductors, Telecom, and Materials 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)	Total return in pct. (EUR)		
	1 Mth	3 Mth	YTD
Communication(LTG)	-0.7%	-2.7%	25.6%
Media&Entertainment (MOM, LTG)	-1.2%	-2.7%	32.6%
Telecom (LV, D, RCS)	1.5%	-2.7%	4.0%
Consumer Discretionary(MOM, C, LTG)	2.6%	11.5%	29.5%
Auto&Parts (MOM, C)	1.0%	29.5%	51.3%
Consumer Durables & App (V, C, LTG, MOM)	3.1%	7.2%	27.3%
Hotel&Leisure (RCS)	-3.1%	-0.9%	14.2%
Retailing (MOM, LTG)	5.1%	9.2%	25.9%
Consumer Staples(LV, D, RCS)	2.2%	4.1%	17.1%
Food&Beverage&Tobacco(LV, D, RCS)	0.6%	2.6%	16.0%
Household&Personal Prod. (LV, D)	3.5%	4.3%	10.5%
Financials(V, C, RCS)	-2.4%	3.2%	37.1%
Banks (V, C, RCS)	-3.3%	4.7%	40.1%
Div.Financials (V, C, RCS)	-1.5%	2.6%	41.7%
Capital Markets (RCS)	2.2%	9.8%	49.1%
Healthcare(D, LTG)	0.3%	1.4%	24.8%
Biotech ()	1.0%	-7.8%	14.9%
Phamaceuticals (D)	1.9%	2.1%	23.7%
Healthcare Equipment (LV, D, LTG)	-2.3%	-1.6%	21.8%
Healthcare Services (D)	-1.3%	6.8%	32.7%
Industrials (V, C, RCS)	0.2%	1.9%	23.1%
Capital Goods (V, C, RCS)	0.5%	0.2%	21.9%
Commercial Services (LV, LTG, RCS)	1.0%	6.9%	32.5%
Transportation (V, C)	-1.2%	4.4%	20.7%
Trans.Infrastructure (RCS)	-3.0%	1.1%	2.6%
Rail&Road (V, C)	-1.1%	9.0%	20.1%
Infrastructure (ETF)(RCS)	0.0%	3.3%	21.8%
Information Technology(MOM, LTG)	3.8%	7.8%	35.7%
Software (MOM, LTG)	-0.2%	8.5%	41.9%
Comm.Equipment (LTG)	2.0%	0.8%	38.5%
Semiconductors & Equip. (LTG)	13.2%	18.8%	63.1%
Materials (V, C)	1.5%	0.4%	19.8%
Gold (D)	3.0%	6.1%	4.4%
Real Estate(LV, D, RCS)	0.8%	3.8%	33.2%
Utilities (LV, D, RCS)	1.2%	1.2%	13.8%
New Energy(MOM, LTG)	-3.3%	2.3%	9.8%
Water (ETF)()	1.8%	2.2%	29.0%
Segments	1 Mth	3 Mth	YTD
Nasdaq 100 (MOM, LTG)	3.4%	8.2%	35.7%
Russell2000 (S, C, LTG)	0.0%	2.7%	20.7%
MidDAX (S, MOM, C, LTG)	-2.9%	-6.3%	11.3%

Column groups: Macro Support | Valuation | Earnings | Positioning | Total DREX (each with -, N, + scale)

Legend: ■ Current Position   ▨ -3mth

Single-stock allocation

Single Stock Allocation

Dec-2021																					
ID & Recom.				**Price & Return**						**Fundametals**											**Portfolio weight (1)**
Benchmark & GICS	Recommendation (2)	Name	RIC/ISIN	Price	-1w %	-1m%	-3m%	-12m%	YTD%	Market Value (bn USD)	P/E (FY1)	P/BV (FY1)	ROE (FY1)	EPS Growth (FY1)	Rev. 3 mth. (FY2)	Flow Yield % (FY1)	Debt/EBITDA (FY0/FY1)	Price Volatility (p.a.)	Refinitiv ESG score (3)	CAP Rank (4)	SAA & Stock Pick weights
Equity Factor Portfolio - Single Stocks																					
Global Stable Stocks (Low Vol) (5)	**Overweight** **5.0%**	Global Low Vol Index		712	-1.7%	0.5%	-0.3%	15.5%	15.3%	10334	23.3	4.4	15.4%	10.1%	-0.1%	3.1%	3.8	19.8	55.3		20.0%
Integrated Telecommunication Services	Added: 3.06.2021	Telekom Austria AG	<TELA.VI>	7.5	-2.0%	0.5%	0.0%	24.5%	18.8%	6	9.68	1.63	16.4%	17.5%	-0.6%	8.4%	1.9	16.3	64.4	78.8	5.0%
Multi-line Insurance	Added:30.11.2021	Gjensidige Forsikring ASA	<GJFG.OL>	207.3	-5.7%	-1.3%	-0.9%	8.0%	8.3%	11	18.63	4.17	23.9%	11.9%	0.5%	0.0%	0.5	17.3	60.0	84.4	5.0%
Health Care Equipment	Added:04.02.2021	Abbott Laboratories	<ABT.N>	128.0	2.2%	-0.7%	2.8%	19.0%	16.9%	226	26.87	5.88	24.1%	38.8%	1.5%	3.3%	1.5	20.8	74.0	74.2	5.0%
Food Retail	Added:04.02.2021	Koninklijke Ahold Delhaize NV	<AD.AS>	30.3	-1.7%	7.6%	5.3%	27.1%	30.9%	36	14.27	2.41	17.2%	-12.1%	-1.5%	5.4%	2.9	17.9	71.1	82.7	5.0%
Health Care Equipment	Added:30.11.2021	Siemens Healthineers AG	<SHLG.DE>	64.5	-2.0%	12.2%	8.5%	68.1%	53.5%	82	30.94	4.43	14.0%	-2.7%	-2.5%	3.0%	0.2	21.1	73.5	90.6	5.0%
Global Value Stocks (5)	**Overweight** **2.5%**	Global Value Index		576	-2.5%	-1.2%	0.8%	24.3%	23.6%	5943	5.7	1.2	4.3%	28.3%	4.0%	4.8%	4.7	40.1	52.6		15.0%
Diversified Banks	Added: 04.02.2021	Skandinaviska Enskilda Banken AB	<SEBa.ST>	131.5	-4.6%	-2.1%	11.9%	40.8%	55.6%	32	12.08	1.52	13.7%	43.3%	0.0%	0.0%	15.0	21.3	72.8	87.0	5.0%
Diversified Banks	Added:02.03.2021	Raiffeisen Bank International AG	<RBIV.VI>	25.5	-2.0%	1.0%	25.0%	52.4%	53.1%	10	7.06	0.66	10.4%	50.0%	17.7%	0.0%	5.8	26.1	65.7	95.9	5.0%
Life & Health Insurance	Added: 14.09.2021	NN Group NV	<NN.AS>	43.9	-7.2%	-5.2%	-1.2%	27.5%	23.5%	16	9.00	0.39	5.5%	10.6%	-9.5%	11.0%	3.3	19.2	68.3	86.6	2.5%
Air Freight & Logistics	Added: 04.02.2021	Deutsche Post AG	<DPWGn.DE>	53.6	-7.0%	0.1%	-9.6%	32.0%	32.3%	75	13.23	3.94	32.7%	50.0%	0.6%	5.4%	1.7	22.8	84.0	83.9	5.0%
Global Small Cap (Size) (5)	**Underweight** **-2.5%**	Global Size Index		616	-4.2%	-1.7%	0.2%	28.3%	23.6%												10.0%
German Midcap (Size)	Added:30.11.2021	iShares MDAX Ucits ETF (de)	DE00059339:	284.9	-4.5%	-2.2%	-5.9%	15.3%	35.0%	158	13.40	1.68	12.5%	44.1%	4.2%			18.2	62.1		7.5%
Global Momentum Stocks (5)	**Underweight** **-2.5%**	Global Momentum Index		1353	-2.8%	-2.0%	1.7%	20.9%	16.7%	6929	19.8	6.4	15.7%	37.5%	9.2%	4.5%	3.2	46.6	43.2		10.0%
Semiconductor Equipment	Added: 04.02.2021	Applied Materials Inc	<AMAT.OQ>	151.2	2.5%	10.7%	10.7%	82.9%	75.2%	137	18.44	9.96	50.0%	18.9%	7.3%	4.9%	0.7	41.7	77.4	89.9	5.0%
Asset Management & Custody Banks	Added: 04.02.2021	Janus Henderson Group PLC	<JHG.N>	44.8	-3.2%	-3.7%	1.8%	53.1%	37.7%	8	10.85	0.00	14.3%	41.1%	0.5%	12.4%	0.3	32.4	64.8	87.9	2.5%
Globale Growth Stocks (LT Growth) (5)	**Underweight** **-5.0%**	Global LT Growth Index		1358	-4.0%	1.4%	5.1%	33.7%	30.7%	25534	37.9	10.9	17.2%	28.0%	2.4%	2.0%	2.5	33.6	43.5	SAA:	20.0%
Interactive Media & Services	Added: 01.10.2021	Alphabet Inc	<GOOGL.OQ>	2910.6	-0.5%	-1.7%	1.1%	62.9%	66.1%	1936	26.06	7.49	29.0%	50.0%	5.9%	3.5%	0.2	23.7	56.1	87.1	5.0%
Environmental & Facilities Services	Added: 04.02.2021	Tetra Tech inc	<TTEK.OQ>	188.8	0.2%	7.5%	33.2%	53.7%	63.1%	10	44.97	8.11	17.7%	9.1%	2.2%	2.2%	0.7	30.0	74.9	68.1	5.0%
Application Software	Added: 15.10.2021	Adobe Inc	<ADBE.OQ>	687.5	2.1%	5.7%	4.4%	44.1%	37.5%	327	48.34	21.90	38.7%	23.5%	1.6%	2.1%	0.7	24.0	78.3	83.9	5.0%
Global Rate & Credit Sensitive Stocks (5)	**Overweight** **1.0%**	Global Credit Sensitive Index		401	-1.8%	-1.8%	3.4%	22.8%	24.5%	15374	20.8	3.7	12.7%	23.4%	1.2%	2.5%	8.5	32.5	49.6		5.0%
Real Estate Operating Companies	Added: 04.08.2021	Vonovia SE	<VNAn.DE>	49.2	-3.6%	0.1%	-10.0%	-7.2%	-12.2%	43	18.44	0.96	13.1%	1.6%	2.7%	-1.1%	4.4	21.4	86.4	77.8	2.5%
Real Estate Operating Companies	Added:30.11.2021	LEG Immobilien se	<LEGn.DE>	124.2	-2.0%	-3.5%	-9.1%	5.2%	-2.3%	10	20.54	0.97	10.1%	-16.2%	-2.5%	4.7%	12.1	17.7	62.1	60.6	3.5%
Global Cyclical Stocks (5)	**Underweight** **-1.0%**	Global Cyclical Index		456	-3.8%	0.8%	2.5%	22.4%	21.2%	16319	20.1	4.2	11.8%	33.8%	4.0%	3.8%	3.0	34.0	53.5		5.0%
Industrial Machinery	Added: 30.11.2021	Sandvik ab	<SAND.ST>	229.4	-3.6%	5.5%	2.7%	16.9%	14.0%	31	17.96	4.19	20.9%	12.8%	-5.4%	4.2%	1.3	26.1	80.6	83.6	2.5%
Automobile Manufacturers	Added: 14.09.2021	Volkswagen AG	<VOWG_p.DE>	164.5	-8.2%	-15.1%	-18.0%	12.7%	7.9%	124	5.23	0.63	10.9%	50.0%	-5.5%	9.8%	3.9	34.2	44.3	68.5	1.5%
Global Defensive Stocks (5)	**Overweight** **2.5%**	Global Defensive Index		642	-0.8%	2.1%	3.2%	13.5%	14.6%	10916	22.2	3.9	13.5%	12.3%	-0.5%	2.5%	3.4	27.7	54.9		15.0%
Pharmaceuticals	Added: 04.05.2021	Novo Nordisk A/S	<NOVOb.CO>	715.7	-3.6%	1.6%	11.0%	70.7%	67.7%	193	31.16	23.26	50.0%	7.6%	0.1%	3.5%	0.2	21.2	80.5	84.5	5.0%
Pharmaceuticals	Added:02.03.2021	Merck KGaA	<MRCG.DE>	219.6	-0.8%	7.5%	10.0%	64.6%	56.5%	32	24.09	4.96	19.4%	22.1%	2.1%	9.8%	1.8	23.2	87.6	93.0	5.0%
Tobacco	Added: 03.07.2021	British American Tobacco PLC	<BATS.L>	219.6	-0.8%	7.5%	10.0%	64.6%	56.5%	78	7.31	0.90	11.4%	-5.4%	-3.1%	13.1%	3.7	20.8	47.6	74.8	5.0%
Electric Utilities	Added: 30.11.2021	Verbund AG	<VERB.VI>	2556.0	-0.9%	0.4%	-5.3%	-4.5%	-5.6%	17	31.45	4.86	11.9%	9.3%	13.3%	2.6%	1.6	34.1	72.9	84.8	2.5%
					-1w %	-1m%	-3m%	-12m%	YTD%	Avg. MCAP. (bn USD)	P/E (FY1)	P/BV (FY1)	ROE (FY1)	EPS Growth (FY1)	Rev. 3 mth. (FY2)	Flow Yield % (FY1)	Debt/EBITDA (FY0/FY1)	Price Volatility (p.a.)	Refinitiv ESG score	CAP Rank	Portfolio weight
CAP Portfolio Profile					-2.1%	1.8%	4.2%	37.4%	36.5%	176.5	20.7	5.5	21.5%	21.5%	1.8%	4.3%	2.6	23.2	70.1	80.4	100.0%
Total Univers					-1.6%	2.4%	4.3%	23.0%	22.1%	27.8	22.0	5.1	12.7%	23.9%	2.7%	3.3%	3.5	33.4	49.3	47.3	

Notes: **(1)** The Long-term portfolio weights (SAA) have been set based on a portfolio optimization backtest from 1999 to 2020. The optimization objective has been to create a stable and high long-term return. **(2)** Copenhagen Allocation Partners recommendations, **(3)** ESG scores from Refinitiv have been used. CAP's objective is to recommend a sustainable portfolio with a significantly higher aggregate score on ESG than the market average. **(4)** 'CAP Ranking' is a screening tool for global companies. The screening has a clear Quality bias. **(5)** The Portfolio is distributed on eight equity factors (four style-factors and four macro-factors). De blue shaded rows are benchmarks incl. key data. 'Global Stable Stocks' and 'Global Growth Stocks' hold the largest SAA weights with 20% each of the total portfolio.
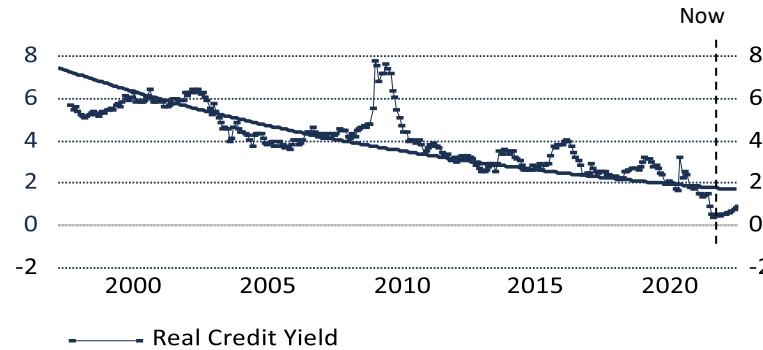
Macro Environment

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

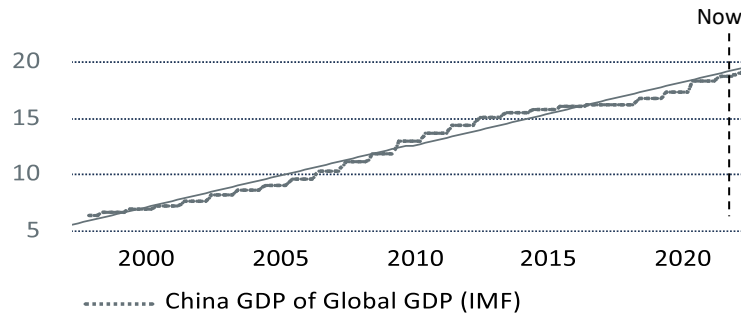**Securlar Trends**

Dominating trends of the last 25 years

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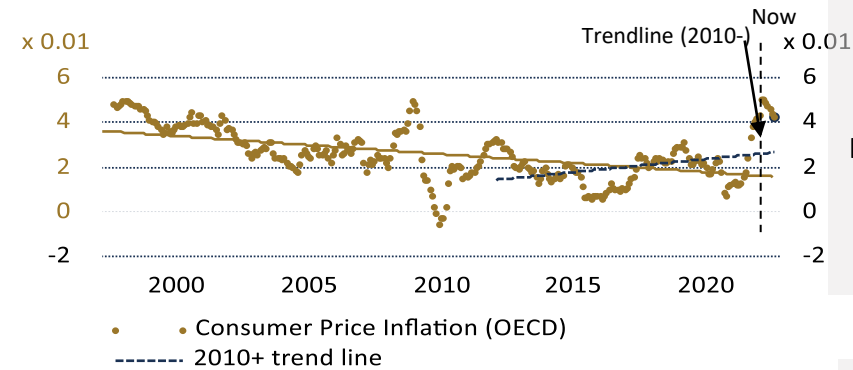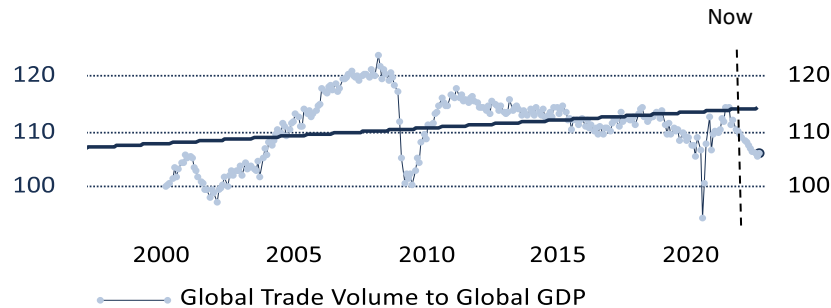+6mth.: By end-Q1 2022, we expect the rate to be 25bps higher.

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

China expansion at trend pace
Now: Just Below trend.
+6mth.: China will stay close to trend and trend-growth
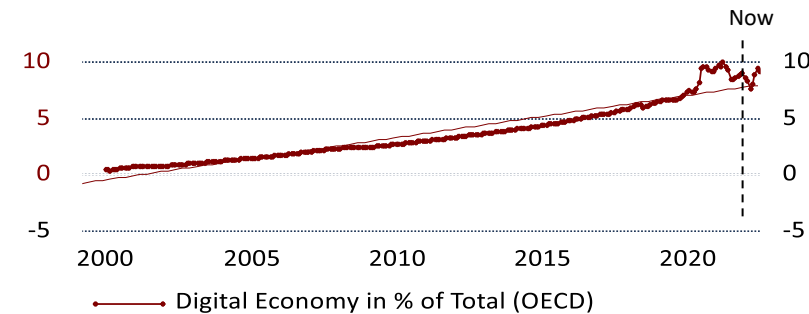
Digital Slowdown
Now: Slowing down of 'Analog' economic recovery
+6mth.: By end-Q4 2021, 'Digital' economic growth has reached a trough.

Global trade slow-down
Now: Is again slowing down.
+6mth. Is seen moving further below-trend growth.
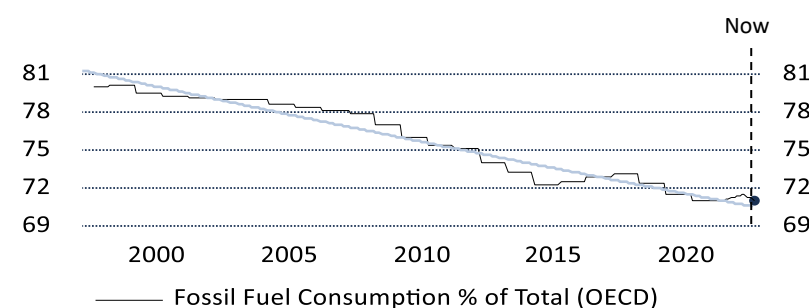
Fossil Fuel Consumption downtrend
Now: Above Trend
+6mth.: By end-Q1 2022, a downtrend is again followed.

Source: Refinitiv Datastream
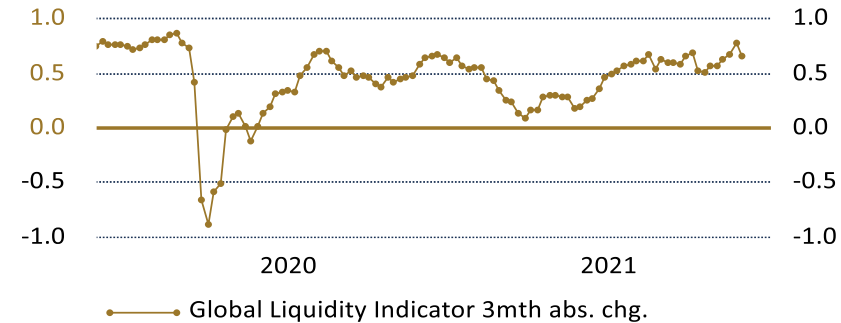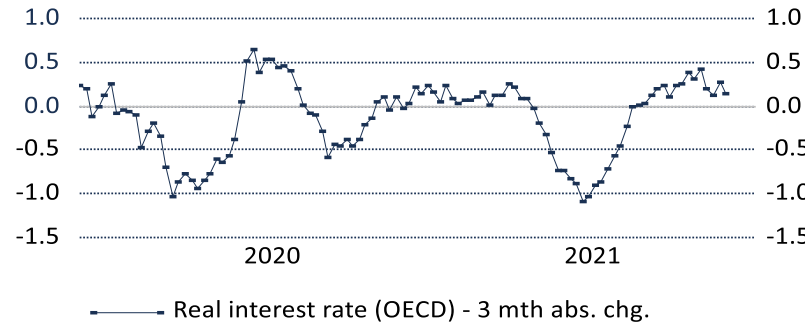
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The development for five 3mth. cyclical pulse drivers of factor performance:

Pulse Factor Trends

Dominating trends of the last two years

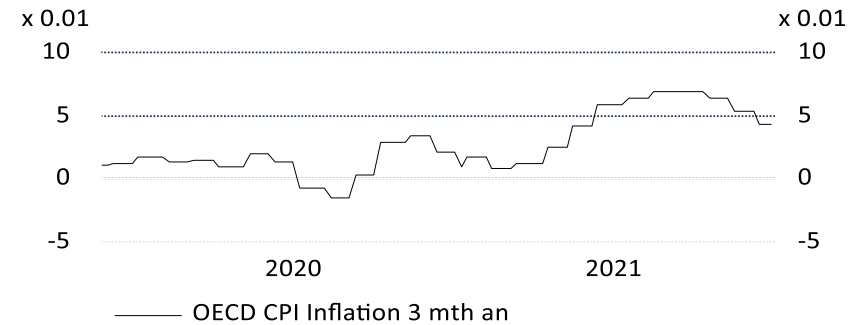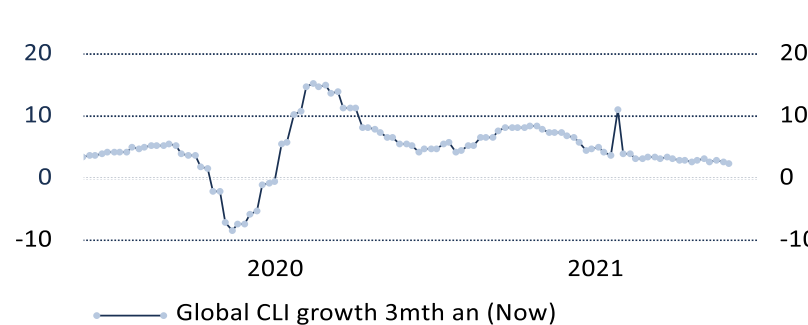Real rate has risen marginally.

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

Liquidity continues to expand.

Global Liquidity Indicator 3mth abs. chg.

The pace for commodity price increases has eased off but has still not reverted.

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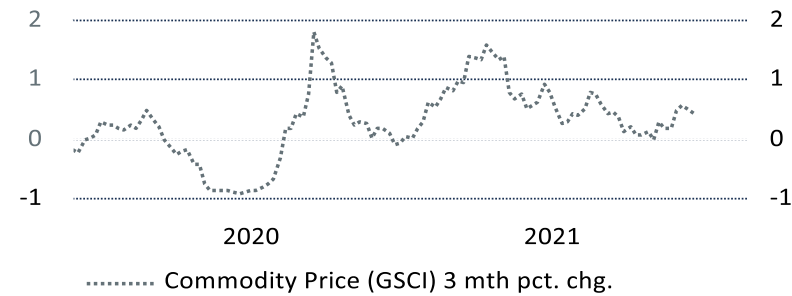
GDP growth is slowing down

Global CLI growth 3mth an (Now)

Inflation uptrend stabilizes!

OECD CPI Inflation 3 mth an

Source: Refinitiv Datastream

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