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Portfolio Update

January 2025

Year-end volatility reduces profits

The global stock markets showed contrasting dynamics. In the US, the S&P 500 rose by 25% over the course of the year, driven by the ‘Magnificent Seven’ tech giants such as Tesla and Nvidia, although volatility at the end of December curtailed gains. The European Stoxx 600 ended the year up 9.6%, while trading volumes fell in Asia.

The technology sector remained the star performer and contributed significantly to the market gains, led by names such as Tesla (+68%) and Broadcom. On the other hand, Novo Nordisk plunged 27% on disappointing clinical trial data. The energy sector struggled as oil prices moved in a narrow range, with WTI crude ending at around $70 per barrel.

Central banks maintained their cautious stance. The Fed hinted at fewer rate cuts in 2025, leading to a rise in bond yields, with the 10-year US Treasury yield closing at 4.57%. In Europe, Christine Lagarde of the ECB emphasised vigilance over inflation, but an easing of interest rates in 2025 seems likely.

Gold exceeded expectations and rose to $2623 an ounce, its best year since 2010. Oil faced headwinds with a flat annual performance. The US dollar had its strongest year since 2015, putting pressure on global currencies such as the euro and sterling, while Bitcoin briefly broke through the $100000 mark.

Financial markets 2024 total return

Equities	December	2024
S&P 500 (US)	-2.4%	25.0%
Dow Jones Industrial Average (US)	-5.1%	15.0%
EURO STOXX 600 (EU)	-0.4%	9.6%
DAX (DE)	1.4%	18.8%
SMI (CH)	-1.4%	7.5%
MSCI Emerging Markets (EM) in USD	-0.1%	8.0%
Fixed Income	**December**	**2024**
US Corporate Bonds Inv. Grade	-1.9%	2.1%
US Corporate Bonds High Yield	-0.4%	8.2%
Pan-European Corporate Bonds Inv. Grade	-0.3%	5.0%
Pan-European Corporate Bonds High Yield	0.7%	9.1%
Alternative Investments	**December**	**2024**
Gold	-1.4%	26.3%
Oil (brent)	-0.2%	-4.7%

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%
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%
Nov 24	1.4%	1.6%	1.9%	0.9%	1.0%	1.2%	1.2%	1.1%	1.1%	1.5%	1.4%	1.6%
Dec 24	-0.4%	-0.5%	-0.6%	-0.5%	-0.5%	-0.5%	-0.3%	-0.7%	-1.1%	-0.2%	-0.5%	-0.7%
2024	7.8%	9.7%	11.9%	6.1%	7.1%	9.2%	8.7%	9.6%	11.4%	8.9%	9.6%	11.6%

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

TRANSACTIONS IN DECEMBER

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

POSITIONING

Liquidity (overweight)

Strategy	Allocation
Conservative	11.0%
Balanced	10.5%
Dynamic	8.5%

- 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)

Strategy	Allocation
Conservative	55.0%
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)

Strategy	Allocation
Conservative	30.0%
Balanced	46.5%
Dynamic	69.0%

- 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)

Strategy	Allocation
Conservative	4.0%
Balanced	3.0%
Dynamic	2.5%

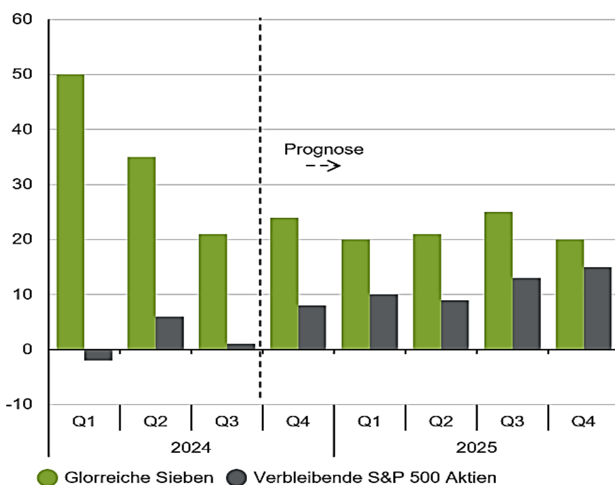
- A high level of liquidity (usually UCITS) is the basic prerequisite and determines which strategies are considered.
- The aim is to achieve a positive market return with relative low volatility in a normal market environment.
- At present, a market-uncorrelated Cat Bond fund is intended to participate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

IN FOCUS

The year 2025 begins with exciting questions that have the potential to significantly influence the financial markets. Two key issues are coming into focus: firstly, the question of whether the strength of the stock market will continue to be driven by a few large corporations and, secondly, what impact the growing debt at government level could have in conjunction with possible fiscal policy easing.

The dominance of the so-called "Magnificent 7" last year was impressive. These few, highly valued US technology stocks were responsible for the majority of earnings growth in the S&P 500, justifying much of their exceptional share price performance (see chart). We expect these companies to remain strong in the coming quarters as they continue to invest heavily in future technologies and are likely to show solid earnings growth. Nevertheless, we expect market breadth to improve. However, we expect the remaining 493 companies in the index to catch up rather than the big seven to weaken. Earnings expectations suggest that the gap between the 'glorious seven' and the remaining stocks in the S&P 500 will narrow (see chart). Together with more attractive valuations, this could lead to a race to catch up by smaller, more favourably valued and more solidly financed companies - not least among European equities.

Year-on-year change in earnings growth in the S&P 500



Source: JPMorgan

Anyone who has previously focussed heavily on megacaps should consider diversifying their portfolio and focusing on other strategies. Smaller companies, value stocks or even European stocks could be interesting alternatives here. At the same time, history shows that it is advisable not to follow trends blindly. Anyone who bet on the broad market in 2024 should not necessarily abandon this strategy in favour of the recently dominant megacaps - especially if the recovery of the other share groups gains momentum.

The second major topic that concerns us is US inflation rates and their impact on bond yields and interest rate policy. In the first trading days of 2025, we have already seen a significant rise in yields to a level last seen in 2023. This development is closely linked to the high level of government debt and the population's increased willingness to support politicians who promise additional government spending and tax cuts. At the same time, trade conflicts are threatening to trigger a new wave of inflation.

If this trend continues, it will be difficult for the US Federal Reserve to cut interest rates further. Such a scenario could sooner or later weigh on consumer spending. In addition, higher interest rates are likely to put pressure on share valuations. In particular, an interest rate environment of 5% or more is likely to hit the US economy hard and also have a global impact. This means for investors: The momentum on the markets will remain volatile. Political decisions, particularly those of the new US government, could have a decisive influence on the extent to which the above-mentioned risks materialise. Even if not all election promises are realised one-to-one, a higher fluctuation range on the markets is likely to be unavoidable.

To summarise, the market environment remains promising, albeit complex. Diversification, a broad spread of investment strategies and a watchful eye on political and economic developments are likely to make the difference in 2025. The US interest rate level in particular needs to be monitored closely. We are still at a tolerable level. However, should there be more pronounced swings, we will take action on both the equity and bond side. Investors who remain flexible and adapt their decisions to changing conditions will be well positioned in this challenging but also opportunity-rich environment.

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