

---

## Morningstar Nordic Market Monitor: H1 2025

### Navigating uncertainty: Five takeaways for Nordic investors from the first half.

---

#### Morningstar

July 2025

---

Saumya Gattani  
Lead Quantitative Analyst, New Product  
Development, Indexes  
saumya.gattani@morningstar.com

Margaret Stafford  
Associate Director, Product Management,  
Indexes  
margaret.stafford@morningstar.com

Robert Edwards, CFA  
Managing Director, Indexes  
Robert.Edwards@Morningstar.com

#### Important Disclosure

The conduct of Morningstar's analysts is governed by Code of Ethics/Code of Conduct Policy, Personal Security Trading Policy (or an equivalent of), and Investment Research Policy. For information regarding conflicts of interest, please visit: <http://global.morningstar.com/equitydisclosures>

---

This is the first installment of the Nordic Market Monitor, highlighting five key takeaways from performance, trends, and investor preferences relevant to Nordic investors over the last six months. This publication brings together insights from across Morningstar. It provides analysis of the Morningstar Global Target Market Exposure Index, which includes large- and mid-cap equities in the top 85% of market capitalization. It also features the Morningstar Nordic Small Cap Target Market Exposure Index, which measures the performance of small-cap stocks in Nordic countries that fall between the 85% and 99% of the market capitalization. In addition to performance trends and key changes following the latest index reconstitution, it features relevant Morningstar fund and equity research, as well as ESG data from Sustainalytics.

#### Key Takeaways

- ▶ Europe is finally having its moment. In the first half of 2025, European equities (and emerging markets) outperformed the US, given low valuations, falling interest rates, Germany's newfound willingness to engage in deficit spending, and a focus on defense.
  - ▶ Investor preferences on defense exposure are changing. Rising geopolitical tensions and Europe's focus on military self-sufficiency are shifting investor attitudes to weapons-related investments, including a higher portion of defense-related business in ESG funds.
  - ▶ Novo Nordisk spoiled stellar performance in the Nordic markets. Despite its strong market position, Novo Nordisk is facing challenges caused by disappointing phase 3 data, tariffs, and US Medicare, leading to poor results and the CEO's departure. Given Novo Nordisk's market value, its struggle significantly affected Nordic market performance, contributing to a shift in Nordic Index sector exposure away from healthcare and toward financial services and industrials.
  - ▶ Sweden has led the way in recent IPO activity within the Nordic region, including Roko AB and Asker Healthcare Group AB listings in March 2025.
  - ▶ The year 2025 has been volatile for global investors., with mega-caps and the technology and consumer cyclical sectors experiencing the highest volatility.
-

### Europe Finally Has Its Moment

An analysis of the Morningstar Target Market Exposure indexes for the first half of 2025 reveals a considerable shift in regional equity leadership compared with 2024. European equities delivered only a 2.9% return in 2024 but have staged a dramatic rebound this year, leading other regions with a 24.3% return for the first half of 2025. This marks a rotation into undervalued or previously lagging developed markets. In Europe, equity market catalysts have included the German election and Germany's increase in deficit spending, Europe's new focus on military self-sufficiency and defense spending spurred by the Donald Trump administration, and the European Central Bank and other central banks in Europe cutting interest rates.

Emerging markets also showed steady improvement, rising to 15.1% in the first half of 2025 from 7.5% in 2024. For emerging markets, the structural story remains strong, with these regions representing a significant portion of the world's population and gross domestic product growth, yet only a small fraction of global equity market value. From the start of this year, the technology and financial-services sectors drove performance of the Morningstar Emerging Markets Target Market Exposure Index compared with its global parent, fueled in large part by semiconductor companies like Taiwan Semiconductor Manufacturing and SK Hynix.

US equities led global markets in 2024, returning 24.9%, but have decelerated in 2025 with a more modest 6.8% in the first half of 2025. Key events that affected US equities over the first half of the year include the DeepSeek artificial intelligence disruption, the announcement of US President Trump's tariffs, tension between the president and the US Federal Reserve, and antitrust actions against Alphabet, Google's parent company. Following a ruling in April 2025, the company has been downgraded to UN Global Compact Watchlist status by Morningstar Sustainalytics.

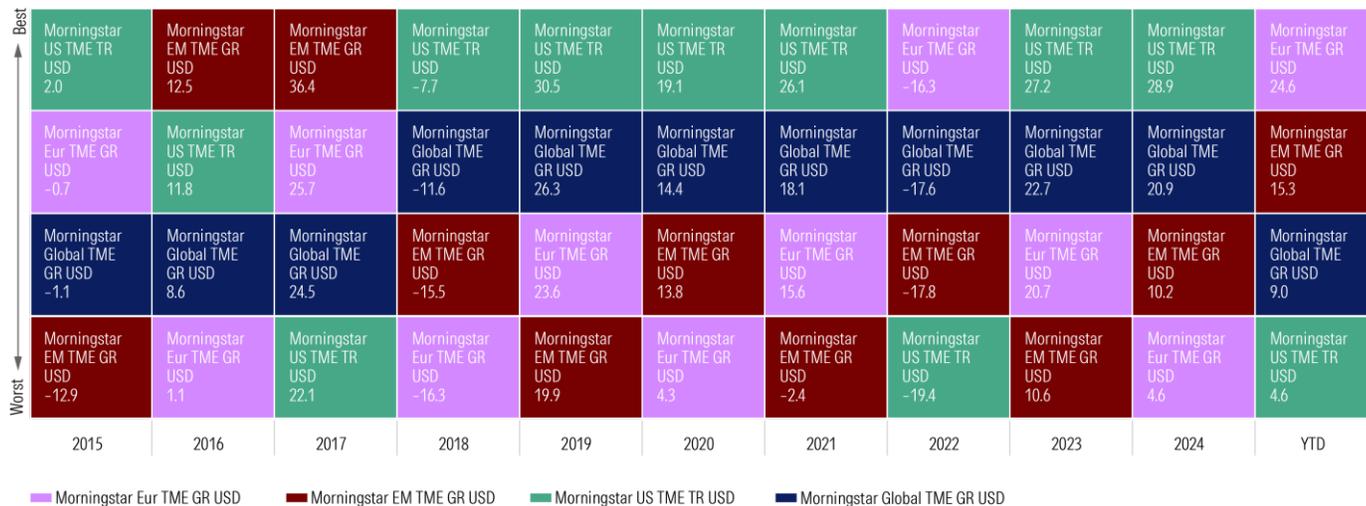
For the last few years, gains in US stocks have been driven by the AI boom and the prospect of lower interest rates. But concerns about concentration risk, regulation, and shifting global political dynamics have led some investors to seek better risk-adjusted returns outside the US, including in emerging markets. Morningstar Equity Research, however, still views the median US tech stock as fairly valued, with software, semiconductors, and hardware all appearing reasonably priced, with no major signs of being significantly over- or undervalued.

**Exhibit 1** Morningstar Index 2025 Year-to-Date Performance Compared With 2024

Index	2024	1H 2025
Morningstar US Target Market Exposure	28.9	4.6
Morningstar Global Target Market Exposure	20.9	9.0
Morningstar Emerging Markets Target Market Exposure	10.2	15.3
Morningstar Europe Target Market Exposure	4.6	24.6

Source: Morningstar Indexes. Data as of June 2025. Gross Return % USD.

**Exhibit 2** Morningstar Global Target Market Exposure Index H1 2025 vs. the Last 10 Years Quilt Chart



Source: Morningstar Direct. Data as of June 30, 2025.

**Investor Preferences Changing on Defense—No Clear Consensus on How European Investors Approach, Despite Regulatory Clarification**

Geopolitics have led European investors to reconsider defense restrictions in their responsible-investment policies. The European Commission recently clarified how defense activities align with the EU Sustainable Finance Disclosure Regulation on Sustainable Investments.<sup>1</sup> Some investors believe that financing European self-defense is a social responsibility, viewing investment in weapons as supporting democracy and freedom, especially in light of Russia's 2022 invasion of Ukraine. There is also increased focus on future financial returns' trade-off from defense exclusions. According to Morningstar's Equity Research, European defense budgets are projected to grow 6.1% annually from 2023 to 2035—outpacing the US (1.7%), Russia (3.2%), and China (3.1%)—boosting revenues and profits for US and European firms through economies of scale and higher-margin services like maintenance and upgrades.<sup>2</sup> Aerospace and defense valuations in Europe have tripled since the beginning of the war in Ukraine, including a 54% gain in the Morningstar Developed Europe Aerospace & Defense Index this year.<sup>3</sup>

Others, however, continue to view defense companies as incompatible with sustainable-investment objectives including good governance and "do no significant harm." More specifically, some maintain

1 European Commission. 2025. "Notice on the Application of the Sustainable Finance Framework and Corporate Sustainability Requirements" June 23, 2025. [https://defence-industry-space.ec.europa.eu/eu-defence-industry/defence-readiness-omnibus\\_en](https://defence-industry-space.ec.europa.eu/eu-defence-industry/defence-readiness-omnibus_en),

2 Morningstar Equity Research. 2025. "Industry Landscape Report: Defense." January 2025.

3 Smith, O. 2025. "What's Next for the European Defense Stock Rally." Morningstar. June 6, 2025. <https://global.morningstar.com/en-gb/stocks/whats-next-european-defense-stock-rally>

that funding companies whose primary business disproportionately affects civilians is objectionable on the basis of ethics and human rights. This is furthered by limited transparency in supply chain intelligence about which countries weapons are sold to, as well as those with higher susceptibility to bribery and corruption. Morningstar Sustainalytics ESG Risk Ratings for companies highlight these specific unmanaged risks as material to enterprise value for companies in the defense industry.

There is currently no dominant global market standard for how to incorporate ESG criteria for investment in defense. Innovation in ESG data has enabled more-granular ways to characterize a company's activity or involvement, including differentiating between conventional and controversial weapons. As of June 2025, the Morningstar Global Target Market Exposure Index contains 17 companies flagged for involvement in controversial weapons between December 2024 and June 2025. Morningstar Sustainalytics defines "Controversial Weapons" as weapons with indiscriminate, long-term impacts on civilians.

This includes the following six types of weapons:

- ▶ Anti-Personnel Mines
- ▶ Biological and Chemical Weapons
- ▶ Cluster Weapons
- ▶ Nuclear Weapons
- ▶ Depleted Uranium
- ▶ White Phosphorus

"Involvement" includes the production, trade, or sale of controversial weapons—directly or via ownership. This covers manufacturers of weapons systems, suppliers of essential or nonessential components, and providers of services or parts used in such weapons, even if not custom-built or critical to their function.

There was no change in the number of companies involved in Controversial Weapons in the global index from December 2024 to June 2025. The companies comprised a total of 1.61% of the total index weight as of June 2025, up just slightly from 1.43% in December 2024. The following six names made up the lion's share of that exposure based on weight.

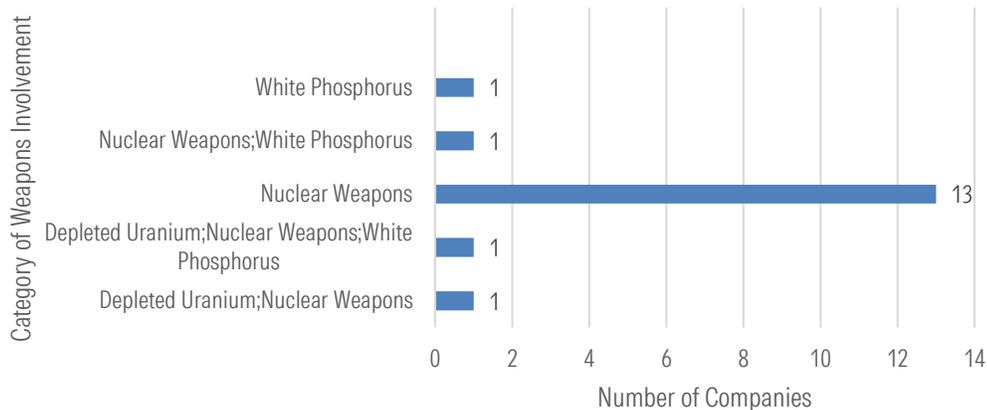
**Exhibit 3** Morningstar Global Target Market Exposure Index—Top 6 Holdings by Weight

Security Name	Country	Sector	Weight	Controversial Weapons Category
RTX Corp	US	Industrials	0.24%	Nuclear weapons
Boeing Company	US	Industrials	0.18%	Nuclear weapons
Honeywell International Inc	US	Industrials	0.18%	Nuclear weapons
Airbus SE	France	Industrials	0.14%	Nuclear weapons
Safran SA Act	France	Industrials	0.13%	Nuclear weapons
Lockheed Martin Corporation	US	Industrials	0.12%	Nuclear weapons

Source: Morningstar Indexes. Data as of June 23, 2025.

Of the 17 companies flagged for controversial weapons involvement, nine are based in the US, six in Europe, and two in Asia. Most were linked to nuclear weapons, with only one not involved in that category. Three companies had exposure to white phosphorus, and two to depleted uranium.

**Exhibit 4** Morningstar Global Target Market Exposure Index Number of Companies by Category of Controversial Weapons Involvement



Source: Morningstar Indexes & Sustainalytics. Data as of June 23, 2025.

As of July 2025, there were 2,414 unique index funds in Morningstar’s database that use Controversial Weapons exclusion criteria. For an investor with an exclusion policy based exclusively on Controversial Weapons involvement as defined above, removal of the policy would result in adding these 17 back into the portfolio.

That is unless the companies fail on other exclusion criteria that is in place. Another common baseline exclusion in ESG or responsible-investment policy is the company’s compliance with global norms and standards, like the UN Global Compact. Companies with evidence of violations of these standards are often excluded. As of July 2025, there were 2,215 passive funds in Europe that employ norms-based exclusions. As of the June 2025 reconstitution, three out of the 17 Controversial Weapons-involved companies also had a UN Global Compact Non-Compliant status, and one is currently on the Watchlist. All except one are US companies.

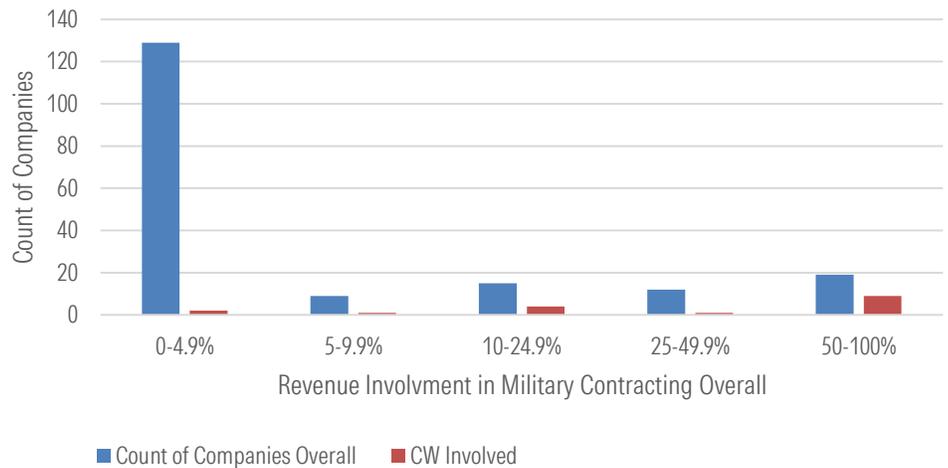
**Exhibit 5** Morningstar Global Target Market Exposure Index—Controversial Weapons & Global Standards Non-Compliant or Watchlist

Security Name	Country	Weight	Global Standards Status
RTX Corp	US	0.24%	Non-Compliant
Boeing Company	US	0.18%	Watchlist
Larsen & Toubro Ltd	India	0.04%	Non-Compliant
Lockheed Martin Corporation	US	0.12%	Non-Compliant

Source: Morningstar Indexes & Sustainalytics. Data as of June 2025.

Some investors take a more conservative approach to this topic, excluding any company with broader defense and military activity. Within Morningstar Sustainalytics research, companies are evaluated separately on involvement in conventional weapons. For example, companies generating revenue from small arms—such as manufacturers of guns, rifles, pistols, their components, or civilian retailers—are classified in a separate category. Companies involved in broader Military Contracting activities—those earning revenue from weapons, components, or custom products/services for armed forces or defense original equipment manufacturers—can also be separately identified. As of June 2025, 184 companies in Morningstar’s Global Target Market Exposure Index have such exposure, including all 17 flagged for controversial weapons.

**Exhibit 6** Morningstar Global Target Market Exposure Index Companies With Military Contracting Involvement and Controversial Weapons Involvement Compared



Source: Morningstar Indexes & Sustainalytics. Data as of June 23, 2025.

### **Novo Nordisk Spoils Stellar Performance in Nordic Markets**

Despite holding a Morningstar Economic Moat Rating of wide from Morningstar's Equity Research Team at the time of publishing, Danish pharmaceutical giant Novo Nordisk, often vying for the title of Europe's largest company by market capitalization, has faced a challenging 2025.

A combination of factors, including disappointing phase 3 data for Novo Nordisk's most important late-stage pipeline candidate, CagriSema; tariff implications; and the impact of 2027 US Medicare drug pricing reforms, led to poor first-half results<sup>4</sup>.

These factors likely played a role in the accelerated departure of CEO Lars Fruergaard Jørgensen, amid intensifying competition from the likes of Eli Lilly<sup>5</sup>.

Because of Novo Nordisk's massive market value, the pharma giant's struggles had a significant impact on Nordic markets (more-detailed attribution included below). While Finland, Norway, and Sweden posted eye-popping returns in the first half 2025, Denmark dragged down performance for broad Nordic markets.

Beyond headline performance, sector composition also shifted meaningfully from a Nordic perspective. Because of returns, investors now have a reduced exposure to healthcare and increased exposure to financial services and industrials—both of which rallied strongly in the first half.

---

#### **Exhibit 7** Target Market Exposure (Large- & Mid-Cap Stocks) Index Performance Through June 30, 2025

<b>Name</b>	<b>Return YTD (USD)</b>
Morningstar Nordic Target Market Exposure	12.75
Morningstar Finland Target Market Exposure	29.14
Morningstar Norway Target Market Exposure	31.42
Morningstar Sweden Target Market Exposure	20.26
Morningstar Denmark Target Market Exposure	-5.49
Morningstar DM Eur Target Market Exposure	23.66
Morningstar US Target Market Exposure	6.36
Morningstar Global Target Market Exposure	10.18
Novo Nordisk AS Class B	-18.77

Source: Morningstar Direct. Data as of June 2025. Gross Return % USD.

---

<sup>4</sup> Englundh, J. 2025. "Is Novo Nordisk Stock a Buy After its Collapse?" Morningstar. April 9, 2025.

<https://www.morningstar.com/stocks/is-novo-nordisk-stock-buy-after-its-collapse>

<sup>5</sup> Anderson, K. 2025. "Novo Nordisk: CEO's Surprise Departure Points to Challenging Obesity Market Dynamics." Morningstar. May 19, 2025.

<https://global.morningstar.com/en-gb/stocks/novo-nordisk-ceos-surprise-departure-points-challenging-obesity-market-dynamics>

**Exhibit 8** Sector Weight (%) Changes From Dec. 31, 2024, to June 30, 2025

<b>Sector Name</b>	<b>Morningstar Nordic Target Market Exposure</b>	<b>Morningstar Denmark Target Market Exposure</b>
Basic Materials	0.13	1.54
Consumer Cyclical	-0.41	0.01
Financial Services	2.50	2.71
Real Estate	0.02	0.00
Consumer Defensive	0.28	1.22
Healthcare	-6.28	-8.52
Utilities	-0.12	-0.38
Communication Services	0.49	0.00
Energy	0.25	0.00
Industrials	3.26	3.43
Technology	-0.11	0.00

Source: Morningstar Indexes. Data as of June 2025.

**Sweden Has Led the Way for Recent IPO Activity**

Morningstar's equity indexes go through reconstitution semiannually in June and December and are a good reflection of how markets have changed over the prior six months. Even with no additions and deletions within the large- and mid-cap range, there was plenty of action within the small-cap range where we observed nine deletions (3.3% by weight) and nine additions (3.2% by weight).

Between the two periods, the region has witnessed several market-cap changes driven by acquisitions and new Swedish listings.

**Exhibit 9** Morningstar Nordic Small Cap Target Market Exposure Index Acquisitions Between December 2024 and June 2025

<b>Security Name</b>	<b>Country</b>	<b>Sector Name</b>	<b>Weight (Dec 2024)</b>	<b>Acquirer</b>
Millicom International Cellular SA SEDR	Sweden	Communication Services	1.06%	Atlas Luxco
Spar Nord Bank As	Denmark	Financial Services	0.71%	Nykredit
Crayon Group Holding ASA Shares	Norway	Technology	0.34%	SoftwareOne Holding
Sparebanken Sør Primary Capital Cert	Norway	Financial Services	0.17%	Sparebanken Vest
Svitzer Group AS	Denmark	Industrials	0.16%	A.P. Moller

Source: Morningstar Indexes. Data as of June 2025.

**Exhibit 10** Morningstar Nordic Small Cap Target Market Exposure Index IPO Listings Between December 2024 and June 2025

Security Name	Country	Sector Name	Weight (June 2025)	IPO Date
Roko AB (publ) Ordinary Shares - Class B	Sweden	Financial Services	0.73%	March 11, 2025
Asker Healthcare Group AB	Sweden	Healthcare	0.64%	March 27, 2025
Asmodee Group AB Ordinary Shares	Sweden	Consumer Cyclical	0.62%	Feb. 7, 2025
Intea Fastigheter AB (publ) Ordinary Shares	Sweden	Real Estate	0.39%	Dec. 12, 2024
Apotea AB (publ)	Sweden	Healthcare	0.12%	Dec. 6, 2024

Source: Morningstar Indexes. Data as of June 2025.

As previously mentioned, Novo Nordisk suffered in the first half of 2025, but there were lots of bright spots, which drove the great performance displayed in Exhibit 11. Further within the broad Morningstar Nordic All Cap Target Market Exposure Index, which covers 99% of market capitalization, financial services and industrials have been the leading contributors.

**Exhibit 11** Nordic All Cap Target Market Exposure Index Leading Contributors and Detractors in the Past Six Months

Security Name	Country	Sector Name	Industry Name	Weight (June 2025)	Weight (Dec 2024)	Contribution Margin
<b>Contributors</b>						
Saab AB Class B	Sweden	Industrials	Aerospace & Defense	1.13%	0.49%	0.48%
Nordea Bank Abp	Sweden	Financial Services	Banks	2.58%	2.27%	0.48%
Danske Bank AS	Denmark	Financial Services	Banks	1.55%	1.21%	0.41%
Swedbank AB Class A	Sweden	Financial Services	Banks	1.52%	1.27%	0.32%
Kongsberg Gruppen ASA	Norway	Industrials	Aerospace & Defense	1.03%	0.65%	0.27%
<b>Detractors</b>						
Novo Nordisk AS Class B	Denmark	Healthcare	Drug Manufacturers	14.13%	17.55%	-8.56%
Coloplast AS Class B	Denmark	Healthcare	Medical Instruments & Suppliers	0.82%	1.07%	-0.36%
Atlas Copco AB Class A	Sweden	Industrials	Specialty Industry Machinery	1.30%	1.42%	-0.29%
Zealand Pharma AS	Denmark	Healthcare	Biotechnology	0.22%	0.43%	-0.27%
Assa Abloy AB Class B	Sweden	Industrials	Security & Protection Services	1.94%	2.08%	-0.24%

Source: Morningstar Indexes. Data as of effective dates of December 2024 and June 2025.

## 2025 Has Been a Volatile Year for Global Investors. Those Who Stayed the Course Through Volatility Benefited the Most

The first half of 2025 was anything but predictable. After a euphoric end to 2024, global markets entered the new year with optimism—only to be met with a sharp reversal. Rising geopolitical tensions, renewed trade disputes, and shifting central bank policies sent shock waves through equity markets.

The last two calendar years were largely powered by Nvidia, Tesla, and the other members of the Magnificent Seven (Alphabet, Amazon.com, Apple, Meta Platforms, and Microsoft). However, diversification away from mega-caps has paid off through the first half of 2025.

### Exhibit 12 Target Market Exposure (Large- & Mid-Cap Stocks) Index Performance Through June 30, 2025

Name	H1 2025 Return	2024 Return
Amazon.com Inc	0.00	44.39
Apple Inc	-17.87	30.58
Meta Platforms Inc Class A	26.24	65.98
Nvidia Corp	17.66	171.24
Tesla Inc	-21.34	62.52
Alphabet Inc Class A	-6.69	35.94
Alphabet Inc Class C	-6.64	35.56
Microsoft Corp	18.40	12.91

Source: Morningstar Direct. Data as of June 2025. Returns in Gross Return % USD.

As displayed in Exhibit 13, investors who diversified across value-oriented sectors found themselves better insulated across shocks in the first quarter. Those who stayed the course—resisting the urge to sell and move to cash—were rewarded, as the Global Index rebounded from negative territory to deliver strong returns. Sectors such as technology, consumer cyclical, and communication services exhibited greater sensitivity to the economic weakness and the comprehensive global tariff announcements<sup>6</sup>. In contrast to 2023 and 2024, when technology was the leading contributor for returns, this year, the financial-services sector has taken a lead globally in the first half, as shown in Exhibit 14.

### Exhibit 13 Target Market Exposure (Large & Mid cap stocks) Index Performance through June 30, 2025

Legal Name	Q1 2025 Return	Q2 2025 Return
Morningstar Global Target Market Exposure	-1.25	11.57
Morningstar Global Value Target Market Exposure	3.52	5.68
Morningstar Global Growth Target Market Exposure	-5.75	17.61

Source: Morningstar Indexes. Data as of June 2025. Returns in GR % USD.

<sup>6</sup> Peng, Z., & Murray, M. 2025. "Which Stock Sectors Are Most Sensitive to the Economic Shock from Tariffs?" Morningstar. May 12, 2025. <https://www.morningstar.com/markets/which-stock-sectors-are-most-sensitive-economic-shock-tariffs>

**Exhibit 14** Morningstar Global Target Market Exposure Index—Return Analysis by Sector

	2023	2024	H12025
Basic Materials %	0.21	-0.16	0.14
Consumer Cyclical %	2.01	-0.17	0.04
Financial Services %	0.55	1.86	2.88
Real Estate %	-0.08	-0.03	0.14
Consumer Defensive %	-0.43	0.48	0.57
Healthcare %	-0.71	0.74	0.13
Utilities %	-0.24	0.37	0.38
Communication Services %	1.68	1.00	1.14
Energy %	0.03	0.12	0.22
Industrials %	0.99	0.40	1.72
Technology %	6.78	1.87	2.51

Source: Morningstar Direct. Returns in Gross Returns % USD.

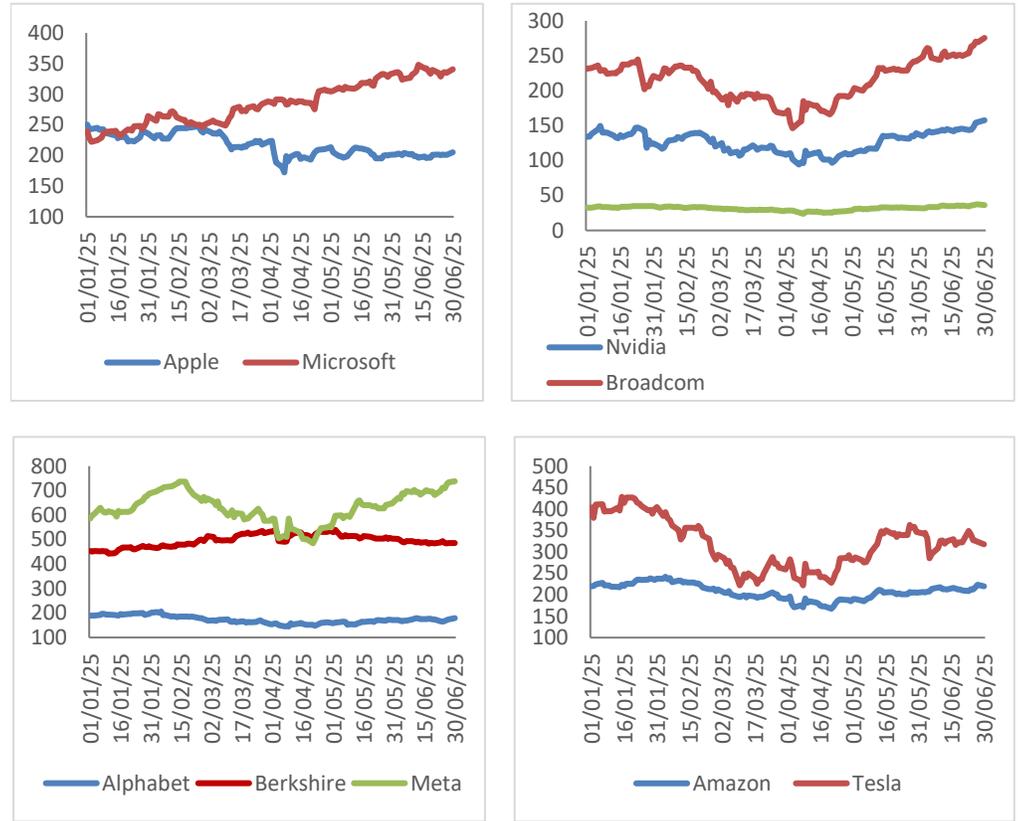
Further, the price movement of the top 10 global companies in Exhibit 15 shows that theme-based investments in industries like semiconductors (Nvidia, Broadcom) and in AI-integrated companies (Microsoft, Meta) have seen a surge in returns this year. Many companies witnessed a significant decline in their share prices at the beginning of April when the first comprehensive global tariffs were announced. In the second quarter, they recovered or surpassed their prices at the start of the year.

**Exhibit 15** Year-to-Date Price Movements of Top 10 Global Companies

Name	Beginning Price (USD)	Ending Price (USD)
Meta Platforms Inc Class A	585.51	738.09
Microsoft Corp	421.50	497.41
Berkshire Hathaway Inc Class B	453.28	485.77
Nvidia Corp	134.29	157.99
Taiwan Semiconductor Manufacturing Co Ltd	1075.00	1060.00
Broadcom Inc	231.84	275.65
Amazon.com Inc	219.39	219.39
Alphabet Inc Class C	190.44	177.39
Alphabet Inc Class A	189.30	176.23
Tesla Inc	403.84	317.66
Apple Inc	250.42	205.17

Source: Morningstar Direct. Data from Jan. 1, 2025, to June 30, 2025. USD.

**Exhibit 16** Price Movement of Top 10 Global Companies



Source: Morningstar Indexes. Data from Jan. 1, 2025, to June 30, 2025.

### **About Morningstar Indexes**

Morningstar Indexes was built to keep up with the evolving needs of investors—and to be a leading-edge advocate for them. Our rich heritage as a transparent, investor-focused leader in data and research uniquely equips us to support individuals, institutions, wealth managers and advisors in navigating investment opportunities across major asset classes, styles and strategies. From traditional benchmarks and unique IP-driven indexes, to index design, calculation and distribution services, our solutions span an investment landscape as diverse as investors themselves.

Please visit [indexes.morningstar.com](https://indexes.morningstar.com) for more information.

Contact:

[indexes@morningstar.com](mailto:indexes@morningstar.com)

© 2025 Morningstar. All rights reserved. The information, data, analyses and opinions contained herein (1) include the proprietary information of Morningstar, (2) may not be copied or redistributed, (3) do not constitute investment advice offered by Morningstar, (4) are provided solely for informational purposes and therefore are not an offer to buy or sell a security, and (5) are not warranted to be correct, complete or accurate. Morningstar has not given its consent to be deemed an "expert" under the federal Securities Act of 1933. Except as otherwise required by law, Morningstar is not responsible for any trading decisions, damages or other losses resulting from, or related to, this information, data, analyses or opinions or their use. Past performance does not guarantee future results. Before making any investment decision, consider if the investment is suitable for you by referencing your own financial position, investment objectives, and risk profile. Always consult with your financial advisor before investing.

**MORNINGSTAR** Indexes

22 West Washington Street  
Chicago, IL 60602 USA

©2025 Morningstar. All Rights Reserved.