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Portfolio Update

November 2024

Cautious ahead of the US elections.

Global equity markets were cautious and characterised by profit-taking in the month under review, supported by solid corporate earnings in the US and Asia, but accompanied by uncertainty regarding the upcoming US elections and interest rate policy. In the USA, solid consumer sentiment led to market gains at first, while the European Stoxx 600 fell constantly. A particularly positive trend can be seen in the technology sector, while China remains hampered by political tensions and subdued economic momentum.

Tech companies such as Tesla and Apple recorded consistently strong profits. In contrast, companies in the energy and automotive sectors in China are weakening. The healthcare sector in the US benefited from demand, while luxury goods companies in Europe, particularly L'Oreal, saw a decline in demand from China. Overall, corporate earnings are solid worldwide, but regional differences are influenced by geopolitical tensions and varying economic recovery.

The bond markets recorded heavy losses. The Fed is signalling cautious steps regarding possible interest rate cuts, with around 85% of the markets currently expecting a 0.25% cut next month. Yields on US government bonds have risen above average, with the 10-year yield at around 4.20%. Interest rate policy continues to be supported by the robust US economy, while in Europe the prospects of interest rate cuts are growing.

Financial markets 2024 total return

Equities	October	2024
S&P 500 (US)	-0.9%	21.0%
Dow Jones Industrial Average (US)	-1.3%	12.5%
EURO STOXX 600 (EU)	-3.2%	8.8%
DAX (DE)	-1.3%	13.9%
SMI (CH)	-3.1%	9.3%
MSCI Emerging Markets (EM) in USD	-4.3%	12.1%
Fixed Income	**October**	**2024**
US Corporate Bonds Inv. Grade	-2.4%	2.8%
US Corporate Bonds High Yield	-0.5%	7.4%
Pan- European Corporate Bonds Inv. Grade	-0.6%	3.5%
Pan- European Corporate Bonds High Yield	0.5%	7.5%
Alternative Investments	**October**	**2024**
Gold	3.8%	32.8%
Oil (brent)	0.5%	-5.6%

Source: Bloomberg

Oil prices rose to over USD 77, but got under pressure due to geopolitical tensions in the Middle East region and have given up all of their gains. The price of gold, a safe haven in turbulent times, remains closte to the historic high at over USD 2,700 per ounce. The US dollar is stable, while the yen is weakening due to Japan's continued loose monetary policy.

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%
Oct 24	-0.7%	-0.7%	-0.9%	-0.8%	-1.4%	-1.7%	-0.9%	-1.2%	-1.6%	-0.3%	-0.3%	-0.3%
2024	6.7%	8.5%	10.5%	5.6%	6.6%	8.5%	7.8%	9.2%	11.3%	7.6%	8.6%	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 OCTOBER

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 is in full swing. The development of consumer spending and the uneven growth of 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 uncertain geopolitical situation in Europe. 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, technology, basic materials and utilities are considered attractive and are therefore overweighted in the portfolios.
- Real estate, communication services, financials, non-cyclical consumer goods and energy are neutrally weighted.
- The outlook for the healthcare, industrials and consumer discretionary sectors remains negative due to valuation, high interest rates or 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

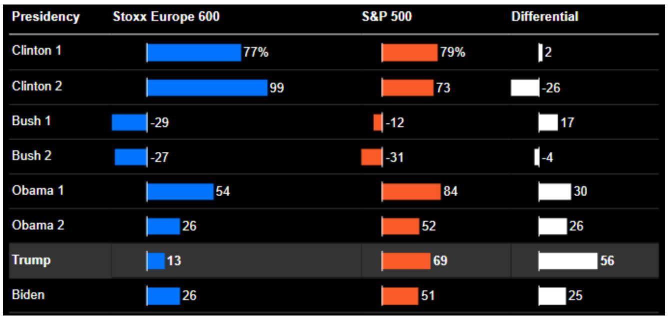
If the US elections go as expected and the electorate votes more clearly in favour of one of the presidential candidates than currently anticipated, the winner of the election could already be known by the time this newsletter is published. This would give us an initial impression of how the financial markets will react to the result. However, initial reactions to major political events such as these should always be treated with caution, as it is not uncommon for the subsequent trend to run counter to the immediate reaction. Nevertheless, market participants prefer clear facts to prolonged uncertainty. Even if not all investors like the outcome of the election, a clear decision allows investors to adapt to the new situation and adjust their positions according to their market assessment. The least favourable scenario for the markets would be an unclear election outcome that drags on for weeks or even months and only increases uncertainty.

At the end of this election cycle, the question will once again arise as to whether the situation is really as dramatic as it is being portrayed. Especially in the event of a Donald Trump victory and a political shift to the right in the US, this question is likely to be on many people's minds. The renewed harsh rhetoric in favour of further import tariffs has already left its mark on major European exporters. The Stoxx 600 index is in particular focus due to its high proportion of export-oriented companies. The memory of Trump's first term in office, during which the European index underperformed the US S&P 500 by around 56%, is still fresh in the minds of many investors (see chart).

At the same time, we are in the middle of the reporting season for the third quarter and shortly before another meeting of the US Federal Reserve, at which a further interest rate cut of 25 basis points is on the agenda. As expected, this would continue the cycle of interest rate cuts, and we also expect the ECB and the Swiss National Bank to cut interest rates again in December. Even though higher inflation figures have recently been measured in France and Germany, the general economic slowdown should be reason enough to lower the key interest rate to 3% and thus give companies some room for manoeuvre.

In this increasingly uncertain market environment, we have reduced the risks in our portfolios somewhat as a precautionary measure, as already announced in the last newsletter. We mainly sold European equities and further reduced the interest rate risk. In retrospect, these decisions proved favourable, as we were able to benefit from the market weakness at the end of the month and the simultaneous rise in bond yields. The outcome of the election and the subsequent reactions will be crucial for us to judge when and in what form we will increase the risks in the portfolios again. In the meantime, however, we are convinced that we are well prepared for the coming events with our broadly diversified positioning.

US equities outperformed significantly under Trump



Presidency	Stoxx Europe 600	S&P 500	Differential
Clinton 1	77%	79%	2
Clinton 2	99	73	-26
Bush 1	-29	-12	17
Bush 2	-27	-31	-4
Obama 1	54	84	30
Obama 2	26	52	26
Trump	13	69	56
Biden	26	51	25

Source: Bloomberg

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