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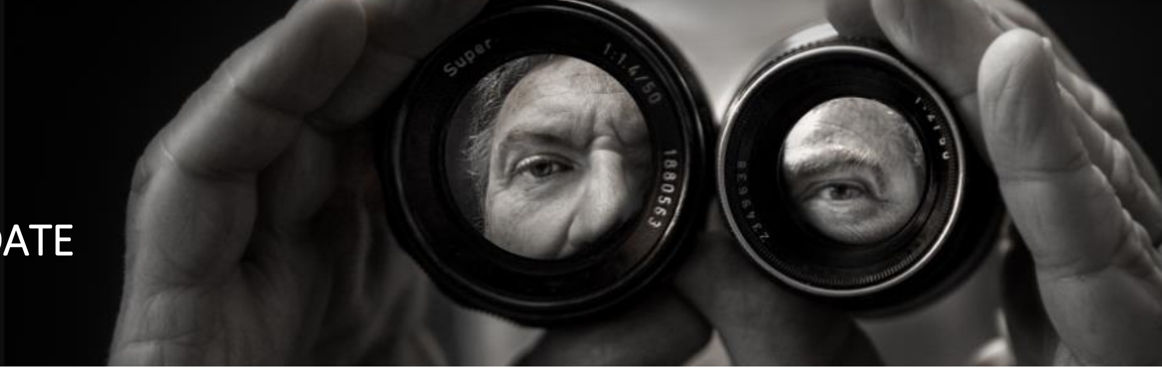


Portfolio Update
August 2022

Monthly Review

The markets were not quite as turbulent in July as they were in the preceding months. Market players had become used to the idea of interest rate hikes by the central banks, which were back on the agenda. Performance was significantly more encouraging at the end of July compared to the prior month, with sentiment increasingly picking up.

The second-quarter reporting season has only just begun. So far, it seems that the broader a company's global reach is, the better its prospects are in terms of earnings growth. However, the main focus of scrutiny in the quarterly reports will be signs of supply chain and input price issues, as well as the potential for future revisions to earnings forecasts. The guidance published by companies for next year will be particularly interesting as it will provide indications of the economic trend and any need for measures to be taken.

In terms of sectors, there was a visible rotation towards risk. The more cyclical sectors were the top performers in the S&P 500 once again. Sectors that were on the losing side at times, such as energy, also caught up and overtook their defensive counterparts. However, as far as market breadth is concerned, the index was supported by a healthy range of stocks.

The rhetoric and measures implemented by the major central banks have already made a visible difference and pushed down inflation expectations. The slight decline in sovereign bond yields also confirms that the central banks' interventions are deemed credible by the market. The US yield curve has been inverted since the start of the month, partly because the market is already pricing in the first key rate cuts for next year.

Financial markets 2022 total return

Equities	July	2022
S&P 500 (US)	9.2%	-12.6%
Dow Jones Industrial Average (US)	6.8%	-8.6%
EURO STOXX 600 (EU)	7.7%	-8.4%
DAX (DE)	5.5%	-15.1%
SMI (CH)	3.8%	-11.1%
MSCI Emerging Markets (EM) in USD	-0.2%	-17.7%
Fixed Income	**July**	**2022**
US Corporate Bonds Inv. Grade	3.2%	-11.6%
US Corporate Bonds High Yield	5.9%	-9.1%
Pan- European Corporate Bonds Inv. Grade	5.0%	-8.2%
Pan- European Corporate Bonds High Yield	5.1%	-9.9%
Alternative Investments	**July**	**2022**
Gold	-2.4%	-3.5%
Oil (brent)	-6.1%	39.4%

Sources: swisspartners, Bloomberg

The strength of the greenback is obviously a reflection of the relatively higher rate hikes in the US. This in turn left gold investors with rather muted returns despite the inflation numbers. Meanwhile, the commodity markets continued to settle down after their recent volatility, with wheat and corn prices returning to their February levels. Crude oil also consolidated further, although the fact that this had little impact on prices at Swiss filling stations is largely attributable to the refineries.

Mandate Returns gross

	Euro			Swiss Franc			US Dollar			British Pound		
	Cons	Bal	Dyn	Cons	Bal	Dyn	Cons	Bal	Dyn	Cons	Bal	Dyn
2012	6.6%	7.4%	10.5%	4.3%	6.5%	10.9%	5.9%	8.4%	11.8%			
2013	1.5%	6.5%	13.5%	1.9%	8.3%	16.7%	2.9%	9.4%	18.5%			
2014	6.1%	8.0%	10.2%	4.9%	6.5%	9.2%	1.6%	2.2%	3.1%			
2015	2.7%	6.3%	9.9%	-0.8%	0.0%	1.8%	-0.3%	0.0%	1.0%			
2016	2.3%	5.3%	7.1%	1.3%	3.9%	5.7%	2.8%	6.2%	7.2%	4.6%	9.5%	12.1%
2017	3.5%	7.3%	10.8%	4.3%	8.9%	15.0%	7.1%	12.7%	18.1%	4.7%	8.7%	14.2%
2018	-4.3%	-9.0%	-10.5%	-5.6%	-10.1%	-12.1%	-2.5%	-7.9%	-9.8%	-3.3%	-8.6%	-10.4%
2019	9.2%	15.7%	21.6%	8.3%	14.8%	19.6%	11.5%	17.5%	22.0%	9.4%	15.3%	19.8%
2020	3.2%	5.3%	8.6%	2.6%	5.5%	9.0%	6.7%	9.7%	13.6%	4.6%	6.5%	10.3%
2021	5.3%	10.5%	16.5%	4.3%	8.9%	14.2%	4.2%	8.4%	13.9%	4.2%	8.7%	14.4%
Jan 22	-2.5%	-3.3%	-5.2%	-2.4%	-3.0%	-4.9%	-2.7%	-3.6%	-5.6%	-2.6%	-3.3%	-5.3%
Feb 22	-1.0%	-1.6%	-2.2%	-1.3%	-1.9%	-2.6%	-0.9%	-1.5%	-2.0%	-0.9%	-1.4%	-2.0%
Mar 22	-0.1%	0.6%	1.1%	-0.2%	0.4%	0.9%	-0.2%	0.4%	0.8%	0.1%	0.9%	1.6%
Apr 22	-1.8%	-2.6%	-3.4%	-1.9%	-2.6%	-3.4%	-2.8%	-3.9%	-4.8%	-2.2%	-2.9%	-3.7%
May 22	-0.9%	-0.4%	-0.9%	-0.9%	-0.2%	-0.8%	-0.5%	0.2%	-0.3%	-0.6%	0.1%	-0.4%
Jun 22	-2.5%	-4.9%	-6.6%	-3.1%	-5.7%	-7.4%	-2.8%	-5.2%	-6.8%	-2.5%	-4.7%	-6.3%
Jul 22	2.9%	4.1%	6.1%	2.2%	3.1%	4.9%	2.3%	3.3%	5.0%	2.5%	3.5%	5.4%
2022	-6.0%	-8.0%	-11.0%	-7.4%	-9.8%	-12.9%	-7.5%	-10.1%	-13.3%	-6.0%	-7.8%	-10.6%

Actual portfolio returns may differ from the values shown above owing to the level of implementation, costs and restrictions on implementation.

TRANSACTIONS IN JULY

For a detailed overview of the transactions for each strategy, please do not hesitate to contact us.

POSITIONIERUNG

Liquidity (neutral)		Outside the U.S. dollar and British pound investment universe, there are hardly any opportunities to circumvent the negative interest rates imposed by the central banks. Where necessary, we place the excess liquidity in the account and in some cases accept the negative yield passed on to customers - especially as no risk-free substitute is available. In U.S. dollars and British pounds, there is the option of short-term bond and fiduciary investments.
Conservative	4.0%	
Balanced	5.5%	
Dynamic	4.5%	
Bonds (underweight)		In light of increasing debt levels in the public and private sectors, we favour bond issuers with solid balance sheets, a healthy business model and correspondingly good credit ratings. At the same time, however, the only way of achieving an attractive yield to maturity is to take positions outside of the AAA/AA rating segment. Within the asset class, we utilise various bond types and market segments to maintain a cautious approach, including in the lower rating categories. Yields have returned to more attractive levels thanks to recent commentary from the central banks and inflation expectations. Inflation concerns and a return to uninterrupted economic growth are factored into this higher yield level. The rise in yields has disproportionately pushed up the short end of the yield curve. For this reason, we are specifically focusing on duration baskets and have adjusted our positioning to minimise the effects of any potential volatility in bonds. We are continuing to underweight duration to reflect the prevailing uncertainty regarding inflation and potential for surprises from the central banks. As the economic backdrop remains healthy, we have taken advantage of the protection against climbing interest rates that is also offered by high-yield bonds.
Conservative	48.0%	
Balanced	25.0%	
Dynamic	6.0%	
Equities (overweight)		The impact of the Ukraine crisis and the central banks' fight against rising inflation keep a tight grip on the global economy and stock markets. Declining COVID-19 cases in major Chinese cities give hope that the lockdowns are gradually coming to an end and the local economy is recovering. China's ongoing zero-tolerance policy continues to put pressure on global supply chains. The easing of the situation in the port of Shanghai will shift the backlog to the west in the medium term. Accordingly, effective supply chain relief will continue to take months. The sanctions imposed on Russia by Western nations will not materially weaken global economic growth and therefore also earnings. While sanctions or penalties targeting the Russian commodity sector are part of the current discussions, this is subject to the proviso that they do not harm the domestic economy. The bigger unknown in this context is punitive action by the other side, which is increasingly likely. Over the medium term, the biggest uncertainty for the markets remains the future path of central bank policy rather than the conflict in Ukraine. The persistently high inflation and the increased cost of capital will have a negative impact on profit growth in the coming quarters. Accordingly, investors are increasingly focusing on the outlook for the following quarters rather than on the business performance in the past quarter. The reasons for maintaining an overweight position in equities still include monetary policy that is not excessively restrictive, the vast fiscal policy support programmes implemented by governments, the relative valuation of the equity markets, the dearth of alternative options for investors on the financial markets and corporate results which are expected to be positive. The situation will have to be reassessed if these supports disappear.
Conservative	27.5%	
Balanced	51.0%	
Dynamic	75.5%	
Alternative investments (overweight)		A broad selection of gold, cat bond funds, market-neutral equity and credit strategies, global macro and commodities. Unlike traditional asset classes, these strategies exhibit a lower correlation with traditional markets and generally offer a certain degree of protection against pronounced market corrections. The aim is to achieve a positive market return in a normal market environment, with lower volatility. A high level of liquidity is viewed as a basic requirement, and this therefore determines which UCITS strategies are considered for investment. The directionality of the alternative allocation can be adjusted as required to ensure better hedging against lengthier corrections or to slightly increase participation in a longer-lasting uptrend. We have invested the proceeds from the sale of the IAM True Partner Volatility UCITS into a global macro fund, making the alternative allocation more dynamic again.
Conservative	20.5%	
Balanced	18.5%	
Dynamic	14.0%	

MARKET ASSESSMENT

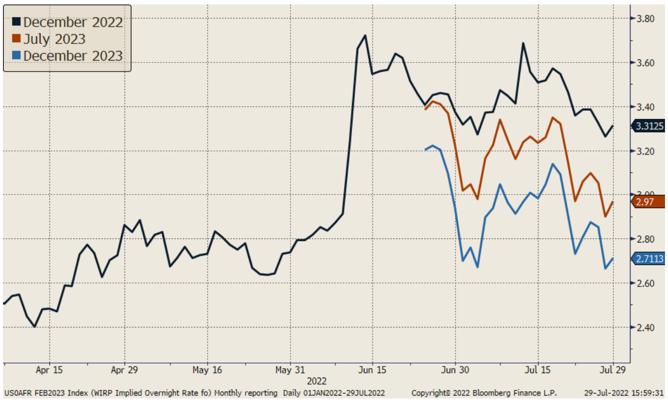
Initial signs of improvement

Sentiment has visibly picked up. As previously, the question is whether the current recovery merely constitutes a bear market rally, or whether the market has actually bottomed out and we can expect further gains. That aside, what we can safely say is that investor reactions to bad news on the inflation front are now more relaxed, given that the majority of negative headlines are already priced into current market valuations. Moreover, an ever greater number of indicators are pointing to easing pressure on prices. For example, the average price of gasoline at US filling stations has fallen from USD 5.50 to 4.80 dollars per gallon. For its part, the rise in mortgage interest rates contributed towards a marked decline in reported home sales in the US in July, which were down 20% year-on-year. In turn, this should have the effect of subduing prices. In addition, various retailers have had difficulty selling products such as clothing that are not absolutely essential. In these circumstances, supermarket chains will be forced to offer discounts to offload stock. Reports such as these have fuelled hopes among investors that inflationary pressure is waning, buoying stock prices.

Market watchers are rightly asking whether the decline in consumer spending will lead to a drop in economic growth. Indeed, the end of July saw the announcement of the second consecutive quarter of negative GDP growth in the US. That said, this is in stark contrast to what remains a strong labour market and encouraging quarterly results, which have proved to be far less poor than numerous market analysts had been forecasting. 73% of the US earnings announcements published to date have beaten market estimates, while the corresponding figure in Europe has come in at around 65%. Admittedly, earnings growth is softening somewhat compared to prior quarters, but this certainty does not reflect a recessionary environment.

It almost looks as if the central banks might succeed in taming inflation without weakening economic output to an excessive degree. What initially appeared to be a Herculean task now looks feasible in light of the current situation. Accordingly, there is a growing expectation that the US Federal Reserve will soon reach the end of its rate tightening cycle. This day cannot come soon enough as far as equity investors in particular are concerned. As the chart below illustrates, market participants expect interest rates to climb to a maximum of 3.3% before dropping back to 3% as early as July 2023 and settling at 2.7% in December next year. In other words, Wall Street is already looking for two rate cuts next year!

Implied level of US interest rates over the course of 2022 & 2023



Sources: Bloomberg

Despite elevated market volatility and prevailing risks, in the current environment we see potential for the financial markets to recover further. In particular, this is because investor sentiment generally remains downbeat and a great deal of liquidity is still parked on the sidelines. This is an indication of future buying interest once risk appetite gradually returns.

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This publication was prepared by:

Investment Management & Solutions