

Investment Report

March 2024

| Factum AG Current positioning: | | | |
|-----------------------------------|---------|---------|---------|
| Portfolio balanced | Neutral | Current | Change* |
| Liquidity | 3% | 4% | → |
| Bonds | 35% | 35% | → |
| Shares | 47% | 44% | → |
| Alternative investments | 15% | 17% | → |

**Changes since the last Investment Report (8 February 2024) & current assessment.*

Strategy overview

In the USA, the S&P 500 has ended 16 of the past 18 trading weeks positively and surpassed the 5,000-point mark for the first time in February. The AI hype has taken centre stage, with NVIDIA playing an important role. The share has continued its rally by jumping to over USD 850 for the first time. The processor manufacturer managed to reach the next milestone in the ranking of the world's most valuable companies by overtaking Saudi Aramco on the third position. NVIDIA only joined the club of companies worth two trillion dollars at the beginning of March. In the process, the share price has more than doubled since last October. In particular, stock market investors with the Swiss franc as their reference currency have made gains in the first two months of the year, as the current weakness of the franc is also having an impact on foreign investments. Should the SNB surprise the market at its next meeting on 21 March and cut interest rates, this is likely to put additional pressure on the Swiss franc.

"S&P 500 and Nasdaq continue to rush from one record to the next."

As an independent asset manager, how do we now act in terms of investment policy? Our indicators, which consist of the economy, valuation, technology and sentiment, currently point to a moderate underweight of equities. During the past month, we carried out the following transactions in the portfolios we manage:

North American equities: Due to the continued good performance of US equities and the appreciation of the US dollar since the beginning of the year, at the end of February 2024 we reduced the North American equities allocation back to the tactical allocation level.

Global bonds: Following the euphoria of interest rate cuts at the end of 2023, yields rose again slightly in the first two months. We are using this correction on the bond markets to raise our allocation in global bonds back to the original level.

Politics

Nikki Haley does not stand a chance against Donald Trump on "Super Tuesday". Republican primaries were held in 15 American states on 5 March. Haley, Trump's former UN ambassador, was well behind almost everywhere. Only in the politically moderate north-east was Haley able to win a state. She is narrowly ahead in the small state of Vermont (according to early projections). But, even in the state of Virginia, which includes some suburbs of the capital Washington, Haley was only able to claim around 35 per cent of the votes. Haley trailed even further behind in conservative states such as Texas. Here, Haley has achieved 17 per cent and Trump 78 per cent. It is likely that Trump will have the necessary 1,215 delegate votes by mid-March, when four more states hold their primary elections. In July, the delegates at the Republican Party's national convention will determine the official nominee for the presidential election in November.

Economy

In January, inflation in the US proved to be more persistent than expected. The consumer price index rose by 3.1% compared to the previous year, while core inflation stood at 3.9%. Lower figures had been expected. While inflation kept decreasing for goods prices, core service prices showed an accelerated rise. The unexpectedly high consumer prices were confirmed later in the week by the producer prices. Here too, inflation was higher than expected.

"Our indicators currently show a moderate underweighting of the equity allocation."

"Rebalancing North American equities."

"Rebalancing global bonds."

"Triumph on Super Tuesday - Trump clearly wins against Haley."

"In January, US inflation proves to be more persistent than expected."

In contrast to inflation in the US, Swiss inflation provided a positive surprise. Compared to the previous year, prices rose by 1.3%, which is significantly less than was forecast. This was despite a VAT increase of 0.40%. Imported goods were responsible for the surprisingly subdued inflation rate. While domestic prices rose by 0.60%, imported goods were 1.30% cheaper.

"Inflation in Switzerland provides a positive surprise."

Equity markets

The presentations of the annual results of NVIDIA and Nestlé show, for example, that, in the current year, Switzerland is not one of the most sought-after equity markets. NVIDIA presented strong results for 2023 and was able to clearly beat the expectations of analysts. The shares of the developer of graphics processors and chips, which are used in AI computing in particular, jumped to a new all-time high as a result. Things were less bright for Nestlé, which presented a slightly disappointing annual result for 2023 and a cautious outlook for 2024. Technology stocks, fuelled by the AI euphoria, are the global driving force behind the stock market. Partly because these are in short supply in Switzerland, the SMI has underperformed the S&P 500 by almost 4.5% since the beginning of the year. At present, the Swiss equity market does not look set for an immediate countermovement. This is because both the development of earnings and profit revisions are below average for the local equity market. On the positive side, however, the fact remains that some companies on the Swiss stock market have already been heavily penalised and have catch-up potential due to their moderate valuations.

"At the moment, the Swiss stock market is not the centre of the action."

NVIDIA share price performance over one year



Bond markets

After the Fed declared in December 2023 that the cycle of interest rate hikes was over and held out the prospect of interest rate cuts for the current year, there was a significant discrepancy between the Fed's interest rate expectations and those of market participants. While the futures markets were anticipating seven interest rate cuts by the Fed in 2024, Fed representatives were only expecting three. Powell and other Fed representatives responded by attempting to dampen the market's interest rate expectations with their speeches. The final breakthrough seems to have been achieved with the latest inflation figures. Market expectations have currently fallen from seven to five and are gradually coming into line with those of the Fed. It is quite possible that the January effect - price increases at the beginning of the year - explains a large part of the above-average price increases in the rest of the services sector. In our view, this trend towards disinflation will continue in the coming months. This is why we consider it realistic that the Fed will cut interest rates for the first time in the middle of the year.

"Market expectations are approaching those of the Fed."

The bond markets are not reacting favourably to the bad inflation news. For example, the yield on 10-year US government bonds has risen from 3.88% at the end of the year to the current 4.25%. The yield on 10-year Swiss government bonds remained virtually unchanged at 0.80% thanks to the low level of Swiss inflation.

"Higher yields in the USA."

Yield on ten-year US Treasuries in %



Commodities

Should one of the geopolitical crises materialise, such as that in the Middle East, the financial markets could come under pressure and the Fed could lower interest rates faster than expected. This would provide support for the gold price. Gold would benefit from this in two ways. Lower interest rates would reduce the opportunity costs and gold could fulfil its role as a "safe haven". Currently - as at the end of February - the fear of higher interest rates for longer than expected is having a negative impact on the gold price, which is linked to the increased opportunity costs mentioned above. The yellow precious metal has been trading in negative territory by around one per cent since the beginning of the year.

"No major movements in the gold price."

Currencies

The Swiss franc has lost around 5% of its value against the US dollar since the beginning of the year. In particular, interest rate prospects outside of Switzerland have recently determined the exchange rate of the Swiss franc. The robust state of the US economy as well as persistently high inflation in the eurozone would seem to indicate a delayed start to interest rate cuts in these currency areas. As a result, the interest rate disadvantage for Switzerland will persist, which is a burden for the Swiss franc. However, we do not expect to see a substantially sustained depreciation of the franc, especially as the Swiss franc continues to fulfil its role as a "safe haven".

"The Swiss franc has lost around 5% against the US dollar so far this year."

Market overview 29 February 2024

| Stock indices (in local currency) | Current | 1 Mt (%) | YtD (%) |
|-----------------------------------|-----------|----------|---------|
| SMI | 11,438.86 | 0.93 | 2.70 |
| SPI | 14,857.71 | 0.56 | 1.97 |
| Euro Stoxx 50 | 4,877.77 | 5.08 | 8.20 |
| Dow Jones | 38,996.39 | 2.50 | 3.84 |
| S&P 500 | 5,096.27 | 5.34 | 7.11 |
| Nasdaq | 16,091.92 | 6.22 | 7.33 |
| Nikkei 225 | 39,166.19 | 7.99 | 17.11 |
| MSCI Emerging Countries | 1,020.94 | 4.78 | -0.08 |

Commodities

| | | | |
|-----------------------|----------|------|-------|
| Gold (USD/fine ounce) | 2,044.30 | 0.23 | -0.91 |
| WTI oil (USD/barrel) | 78.26 | 3.18 | 9.23 |

Bond markets

| | | | |
|---------------------------------|------|-------|------|
| US Treasury Bonds 10Y (USD) | 4.25 | 0.34 | 0.37 |
| Swiss Eidgenossen 10Y (CHF) | 0.80 | -0.04 | 0.10 |
| German Bundesanleihen 10Y (EUR) | 2.41 | 0.25 | 0.39 |

Currencies

| | | | |
|---------|------|-------|-------|
| EUR/CHF | 0.96 | 2.56 | 2.89 |
| USD/CHF | 0.88 | 2.68 | 5.12 |
| EUR/USD | 1.08 | -0.12 | -2.12 |
| GBP/CHF | 1.12 | 2.18 | 4.21 |
| JPY/CHF | 0.59 | 0.60 | -1.21 |
| JPY/USD | 0.01 | -2.03 | -5.95 |

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Editorial deadline: 6 March 2024

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