

Investment Review & Outlook

Q2 2024



12th July 2024

Major Indexes	YTD	2023	Commodities	YTD	2023
World	+12.04%	+24.44%	Gold	+13.01%	+12.15%
USA	+15.29%	+26.26%	Oil	+13.86%	-10.32%
Switzerland	+11.04%	+7.06%	Currencies		
Asia ex. Japan	+9.90%	+6.26%	USD vs CHF	+6.82%	-8.99%
Japan	+19.30%	+30.9%	EUR vs CHF	+3.58%	-6.15%
Europe	+11.15%	+23.21%	Bitcoin	+34.8%	+131.3%

World: MSCI World Index, USA: S&P 500 Index, Switzerland: Swiss Market Index, Asia ex. Japan: MSCI Asia Ex. Japan Index, Japan: Nikkei 225, Europe: EURO STOXX 50, US Treasury: US 10 year Swap Rate, Gold: Golds, Oil: Brent Crude.

Q2 2024 in review

The economic momentum that began in the first quarter of 2024 continued into the second quarter, resulting in another positive period for equity markets. Initially, market participants scaled back their expectations for central bank rate cuts due to concerns about the US economy overheating. However, as the quarter progressed, these worries eased, and hopes for a soft landing revived.

Despite this resilience, sticky inflation persisted. While investors' concerns at the end of the first quarter may have been exaggerated, US services inflation remained stubbornly above levels consistent with the FED central bank targets.

Developed market equities delivered positive total returns of 2.8% during the second quarter. Fixed income investors experienced another quarter of negative returns, with global investment grade bonds delivering -1.1% returns.

During the second quarter of 2024, companies with exposure to artificial intelligence (AI) continued to outperform other market sectors. Robust earnings from US tech companies propelled global growth stocks to once again lead the way, delivering a solid 6.4% return. Notably, this performance was concentrated in the US.

In Europe, Japan, and the UK, value stocks outperformed growth stocks over the quarter.

The European Central Bank (ECB) became the latest developed market central bank to cut interest rates. This move was heavily signalled prior to its June meeting, but stickier-than expected services inflation meant that the ECB was keen to stress that the path to any further policy normalisation is heavily future- data dependent.

Despite lacklustre returns in Latin America, emerging market equities outperformed their developed market counterparts, delivering quarterly returns of 5.1%. However, the European parliamentary election outcome introduced significant volatility, causing the French equity market to decline by -6.4% in June. In contrast, the UK's improving economic situation supported a 3.7% return for the FTSE All-Share index.



Asset classes and strategy implications

These first six months of the year have been positive for balanced strategies. Our global diversification within the equity space continues to help us capture the positive momentum, while keeping under control sensitivity to weaker markets and non-performing asset classes.

In the fixed-income space we have we have largely remained put. Our convictions have not changed over the past 12 months, and besides a few maturities which have been reinvested in slight longer maturities up to 2027 or 2028, overall average duration in the proximity of 3 years, while yield-to-maturity fluctuates, it is in the range of 5% to 6% (USD). In respect to other lower-yielding currencies such as the EUR, which unlike previous years was near the 0% mark, at present generates yields of up to 4% comfortably without undue risks. time or fiduciary deposits continue being useful tools to generating liquidity on the short-term, irrespective of currency. Fixed-income investments in CHF do remain constrained, with limited options and an upside potential to barely cover transactional and custodial fees. In general, risk to reward ratios continues to dictate our preference in short to mid duration securities, with a focus on plain vanilla bonds by reputable names.

On the back of two rather positive quarters for equities, no major reallocation within the asset class took place. The portfolios do remain well exposed to a wide basket of blue chip stocks across various industries, and geographies. A focus on stable, and well-paying dividend stocks remains our core pillar within the equity allocation for the time being.

On the alternative investment side, our exposure to commercial real estate as well as trade finance, have both remained inert and resilient, hedging the volatility of other asset classes while delivering stable returns and cash distributions. Precious metals, such as gold and silver have gone through a moderate price appreciation, with gold stable past the \$2,000 ceiling.

Outlook

On the equity side, while the “Magnificent 7” mega-caps in the US were priced at roughly 34x earnings as of late May, the other 493 stocks in the S&P 500 traded at a much less demanding 17x. Yet a still-strong earnings profile means many of the top stocks may not necessarily be expensive relative to their growth prospects. In all cases, individual analysis remains key to ensuring share prices are well aligned to company fundamentals, and thereby portfolios are well balanced to capture the upside growth potential.

Is the U.S. economy headed for a soft landing or a recession? The main debate is between a soft landing or a recession. The economic data aren’t much help as the slowdown signs can be read as either a healthy rebalancing that allows inflation to cool without triggering negative growth, or the pathway toward a mild recession beginning later this year or early 2025.

There could be tensions between China and the U.S. in the leadup to the November federal government elections. There is also the risk of more aggressive action from the European Union following the dramatic growth in electric vehicle exports to Europe. These risks, along with the upcoming Chinese government plenum in July, will need to be closely monitored.

In all instances, we remain confident in a well-diversified approach for long-term growth and any unexpected short-term volatility spikes.

Europe Stock Markets	YTD	2023
Europe	+11.15%	+23.21%
UK	+7.85%	+47.68%
France	+1.88%	+20.1%
Germany	+8.86%	+20.31%
Spain	+11.02%	+28.06%
Italy	+13.41%	+34.35%
Sweden	+10.64%	+20.87%
Switzerland	+11.04%	+7.06%

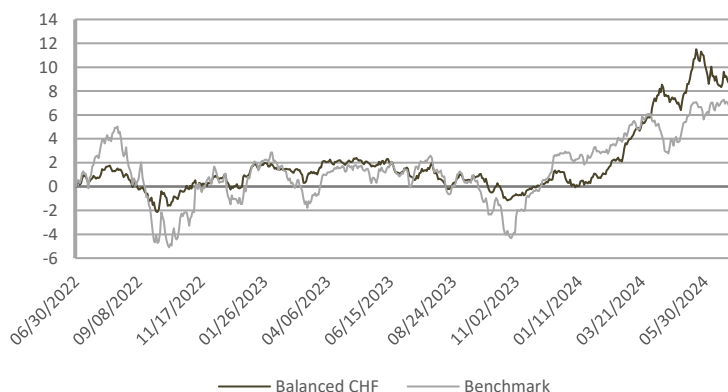
Results are in the indexes' reference currencies terms.

Europe: Euro STOXX 50 Index; UK: FTSE 100 Index; France: CAC 40 Index; Germany: DAX Index;

Spain: IBEX 35 Index; Italy: FTSE MIB Index; Sweden: OMX STKH 30 Index; Switzerland: SMI

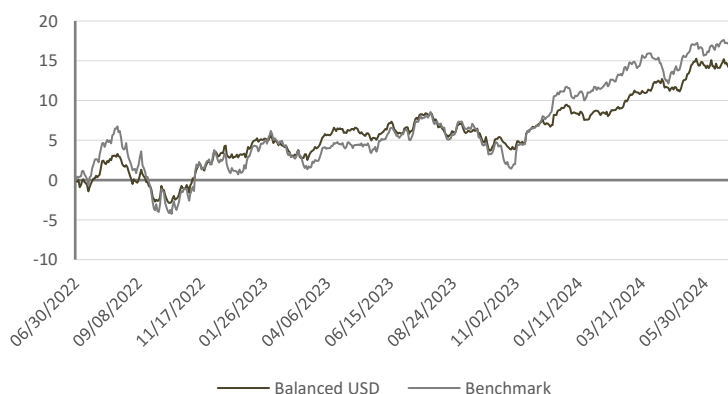


Modelportfolio: Balanced CHF (2 Year Return)



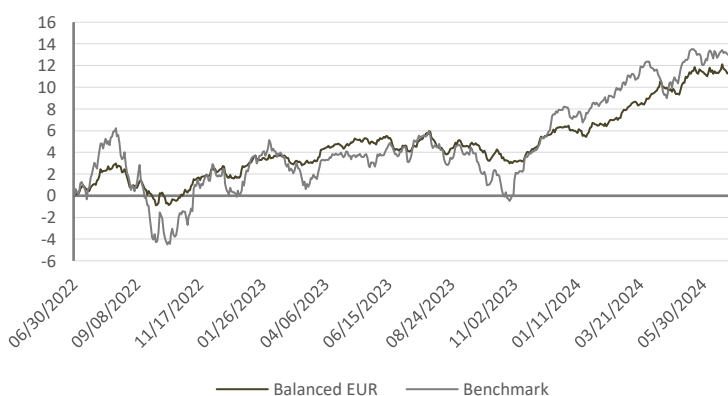
	Bal. CHF	Benchmark
YTD	+8.68	+3.62
2023	+1	+4.3
2022	-5.51	-16.87
Sharpe R.	1.69	0.92
St. Dev.	5.07	6.97

Modelportfolio: Balanced USD (2 Year Return)



	Bal. USD	Benchmark
YTD	+4.67	+4.74
2023	+5.8	+10.1
2022	-6.17	-15.65
Sharpe R.	0.50	0.72
St. Dev.	5.43	7.61

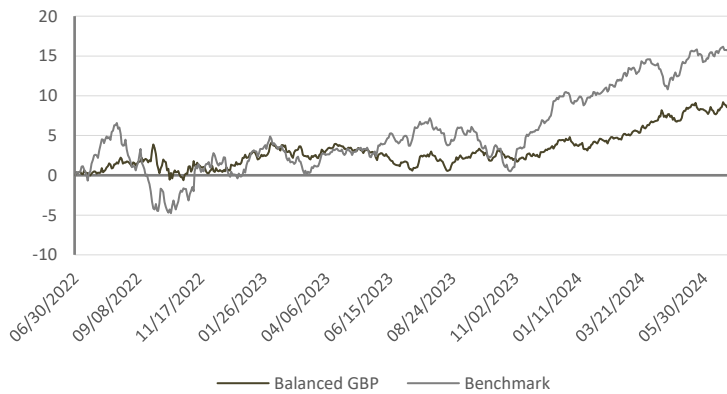
Modelportfolio: Balanced EUR (2 Year Return)



	Bal. EUR	Benchmark
YTD	+4.72	+4.31
2023	+5.0	+8.1
2022	-3.67	-17.07
Sharpe R.	0.77	0.71
St. Dev.	3.75	6.91

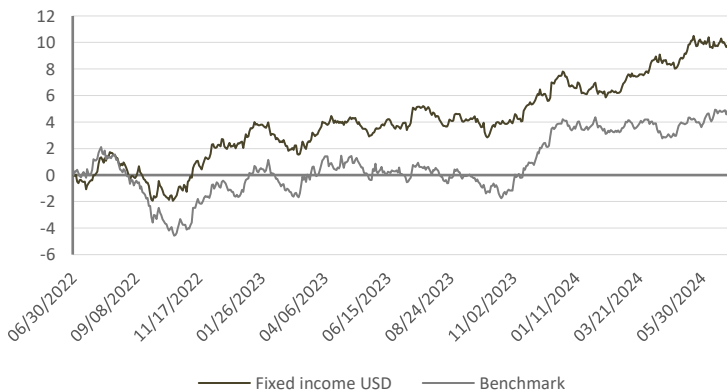


Modelportfolio: Balanced GBP (2 Year Return)



	Bal. GBP	Benchmark
YTD	3.97	4.61
2023	+3.37	+10.5
2022	+1.23	-10.97
Sharpe R.	0.41	0.73
St. Dev.	4.51	7.57

Modelportfolio: FI USD (2 Year Return)



	FI USD	Benchmark
YTD	2.22	0.51
2023	+5.42	+5.84
2022	-2.60	-9.90
Sharpe R.	0.19	-0.27
St. Dev.	3.63	3.88

Kind Regards

Your Novum Asset Management Team



DISCLAIMER SUITABILITY REPORT: This is to draw your attention that subject report incorporates the suitability study according to Art. 19 section 2 AMA by identifying the allocation specification in the additional information. The allocation specification reflects the strategy definition jointly elaborated in the Investor-& Risk-Profile. Thus, we investigate continuously the investment objectives and preferences defined by your good self. The suitability of the portfolio defined in the Asset Management Contract is given for as long as the defined allocation spreads are observed or market- or currency exchange rate induced marginal divergences occur. We further kindly ask you to contact us if you deem appropriate to introduce relevant changes to the defined Investor- and Risk-Profile.

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