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Portfolio Update

April 2024

AI knows no limit

The S&P500 has now been driven higher for five months in a row. Not everything can be attributed to the shares that seem to be changing the future with artificial intelligence. The US economy performed better than expected at the beginning of the year. As a result, shares from other sectors were also able to make an increased contribution to the rise in share prices.

The equity sectors were also influenced by the renewed interest rate announcement. Although the US Federal Reserve did not tighten interest rates as expected, it gave the markets a boost with its economic expectations. However, central banks on the other side of the Atlantic and the Pacific did surprise some of us. Japan ended the long era of negative interest rates with a rate hike, while Switzerland surprised with a groundbreaking cut in key interest rates. However, the immediate consequences of these actions were not unexpected, namely a weaker yen in Japan and a jump in Swiss share prices.

Investors across the board had already increased their bond allocations, and those who had not yet done so were ideally placed to take advantage of the slight interest rate turbulence last month to adjust their positions. On balance, bonds only made slight gains on the month. However, bonds are once again having a hedging effect compared to equities and are thus smoothing out portfolio returns, which has its charm for many investors and partly explains the increased interest.

Gold, a precious metal that was almost frowned upon for months, showed its shining side. This month, six very strong days with price gains of over 6% against the US dollar were followed by a volatile sideways phase with a further upward trend. However, these price advances were led by cryptocurrencies, which had already started to soar a few days earlier. Some of this was certainly driven by the valuation currencies, but by no means all of it. The Swiss franc was the weakest of the currencies in relation to each other, which led some market participants to consider parity with the euro.

As a result, holidays became slightly more expensive again for the Swiss, but cheaper for others. Overall, travel activity still has some room for improvement, as pre-Covid levels have not yet been reached.

Financial markets 2024 total return

Equities	March	2024
S&P 500 (US)	8.7%	10.6%
Dow Jones Industrial Average (US)	4.8%	6.1%
EURO STOXX 600 (EU)	6.3%	7.8%
DAX (DE)	9.4%	10.4%
SMI (CH)	4.9%	6.8%
MSCI Emerging Markets (EM) in USD	7.1%	2.1%
Fixed Income	**March**	**2024**
US Corporate Bonds Inv. Grade	-0.2%	-0.4%
US Corporate Bonds High Yield	1.5%	1.5%
Pan-European Corporate Bonds Inv. Grade	0.4%	0.6%
Pan-European Corporate Bonds High Yield	0.8%	1.8%
Alternative Investments	**March**	**2024**
Gold	8.4%	7.7%
Oil (brent)	5.1%	12.1%

Source: Bloomberg

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%
2022	-9.6%	-11.7%	-14.7%	-10.7%	-13.2%	-16.4%	-8.8%	-10.8%	-13.6%	-8.3%	-9.5%	-12.2%
2023	9.1%	10.7%	12.3%	6.1%	7.5%	8.6%	11.2%	13.4%	15.1%	10.1%	12.7%	12.8%
Jan 24	0.8%	0.6%	0.8%	0.8%	0.6%	0.8%	0.7%	0.3%	0.5%	0.7%	0.3%	0.5%
Feb 24	0.6%	1.4%	2.4%	0.9%	1.9%	2.9%	0.6%	1.4%	2.5%	0.8%	1.6%	2.6%
Mar 24	1.6%	2.6%	3.4%	1.9%	3.0%	3.8%	1.7%	2.6%	3.4%	1.7%	2.7%	3.4%
2024	3.1%	4.6%	6.7%	3.6%	5.6%	7.7%	3.0%	4.4%	6.5%	3.3%	4.7%	6.7%

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

TRANSACTIONS IN MARCH

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

POSITIONING

Liquidity (neutral)

Conservative	2.0%
Balanced	4.0%
Dynamic	6.0%

- Excess liquidity is invested in money market funds or fiduciary investments where possible.
- In the current difficult market environment, an increased cash allocation offers the possibility of temporarily parking surplus liquidity in order to participate in investment opportunities at a later date.

Bonds (underweight)

Conservative	62.0%
Balanced	37.0%
Dynamic	15.5%

- Against the backdrop of rising debt, preference is given to bonds from issuers with solid balance sheets outside the AAA/AA segment in order to achieve attractive yields to maturity.
- In lower ratings, the focus is on broadly diversified investments in order to act cautiously. Carefully selected active managers can generate added value here.
- Interest rates have become attractive as a result of the central bank moves, although duration remains only slightly underweighted due to the expected interest rate moves. The expected interest rate cuts are already strongly reflected in the curve, meaning that an overweight position is unlikely to offer a favourable risk/return ratio at present. The positioning on the yield curve is likely to have a greater influence than the absolute duration and has therefore been deliberately taken into account.
- Due to the less favourable economic outlook, credit spreads on European bonds are more attractive. A globally more relaxed situation is once again offering opportunities for exposure to bonds with good credit ratings from the emerging markets and Asia.

Equities (overweight)

Conservative	29.0%
Balanced	49.0%
Dynamic	72.5%

- The central banks' fight against inflation appears to be on the home straight. The sometimes massive rise in the cost of capital and changes in consumer spending will have a negative impact on earnings growth in individual sectors.
- Within the equity allocation, investments in the USA are slightly preferred to Europe. The Swiss equity market remains attractive due to its defensive orientation. The devaluation of the Swiss franc since the beginning of the year is easing the pressure on companies and supporting export-oriented companies in particular. The slowdown in the global economy is making investments in emerging markets less attractive, and developed markets are therefore preferred to emerging markets.
- Within the individual sectors, basic materials, energy and cyclical consumer goods are still considered attractive and are therefore overweighted in the portfolios.
- Industrials, communication services, technology and non-cyclical consumer goods are neutrally weighted.
- The outlook for the utilities, healthcare and property sectors remains negative due to valuation, high interest rates and other macroeconomic factors.

Alternative investments (overweight)

Conservative	7.0%
Balanced	8.0%
Dynamic	6.0%

- A high level of liquidity (usually UCITS) is the basic prerequisite and determines which strategies are considered.
- The aim is to achieve a positive market return with low volatility in a normal market environment.
- At present, a market-uncorrelated cat bond fund is intended to participate in the continued attractive premiums.

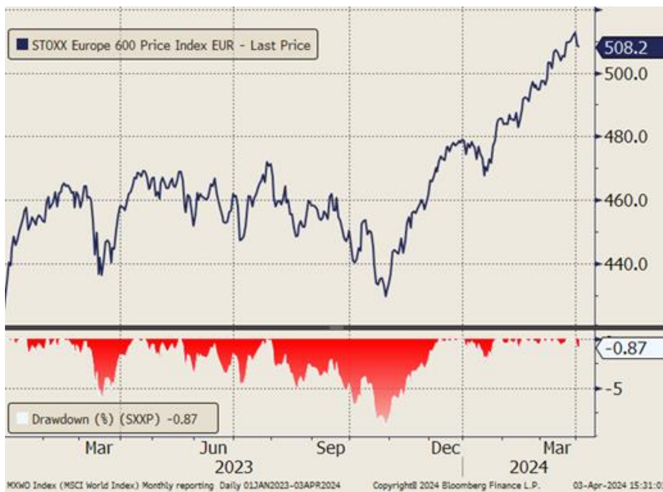
OUTLOOK

Broad market leadership as an opportunity; Increasing risk of setbacks

Towards the end of last year, the US Federal Reserve (Fed) took a turn towards a looser monetary policy and held out the prospect of interest rate cuts in 2024 - a stance that was reaffirmed during the March meeting. With increasing certainty that the interest rate cycle peak may have been reached, risky assets performed well, equities reached new highs while credit spreads approached their cycle lows. A combination of positive economic surprises, a wait-and-see attitude from central banks and falling inflation are creating a Goldilocks scenario that could lead to further price gains.

Market breadth also improved significantly over the course of the quarter. This benefited not least European equities, which have made significant gains since the beginning of the year, in line with their US counterparts. Of particular note is the period without any major setbacks, which is one of the longest since the European Stoxx 600 Index first started (see chart).

European equities without a major correction



Source: Bloomberg

After a strong quarter, the probability of a setback has definitely increased. Unpredictable events can occur suddenly, as experience with flash crashes shows. Large investment funds could start to reduce positions, which could trigger a chain reaction. In the short term, market euphoria and exaggerated interest rate cut optimism may have driven share prices a little too far too fast. Nevertheless, we still see considerable scope for positive earnings growth in the coming years, even if the current share price momentum could weaken. Diversification and risk management remain the keys to success.

Despite the high valuations in some areas of the US equity market, numerous analyses show that many sectors and regions are still favorably valued in a historical perspective. Seasonality and the historically strong month of April also continue to favor equities, thus allowing us to continue to discover attractive investment opportunities, with a clear preference for high-quality, high-yield brands due to valuation concerns.

The recent extension of market leadership beyond the large-cap technology sector is encouraging both in terms of the long-term market trend and the potential to add value through stock selection. Overall, an environment of moderate growth and inflation, a policy of interest rate cuts and continued low volatility supports a risk-on stance. Despite the potential for interim market volatility following the very strong start to the year, we remain convinced that we are in an environment that favors risk appetite across the board. Our positive assessment of risky investments therefore remains unchanged.

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This publication was prepared by:

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