Your wealth is our priority.

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Investment Report

February 2025

Factum AG
Current positioning:

Portfolio balanced	Neutral	Current	Change*
Liquidity	3%	4%	→
Bonds	35%	35%	→
Shares	47%	46%	→
Alternative investments	15%	15%	→

**Changes since the last Investment Report (13 January 2025) & current assessment.*

Strategy overview

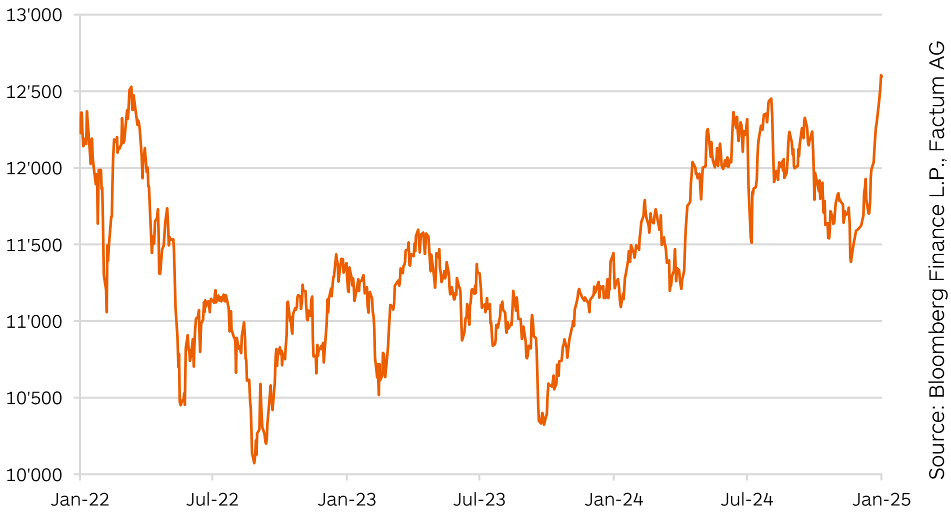
European stock markets started the new year with strong momentum. The broad Euro Stoxx 50 gained approximately 8% in value, while the Swiss Market Index appreciated by nearly 9% in January. The three heavyweight index constituents played a significant role in this development—Roche (+12%), Novartis (+8%), and Nestlé (+3.5%). Meanwhile, the Chinese AI platform DeepSeek created turbulence in the US technology sector, limiting the S&P 500's January advance to just 3%. Mid-last year, we further diversified risks in our managed portfolios within the US market. The perceived overvaluation of the S&P 500—both relative to other equity markets and its own historical levels—led us to adjust the composition of our US equity allocation. However, high valuations alone are not a precise signal for market timing. To address this, we incorporated the Xtrackers S&P 500 Equal Weight ETF, thereby indirectly increasing our "value" exposure at the expense of "growth" and shifting our allocation toward small- and mid-cap companies instead of "mega caps" such as Microsoft, Apple, Nvidia, Amazon, and Meta. Additionally, IT companies have recently come under pressure due to DeepSeek, a Chinese startup and competitor to ChatGPT.

«European stock markets off to a strong start, with Switzerland standing out in particular. »

The coming months will reveal how sustainable the positive development in European stock markets truly is. US President Trump will undoubtedly introduce political changes, which will inevitably lead to increased volatility and a general susceptibility to market corrections. However, inflation trends and central bank policies will remain key factors this year. Among the world's largest central banks, the ECB lowered its key interest rate by 25 basis points in January, while the US Federal Reserve remained on hold. Over the past month, we have made no changes to our managed portfolios.

«The development of inflation and key interest rates remains central. »

SMI Index



Politics

In the first round of his trade conflict 2.0, US President Donald Trump has imposed tariffs of 10% on China and 25% on Canada and Mexico. These import tariffs are primarily intended to serve as a pressure and negotiation tool for the United States, aiming, for example, to curb the inflow of immigrants and drugs into the country. This tactic is already showing initial success, as both Mexico and Canada are deploying around 10,000 soldiers each to secure the border. If tariffs remain in place over the long term, negative effects on both economic growth and inflation in the US are to be expected. It is important to note that President Trump is acting from a position of economic strength, while, for instance, Canada's labor market is currently facing challenges. Trump is unlikely to have an interest in a strong US dollar or a declining stock market, which is why we do not anticipate a full-scale global trade war. Should an agreement be reached on curbing immigration and drug trafficking, tariffs could be quickly reduced or suspended (as currently seen with Canada and Mexico). Ultimately, Trump is a politician who seeks to showcase achievements to his electorate. Given the close economic ties between North American neighbors, tariffs will directly increase costs for US businesses, particularly for automobile manufacturers that source parts from Canada or Mexico.

«Trade tariffs are not in the interest of US businesses. »

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Economy

The recently published economic data confirms the market consensus that the US economy is performing better than the rest of the world. This is particularly evident in the US labor market. Business sentiment in the US was stronger than the market had anticipated last month. Meanwhile, China recorded an increase in exports, which is linked to the anticipated tariffs announced by the Trump administration. European and American companies have increased their orders from China, fearing that higher tariffs could soon make these goods more expensive. In Switzerland, consumer sentiment recently exceeded consensus expectations, while inflation continued to decline.

«The US economy is performing better than the rest of the world. »

Equity Markets

The past investment year was a modest one for the Swiss stock market, with a performance of around 7.5% (SPI) compared to 25% in the US (S&P 500). However, as mentioned earlier, Switzerland initiated a catch-up rally in January. The country is renowned for its high-quality companies, products, and strong management. Additionally, certain companies such as Nestlé, Straumann, and Clariant were penalized (perhaps too harshly) last year. Another key driver of the positive performance in the Swiss stock market in January was the strength of the US dollar, which has appreciated by approximately 9% against the Swiss franc since October 2024. This currency appreciation has led to margin expansion, which has not yet been fully priced into stock valuations. Furthermore, valuations remain attractive within their long-term range, providing additional upside potential. The Swiss National Bank (SNB) has also contributed to market momentum with recent interest rate cuts, making credit and refinancing more affordable. For bond investors, the environment is becoming increasingly challenging due to declining interest rates, as reinvesting at current levels barely preserves capital. This strengthens the case for equity investments, in line with the "TINA" principle ("there is no alternative"). Seasonality and the upcoming dividend season present additional tailwinds. One could say that quality and consistency pay off in the long run—evidenced by the SPI reaching a new all-time high in January. In one of our discretionary wealth management mandates with a balanced investment profile (reference currency: Swiss franc), we have allocated approximately one-third to Swiss equities.

«The Swiss stock market embarked on a catch-up rally in January. »

Bond Markets

At the end of January, the Federal Reserve remained on hold regarding interest rate cuts after having lowered the key rate by a total of 100 basis points over the previous three meetings. As a result, the Fed Funds rate range remains at 4.25% to 4.50%. The disinflationary trend remains intact, though it is progressing at a relatively moderate pace and continues to move toward the 2% target. The labor market and inflation remain key factors. Whether a rate cut will occur in March will likely depend on the progress of inflation decline.

«Further rate cuts depend on the decline in inflation.»

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Commodities

Gold reached a new all-time high at the end of January. Demand from central banks and Asian investors remains stable. Given the investment constraints in China—low government bond yields and CNY depreciation due to tariffs—the favorable environment for gold persists. In January alone, gold appreciated by approximately 6.5%.

«Gold on the rise, reaching a new all-time high.»

Currencies

The US dollar is expected to trade around its current level against the euro and the Swiss franc in the coming weeks and months. Despite its elevated valuation, the significant interest rate differential compared to other currencies is likely to persist throughout the first half of 2025. Even if the US Federal Reserve cuts rates more aggressively than anticipated, both the ECB and SNB are expected to implement further rate reductions by June. As a result, the US dollar is unlikely to weaken significantly.

«The US dollar is expected to remain strong in the foreseeable future.»

Market overview 31 January 2025

Stock indices (in local currency)	Current	1 Mt (%)	YtD (%)
SMI	12,597.09	8.59	8.59
SPI	16,741.25	8.20	8.20
Euro Stoxx 50	5,286.87	8.15	8.15
Dow Jones	44,544.66	4.78	4.78
S&P 500	6,040.53	2.78	2.78
Nasdaq	19,627.44	1.66	1.66
Nikkei 225	39,572.49	-0.80	-0.80
MSCI Emerging Markets	1,093.37	1.81	1.81
Commodities			
Gold (USD/fine ounce)	2,798.41	6.63	6.63
WTI oil (USD/barrel)	72.53	1.13	1.13
Bond markets			
US Treasury Bonds 10Y (USD)	4.54	-0.03	-0.03
Swiss Eidgenossen 10Y (CHF)	0.43	0.10	0.10
German Bundesanleihen 10Y (EUR)	2.46	0.09	0.09
Currencies			
EUR/CHF	0.94	0.43	0.43
USD/CHF	0.91	0.39	0.39
EUR/USD	1.04	0.08	0.08
GBP/CHF	1.13	-0.56	-0.56
JPY/CHF	0.59	1.87	1.87
JPY/USD	0.01	1.30	1.30
XBT/USD (Bitcoin)	102,110.01	8.96	8.96

Author: Christof Wille, Dipl. Private Banking Expert NDS
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