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Portfolio Update
October 2024

Surprise from overseas.

September remains a volatile month for the global equity markets. While the US equity markets proved resilient with the S&P 500 rising 2.1%, Asian markets initially fell. The Chinese economic stimulus measures in the real estate sector have fueled the markets and led to a century rally, but general concerns about global growth persist.

Among the winners at the sector level were technology stocks, with companies like Nvidia benefiting from the continued demand for artificial intelligence (AI). However, energy companies and financial stocks such as JPMorgan Chase faced declines due to mixed economic data and concerns about a slowdown in global growth.

A key market driver was the interest rate cuts. As largely expected, the Federal Reserve lowered rates by 50 basis points. However, the timing and extent of further rate cuts remain uncertain, as the Fed closely monitors U.S. economic data, particularly inflation and employment figures. Following the first rate cut, the U.S. yield curve quickly flattened further. Overall, the reaction was rather unspectacular, as the central bank's rhetoric had been well-communicated in advance.

In the commodities market, oil prices were under pressure due to concerns about oversupply and weak demand. Meanwhile, gold proved resilient and is trading near its record high. In the currency markets, the U.S. dollar remained stable but weak, while the Japanese yen gained value against the dollar, reflecting market expectations of a change in Japanese monetary policy following the election of Prime Minister Ishiba.

Financial markets 2024 total return

Equities	September	2024
S&P 500 (US)	2.1%	22.1%
Dow Jones Industrial Average (US)	2.0%	13.9%
EURO STOXX 600 (EU)	-0.3%	12.5%
DAX (DE)	2.2%	15.4%
SMI (CH)	-2.0%	12.8%
MSCI Emerging Markets (EM) in USD	6.7%	17.1%
Fixed Income	**September**	**2024**
US Corporate Bonds Inv. Grade	1.8%	5.3%
US Corporate Bonds High Yield	1.6%	8.0%
Pan-European Corporate Bonds Inv. Grade	1.3%	4.2%
Pan-European Corporate Bonds High Yield	1.0%	7.0%
Alternative Investments	**September**	**2024**
Gold	5.4%	27.9%
Oil (brent)	-11.6%	-6.1%

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%
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%
May 24	1.2%	1.6%	1.9%	0.9%	1.3%	1.8%	1.5%	2.1%	2.5%	1.2%	1.6%	2.0%
Jun 24	1.5%	1.5%	1.8%	1.2%	1.0%	1.1%	1.5%	1.3%	1.4%	1.5%	1.5%	1.7%
Jul 24	0.9%	0.9%	0.8%	0.5%	0.5%	0.3%	1.1%	1.3%	1.2%	0.9%	0.9%	0.7%
Aug 24	1.0%	0.8%	0.7%	0.6%	0.2%	0.1%	1.5%	1.5%	1.6%	1.1%	0.8%	0.7%
Sep 24	1.1%	1.3%	1.3%	1.0%	1.2%	1.3%	1.3%	1.6%	1.7%	1.0%	1.0%	1.0%
2024	7.4%	9.2%	11.4%	6.4%	8.1%	10.4%	8.7%	10.5%	13.1%	7.9%	8.9%	11.0%

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

TRANSACTIONS IN SEPTEMBER

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

POSITIONING

Liquidity (overweight)

Conservative	13.0%
Balanced	12.5%
Dynamic	12.5%

- 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.
- We currently overweight bonds with short maturities (money market funds) in order to hedge against interest rate risks. At the same time, the interest rate level at the short end of the yield curve is attractive.

Bonds (neutral)

Conservative	57.0%
Balanced	40.0%
Dynamic	20.0%

- 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 due to the measures taken by central banks, with a relatively strong easing of interest rate policy currently priced into the market. The expected interest rate cuts are therefore already strongly reflected in the curve, meaning that an overweight position is unlikely to have a favourable risk/return ratio at present. Surprises currently seem to be trending upwards, so that a shorter duration is advantageous.

Equities (overweight)

Conservative	26.0%
Balanced	44.5%
Dynamic	65.0%

- The central banks' fight against inflation appears to be over on both sides of the Atlantic and the cycle of interest rate cuts has begun. The trend in consumer spending and uneven growth in end markets will have a negative impact on earnings growth in some sectors.
- Within the equity allocation, investments in the USA and globally are 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, real estate, technology and basic materials are considered attractive and are therefore overweighted in the portfolios.
- Communication services, financials, non-cyclical consumer goods and energy are neutrally weighted.
- The outlook for the healthcare, industrials, utilities and consumer discretionary 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 relative low volatility in a normal market environment.
- At present, a market-uncorrelated Cat Bond fund is intended to participate in the continued attractive premiums.

IN FOCUS

After a turbulent August, September also remained challenging for investors. However, those who stayed calm and maintained their investments were able to navigate the fluctuations well. By the end of the third quarter, many portfolios have now reached their highest levels of the year. A particularly positive impact came from the first interest rate cuts in the U.S., which led to lower bond yields and, consequently, gains in bond portfolios.

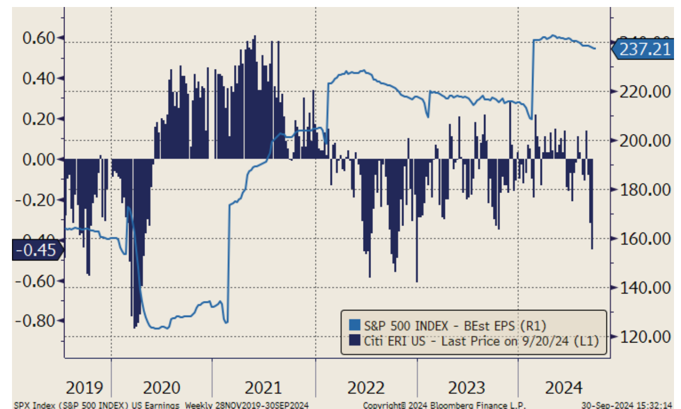
This encouraging development motivates us to take cautious steps in this positive market environment. Despite our optimistic outlook that a moderate economic slowdown is imminent and a "hard landing" will be avoided, we see potentially more favorable entry points into the stock market over the next three to six months. Therefore, we have decided to reduce the equity allocation in our portfolios by 10%. Depending on the risk profile, this means a reduction of 3% (conservative), 5% (balanced), or 7% (dynamic).

This decision is based on several factors. First, we believe that the U.S. Federal Reserve's interest rate cut has already been largely priced into the markets. In such cases, investors often tend to act more cautiously after the actual event – following the adage, "Buy the rumor, sell the fact."

How quickly the U.S. Federal Reserve continues to cut rates will heavily depend on upcoming economic data. Current market expectations suggest that another rate cut of 50 basis points is not out of the question, especially if economic data continues to weaken. However, such a step could quickly change market dynamics. While hopes for lower interest rates are currently driving prices, the pendulum could swing in the other direction if the Fed tries to prevent a "hard landing" in response to a more significant economic slowdown – a scenario that the markets currently view as unlikely but could suddenly come into focus.

Another factor that calls for caution is the declining earnings revisions (see chart), which are not yet reflected in current stock valuations. Combined with the partly overly optimistic sentiment among stock investors and the upcoming tight race in the U.S. presidential election, we believe it makes sense to become more active in the market during potential price setbacks. For now, however, we prefer a somewhat more defensive positioning.

US earnings expectations are being revised downwards



Source: Bloomberg; Citi

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