PORTFOLIO UPDATE

MAY 2024

THE DEMAND BEHIND THE RISE IN GOLD

Last month, the shares of the Magnificent 7 experienced a long-awaited correction, which nevertheless took investors by surprise. At the same time, interest rates rose back towards their previous highs, which in turn caught investors on the wrong foot and led to uncertainty in the market.

In addition to the energy sector, which benefited from stable and high oil prices, defensive sectors such as utilities and consumer staples performed well. In contrast, the technology and real estate sectors in the US brought up the rear. Within the technology sector, corporate earnings had caused enormous volatility, although this time higher prices could not be expected immediately after good figures. All in all, the current earnings season is very difficult for investors to interpret. However, a clear trend can currently be seen in the stable or even rising net margins on average, which is positive overall and has halted the correction on the markets over the course of the month.

The central banks and their actions were able to surprise the markets to some extent. The big Fed is due again next month, with the communication in the course of April already strongly adjusting expectations and leading to higher bond yields. The European Central Bank also left interest rates unchanged until now and indicated that it was waiting for its American counterpart. Only the Swiss had already made the first interest rate cut in the previous month and indicated that this would not be the last.

Financial markets 2024 total return

Equities	April	2024
S&P 500 (US)	-4.1%	6.0%
Dow Jones Industrial Average (US)	-4.9%	0.9%
EURO STOXX 600 (EU)	-0.8%	7.0%
DAX (DE)	-3.0%	7.0%
SMI (CH)	-2.7%	3.9%
MSCI Emerging Markets (EM) in USD	0.4%	2.9%
Fixed Income	**April**	**2024**
US Corporate Bonds Inv. Grade	-2.5%	-2.9%
US Corporate Bonds High Yield	-0.9%	0.5%
Pan-European Corporate Bonds Inv. Grade	-1.0%	-0.5%
Pan-European Corporate Bonds High Yield	-0.1%	1.7%
Alternative Investments	**April**	**2024**
Gold	2.9%	11.2%
Oil (brent)	1.0%	13.2%

Source: Bloomberg

In commodities, gold continued its upward trend and attempted to build on the previous month's gains. Whereas gold succeeded better in this than cryptocurrencies. The market is still debating why demand for these yield-free asset classes has risen in the current environment of relatively high interest rates and a recovering economy. A widespread market opinion continues to be the reduction in dependency on government bonds and the general increase in central banks holdings. The fact is that despite higher real interest rates and low inflation, demand remains unbroken.

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%
Apr 24	-1.5%	-1.8%	-2.1%	-1.5%	-1.8%	-2.1%	-1.5%	-2.0%	-2.3%	-1.3%	-1.8%	-2.1%
2024	1.5%	2.7%	4.5%	2.0%	3.7%	5.4%	1.5%	2.3%	4.1%	2.0%	2.8%	4.5%

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

TRANSACTIONS IN APRIL

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

POSITIONING

Liquidity (neutral)

Conservative	2.0%
Balanced	5.5%
Dynamic	6.5%

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

Bonds (overweigt)

Conservative	65.0%
Balanced	42.0%
Dynamic	17.0%

- 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	49.5%
Dynamic	74.0%

- The central banks' fight against inflation appears to be on the home straight, particularly in Europe. The increased cost of capital, changes in consumer spending and heterogeneous growth in the end markets will have a negative impact on earnings growth in individual sectors.
- Within the equity allocation, investments in the USA are slightly favoured over Europe. The Swiss equity market remains attractive due to its defensive orientation and the current weakness of the Swiss franc. The subdued growth of the global economy makes investments in emerging markets less attractive, and developed markets are therefore favoured over emerging markets.
- Within the individual sectors, energy, technology and cyclical consumer goods are considered attractive and are therefore overweighted in the portfolios.
- Financials, basic materials, industrials, communication services 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 (underweight)

Conservative	4.0%
Balanced	3.0%
Dynamic	2.5%

- 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

Basis for further price gains; FED too passive?

After five months of steady gains in the S&P 500, April saw significant price losses in equities and bonds, which caused some concern, especially as corporate earnings in the US and Europe showed a robust picture overall. Despite negative headlines, reports on sales and earnings growth predominated, with technology companies also largely meeting high expectations. This generally strengthened confidence in the corporate landscape, even if the weakening consumer confidence was a worrying sign. Growth forecasts for the following quarters were correspondingly cautious, which ultimately overshadowed the good quarterly results and put selling pressure on share prices.

The significant change in inflation expectations and the fact that the Fed may be forced to keep interest rates at a high level for a longer period of time added to the pressure. While six interest rate cuts were expected by 2024 at the start of the year, only one is expected today (three in Europe). This was also noticeable on the bond market, where the declining expectations of interest rate cuts led to price losses on bond positions. These now very restrictive expectations of monetary policy, that inflation will remain at this level for longer, that the labour market will remain robust and that consumers will continue to spend money, make us critical in view of some leading indicators. We believe that the pendulum has now swung to the other extreme and that investors have priced in an overly passive stance with just one interest rate cut, so that the current yields on US government bonds reflect an overly pessimistic stance. We find support for our assessment not least in the cautious corporate forecasts on their customers' spending intentions mentioned at the beginning of this article and the increasing financial burdens on certain consumer groups due to the constantly rising cost of consumer credit. In addition, falling job quits rate and a calming labour market indicate that the US economy is beginning to show cracks beneath the surface.

It is difficult to understand why the above-mentioned effects should nevertheless make us feel positive, ultimately represent a favourable starting position and form the basis for further price gains on the financial markets. Ultimately, however, it is precisely these effects that the heads of the central banks are trying to achieve in the fight against inflation. Only when interest rates start to fall again will we see significant price gains in bond positions. A looser monetary policy would also have positive side effects for companies and consumers, which would be reflected in improved earnings. In addition, the market correction in April represents a solid basis for possible future price gains. Many indicators that previously pointed to an overvalued market situation have eased. Our outlook for the global equity markets therefore remains positive, supported by continued solid economic growth and the prospect of monetary easing in the near future.

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