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FACTUM

Investment Report

May 2025

Factum AG
Current positioning:

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

*Changes since the last Investment Report (9 April 2025) & current assessment.

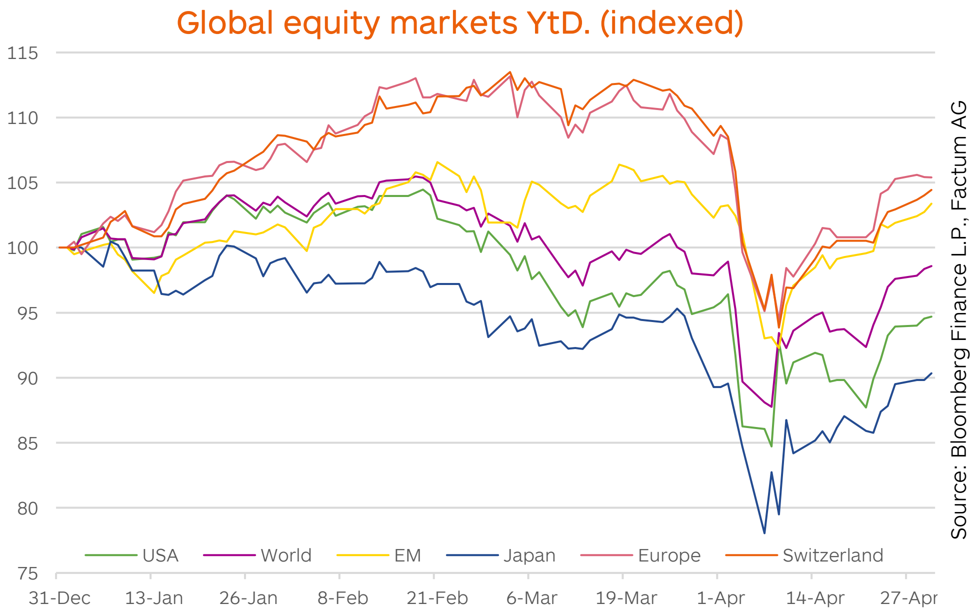
Strategy overview

The so-called "Liberation Day" on April 2, 2025, triggered a worldwide shockwave in the stock markets, reminiscent of the COVID-19 crisis in 2020. For instance, the broad American equity index S&P 500 lost around 6% on April 4, 2025. The Trump administration's reversal in favor of a three-month tariff negotiation pause subsequently led global stock markets into a classic V-shaped recovery, with the Swiss equity market once again trading in positive territory for the year. Once again, we were reaffirmed in our decision to refrain from impulsive selling, as this is not advisable in an extremely volatile environment. It is crucial to "keep a cool head" and remain committed to the chosen investment strategy. Historically, the best stock market days have often occurred during so-called bear markets. On April 9, 2025, the broad US market managed to gain an impressive 9.52% in value.

«Was the global stock market shock, in retrospect, not that severe after all?»

The current uncertainty is also reflected in the development of the gold price. Since the beginning of the year, gold has experienced an incredible price rally, gaining around 25% in value in US dollars. In our managed portfolios, we did not make any changes over the past month, as this did not appear prudent given the extreme volatility. Therefore, the equity allocation in the tactical asset allocation remains neutrally weighted.

«We have weighted our equity allocation neutrally.»



Politics

On May 6, 2025, Friedrich Merz was elected Chancellor – but only in the second ballot. In the first round, he fell short of the required majority of 316 votes with 310 yes votes, despite his black-red coalition of CDU/CSU and SPD holding 328 seats. This marked an unprecedented event in the history of the Federal Republic of Germany. After intense negotiations and a unanimous deviation from the Bundestag's rules of procedure, a second ballot was held on the same day. In this round, Merz received 325 votes, thus being elected Chancellor. The initial defeat in the first round revealed tensions within the coalition and the CDU. Some members of parliament expressed concerns about Merz's policies, particularly regarding his migration policy and cooperation with the AfD on certain legislative initiatives. Merz's chancellorship thus begins under the shadow of internal discord and public criticism, which is likely to test the stability of his government in the coming months.

«Historic defeat in the first ballot. »

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Economy

«Trump administration brings about relaxation.»

U.S. economic policy remains the dominant theme in the financial markets. The past weeks have been marked by predominantly positive news. For instance, Donald Trump announced, contrary to statements made just days earlier, that he had no intention of dismissing Federal Reserve Chairman Jerome Powell. The Fed fueled expectations of interest rate cuts with comments from some members of the Open Market Committee suggesting that they would respond to a deterioration in the labor market, even if inflation remained elevated. On the trade conflict front, the Trump administration adopted a more conciliatory tone toward China, including signaling the possibility of significantly lower tariffs. On the economic front, the initial assessments of the PMIs were in focus. The composite indices for both the U.S. and Europe declined, suggesting a slowdown in economic momentum. However, a forthcoming recession could not be derived from this. The PMIs for the U.S. and the Eurozone fell to 51.2 and 50.1, respectively, remaining above the critical growth threshold of 50. Meanwhile, the Ifo Index, which is important for Germany, rose to a nine-month high. Regarding the recent U.S. labor market report, initial claims for unemployment benefits continued to signal robust job creation.

Equity Markets

«The U.S. stock market recovers from price setbacks.»

The stocks of the "Magnificent Seven" are trading significantly higher than the broader market, but they are still cheaper than in the past. There are several reasons for these attractive valuations. Alphabet and Meta are facing antitrust lawsuits. Apple and Nvidia are suffering from the uncertainty in the trade conflict. Although Apple has announced plans to assemble iPhones for the U.S. market in India starting at the end of 2026, the company remains heavily dependent on future U.S. trade policy. Nvidia risks being drawn into the trade conflict with China if the U.S. imposes further restrictions on the export of computer chips. Nevertheless, Nvidia still shows the highest expected earnings growth within the group. The major tech companies as a whole seem more attractive now, given their current valuations, than they have in the past. Especially in the event of a de-escalation in the trade war, the Magnificent Seven are likely to benefit above average. On the other hand, given their now more reasonable valuations and healthy balance sheets, they are less likely to be among the relative losers in the event of further corrections in the stock markets. As a result, the risk-reward ratio for this group appears attractive compared to the broader market. This is especially true in light of the fact that the issue of artificial intelligence has recently been overshadowed by headlines regarding the trade conflict. Just last week, both Microsoft and Meta delivered convincing quarterly results, continuing the recovery trend in the U.S. technology sector. Additionally, hopes for a rapprochement between the U.S. and China in the trade conflict further boosted stock market prices.

Bond Markets

After the Fed reduced the target range for the federal funds rate by 100 basis points within three months last year, it has now held steady for five months. This stance is justified by solid economic growth, low unemployment, and still elevated inflation. However, the Fed points out that the risks of both higher unemployment and rising inflation have increased.

«Fed on the lookout.»

Commodities

In USD terms, the gold price has increased by around 25% this year. With such a positive gain, the inevitable question arises whether the economic and market risks have been overestimated and the gold price is too high, or if the price level is justified and the stock markets are too optimistic. Of course, this is a very difficult question to answer. In our view, a consolidation of the gold price would have been long overdue, but this has not occurred so far.

«Gold has advanced by around 25% in USD terms this year.»

Goldprice

The gold price continues to receive support from central bank purchases in emerging markets, which are diversifying their currency reserves away from the U.S. dollar. Additionally, cyclical buying by private and institutional investors in ETFs is also evident. In our view, the gold price is likely to continue receiving support. In the event of a consolidation or period of weakness, we could see ourselves expanding our position.

«In a consolidation or period of weakness, we could see ourselves expanding our gold position.»

Currencies

The tariff announcements in April led to a sell-off in the U.S. dollar. In the market turbulence following "Liberation Day," the U.S. currency was unable to play its usual role as a safe haven. This reflects, on one hand, that due to the erratic policies of the new U.S. administration and the significant tariff announcements, the economic impacts within the U.S. itself are likely to be among the most pronounced. On the other hand, this reflects the diminished trust in U.S. securities in general. Towards the end of the month, somewhat easing tones helped stabilize the USD at least temporarily. However, the persistent damage due to the loss of confidence remains. While the U.S. Federal Reserve is likely to wait before implementing further rate cuts, which for now provides some support for the USD, the U.S. dollar lost the most against the CHF. In addition to its reputation as the most stable currency in the world, its relative size compared to other major currencies likely facilitated the strong movement. Due to the appreciation of the CHF, the Swiss National Bank (SNB) is expected to return to zero interest rates. To further restrain the CHF, it also has the option to introduce negative interest rates and intervene in the foreign exchange market.

«Confidence in the U.S. dollar remains clouded – CHF in demand.»

USD/CHF

Source: Bloomberg Finance L.P., Factum AG

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Market overview 30 April 2025

Stock indices (in local currency)	Current	1 Mt (%)	YtD (%)
SMI	12,116.98	-2.49	7.25
SPI	16,479.15	-1.91	6.51
Euro Stoxx 50	5,160.22	-1.06	6.53
Dow Jones	40,669.36	-3.08	-3.92
S&P 500	5,569.06	-0.68	-4.93
Nasdaq	17,446.34	0.88	-9.47
Nikkei 225	36,045.38	1.20	-8.81
MSCI Emerging Markets	1,112.84	1.34	4.37
Commodities			
Gold (USD/fine ounce)	3,288.71	5.29	25.31
WTI oil (USD/barrel)	58.21	-18.56	-18.84
Bond markets			
US Treasury Bonds 10Y (USD)	4.16	-0.04	-0.41
Swiss Eidgenossen 10Y (CHF)	0.30	-0.27	-0.02
German Bundesanleihen 10Y (EUR)	2.44	-0.29	0.08
Currencies			
EUR/CHF	0.94	-2.13	-0.43
USD/CHF	0.83	-6.62	-8.99
EUR/USD	1.13	4.73	9.41
GBP/CHF	1.10	-3.59	-3.02
JPY/CHF	0.58	-2.17	0.16
JPY/USD	0.01	4.83	9.89
XBT/USD (Bitcoin)	94,581.18	14.75	0.93

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