

Storebrand Global Multifactor

Commentary for Q2 2024



Note: This is a marketing communication for professional investors only.

This is a report on the Q2 2024 performance of the Norwegian-registered equity fund Storebrand Global Multifactor, as provided by the fund manager, Andreas Poole.

Important Information

Except otherwise stated, the source of all information is Storebrand Asset Management AS as at 30th of June 2024. Historical returns are no guarantee for future returns. Future returns will depend, inter alia, on market developments, the fund manager's skills, the fund's risk profile and subscription and management fees. The return may become negative as a result of negative price developments. Statements reflect the portfolio managers' viewpoint at a given time, and this viewpoint may be changed without notice. Future fund performance is subject to taxation which depends on the personal situation of each investor, and which may change in the future.

No offer to purchase shares can be made or accepted prior to receipt by the offeree of the fund's prospectus and KIID and the completion of all appropriate documentation. You can download more information including Investor Rights information, full prospectus, Key Information Documents, General Commercial Terms and Annual Reports in Norwegian [here](#). The fund is classified in risk profile 5 out of 7 (SRRI score). The value of a fund with risk class 5-7 may increase or decrease significantly due to its composition and the fund company's portfolio management practices.

Storebrand Asset Management AS may terminate arrangements for marketing under the Cross-border Distribution Directive denotification process.

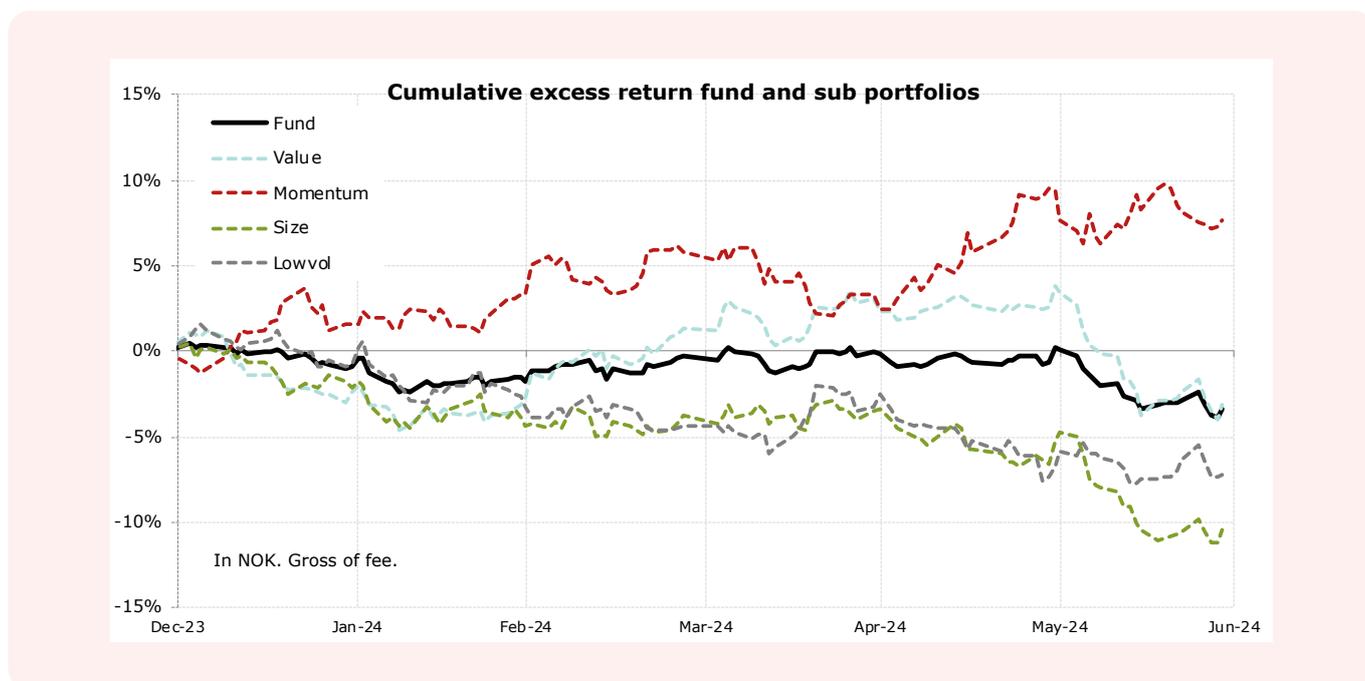
Throughout the quarter, the Fund produced a gross return of -1.4 %, while its benchmark, the MSCI World NTR, achieved a return of 1.4 %. Both returns are denominated in Norwegian Krone (NOK). In local currency terms, the MSCI World showed an increase of 3.1 %, indicating that the NOK appreciated relative to foreign currencies. The table below summarizes the returns and relative performance of the Fund, along with the relevant factor portfolios:

	Return		Relative Return				
	Stb Global Multifactor	MSCI World	Diff.	Value	Momentum	Size	Low Vol
Apr. 24	-1,1%	-1,1%	0,0%	0,8%	-2,7%	0,2%	1,7%
May. 24	-0,7%	-0,9%	0,2%	1,0%	4,4%	-1,3%	-3,1%
Jun. 24	0,4%	3,5%	-3,0%	-5,8%	-0,2%	-5,1%	-1,0%
Q2	-1,4%	1,4%	-2,7%	-3,9%	1,4%	-6,0%	-2,5%
YTD 2024	13,8%	17,2%	-3,4%	-3,2%	7,6%	-10,5%	-7,2%

In NOK. Gross of fee.

For longer term risk and returns, please click [here](#).

The graph below illustrates the progression of relative returns throughout the year, with all returns presented gross of management fees. In Q2, the Momentum factor demonstrated the strongest performance, surpassing the benchmark. In contrast, all other factors underperformed, with the Size factor showing the weakest performance among them.



As the graph shows, the Fund's performance remained flat from the start of the year until the end of May, with two factor portfolios outperforming the benchmark and two underperforming. However, in June, all factor portfolios underperformed, some significantly, resulting in the Fund's overall underperformance of 2.7 % for the second quarter.

While the benchmark posted a slight positive return over the quarter, this does not indicate that stocks generally had positive returns. Instead, a few stocks performed exceptionally well, notably the Magnificent Seven. The FAANG index, which effectively measures the performance of these stocks, outperformed the MSCI World by over 10 % during the quarter, highlighting the strong performance of the Magnificent Seven compared to other stocks, which performed slightly negatively over the same period. Most of this activity occurred in June, contributing substantially to the benchmark's positive return in local currency.

Below is a brief summary of the performance of the four factor portfolios in the Fund.

Low Volatility

The Low Volatility portfolio underperformed by 2.5 % in Q2. Despite this, it slightly outperformed other non-Magnificent Seven stocks, which posted slightly negative returns.

Value

The Value portfolio underperformed by 3.9 % for the quarter, worse than other non-Magnificent Seven stocks. Although Value had a strong start to the year, increased optimism about lower interest rates towards the end of the quarter, coupled with the events in June, led to a lackluster performance, bringing the quarter's overall performance into negative territory.

Size

The Fund's Small Cap portfolio experienced a significant underperformance of 5.1 % in June alone and 6.0% relative to the MSCI World for the second quarter. Small caps remain out of favor as the market focuses on large caps. Nevertheless, small caps appear undervalued compared to large caps, and I believe there is potential for small caps to outperform, given their inherent potential for higher P/E levels.

Momentum

The Momentum portfolio outperformed in Q2, recording a gain of 1.4 %. Although momentum remains positive, this outperformance is lower than in previous quarters. Momentum continues to be effective and has been performing well for the longest period since the momentum run of 2020-21.

Going forward

After experiencing calm waters for the first five months of the year, June brought more turbulent conditions. Predicting what will happen next is particularly challenging under these circumstances. Conditions may stabilize again, or volatility might persist. In times like these, factor investors typically rely on the long-term performance of risk premia, which have historically shown favorable performance despite periods of underperformance. This enduring historical performance remains unchanged. However, what may evolve is the approach to exploiting these premia, which is currently a point of interest for me.

I wish you all a great summer!

Factor score definitions:

Value: Intrinsic value per share divided by stock price combined with EBIT/EV. Intrinsic value is net present value of cashflows to equity, calculated by an in-house developed model.

Momentum: Total return over last 12 months, except the most recent month.

Size: Market Cap.

Low volatility: Inverse of volatility over the last 12 months.