Your wealth is our priority.

FACTUM

Investment Report

April 2024

Factum AG
Current positioning:

Portfolio balanced	Neutral	Current	Change*
Liquidity	3%	4%	→
Bonds	35%	35%	→
Shares	47%	44%	→
Alternative investments	15%	17%	→

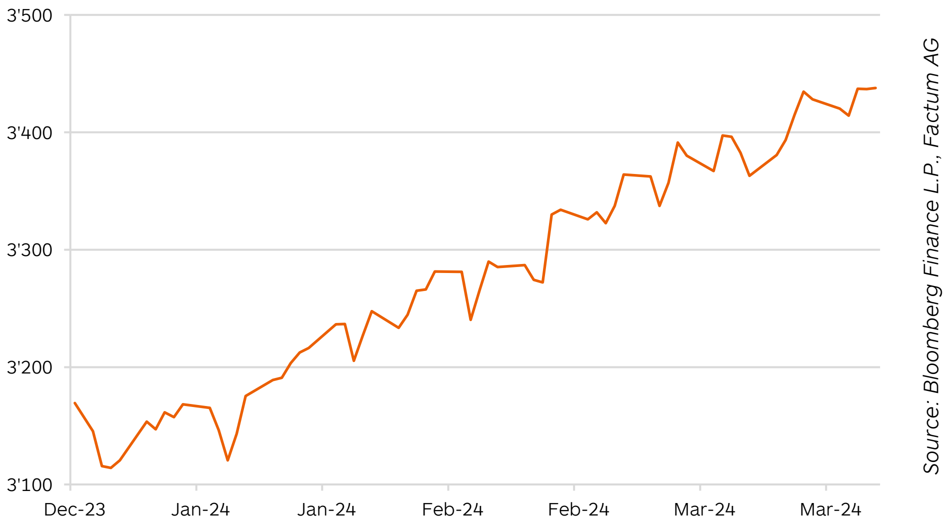
**Changes since the last Investment Report (6 March 2024) & current assessment.*

Strategy overview

The first quarter of 2024 can be characterised as particularly pleasing. Virtually all global equity markets, property investments as well as gold recorded positive advances. The leading US index, the S&P 500, has risen 90% of the time in the last twenty or so trading weeks, something that has not happened to this extent since 1971. The Japanese Nikkei index is also in top shape and broke through the record level of 40,000 points. Despite having a sluggish economy, the Dax in Germany also reached a new all-time high. As a result, one of the asset management mandates managed by us with a balanced risk profile gained over 5% in value. The robust US economic growth contributed significantly to this. If Europe and China also follow this path in the coming months, then, the current period of good weather is likely to continue. On the other hand, a consolidation or a setback on the stock markets can hardly be avoided and is as inevitable as eggs is eggs. In mid-March, the SNB was the first central bank of the G10 countries to break cover and surprise everyone with an interest rate cut of 0.25%. We can assume that it is likely that interest rates will also be cut in other currency areas in the coming months.

"The first quarter was extremely successful - a Factum asset management mandate with a balanced risk profile increased in value by over 5%."

World Equities Index 1st quarter 2024



The question now is how to start the second quarter as your independent asset manager after an extremely positive first quarter. Our indicators, which consist of the economy, valuation, technology and sentiment, currently point to a moderate underweight of equities. However, a setback on the stock markets or a recommendation to buy from our Factum equity model could prompt us to increase our equity allocation. For the moment, however, we consider the moderate underweight to be adequate.

"We consider a slight under-weighting of the equity allocation to be justified."

In the preceding month, we rebalanced our position in the exchange-traded index product on the Wisdom Tree Energy Transition Metals Index to the original level of 1%. Nickel, copper, aluminium, silver and zinc are mainly responsible for 80% of the price development. The background to this investment is the "decarbonisation" and electrification of the economy.

"Rebalancing of the Energy Transition Basket in the month of March."

We are currently overweighted in liquidity. From a yield perspective, money market investments have once again become an alternative, which is particularly evident in the US dollar. However, we believe that an allocation only makes sense to protect the capital base or to take advantage of potential investment opportunities. Yields on first-class government bonds have recently risen. We currently have a neutral weighting in bonds. To achieve an acceptable return, we invest in a mix of government bonds and also use funds with active duration management, among other things. We currently have a neutral weighting in inflation-protected bonds and emerging market bonds. We focus on hard currency bonds for the latter. The restrictive monetary policy of the central banks has significantly clouded the outlook of the

"How are we going to start the 2nd quarter 2024?"

global economy. Despite all this, the development of corporate profits has been relatively robust so far. For the time being, we are keeping the equity allocation minimally underweighted. For diversification reasons, we continue to regard hedge funds as a sensible addition to the portfolio. We have also invested part of the alternative quota in global real estate stocks with attractive yields. We are holding on to our gold position as a diversifier.

Politics

The US election on 5 November is likely to see another battle between President Biden and his predecessor Trump, as was the case in 2016. Both have secured enough votes in the primaries in recent months to be able to run for their parties. Trump has been confirmed as the Republican presidential candidate after his last intra-party rival Nikki Haley dropped out at the beginning of March following Super Tuesday. The former president, who is still very popular with the right-wing base, had clearly dominated the Republican primaries since they began in January, despite having some massive legal problems. His challengers, including the Governor of Florida, Ron de Santis, have dropped out one by one. For the Democrats, the outcome of the primaries was virtually a foregone conclusion from the outset. Biden had no serious competition from within his own ranks.

"Biden and Trump have been confirmed as candidates."

The primaries run for different lengths of time for Democrats and Republicans: the Republicans finish at the beginning of June. The last votes for the Democrats will take place on 8 June in the Virgin Islands and Guam. The presidential candidates are then chosen at the nomination conventions in the summer. The Republican party convention will take place in Milwaukee in July, the Democratic party convention in Chicago in August.

"Definitive nomination will be made in the summer."

For the first time since its foundation, Erdogan's AKP is no longer the most popular party in Turkey. Around ten months after the bitter disappointment in the national elections, the opponents of Turkish President Recep Tayyip Erdogan are celebrating a triumph that was certainly not to be expected with such clarity. In the local elections at the end of March, the secular opposition was able to conquer numerous provinces in the conservative hinterland in addition to its traditional strongholds in the major cities and the coastal areas. For the first time in over twenty years, the CHP, the party of the country's founder Mustafa Kemal Atatürk, received the most votes in an election nationwide. This resulted in President Erdogan's religious-conservative AKP no longer being the party winning the most votes in the country. The government has managed to succeed in regaining trust on the financial markets by returning to an orthodox economic policy. However, not much

"Erdogan suffers a severe setback."

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has changed for the population. Inflation recently exceeded 60%, election promises have not been honoured and reconstruction in the earthquake region is faltering. President Erdogan is probably facing his most difficult situation since his rise to power. In addition, the AKP has faced serious competition from the religious-conservative camp for the first time. The New Welfare Party (YRP) presented itself as the true force of political Islam and criticised the government's stance towards Israel in the Gaza war, which was perceived as too moderate. YRP is now the strongest force in two provinces.

Economy

According to the PMI indices, the global economy is continuing to gain strength. The composite PMIs for Europe and Japan are rising. The PMI in Europe reached a nine-month high (49.9) and as a result was only marginally below the growth threshold of 50. The UK and America remain at solid levels. No negative influences are expected from the emerging markets against the backdrop of the recent positive surprises. With the increase in economic activity, trade is also on the rise. While for America and China orders from abroad are increasing, demand for European products is still falling. There is no doubt, however, that the relative improvements in Europe are much more pronounced than in America or China. The signs are favourable that the situation in Europe will also brighten significantly should the higher sensitivity of European foreign orders to growth in general be maintained and the global upswing continue. A slightly weaker euro relative to the US dollar would support this.

“The global economy is improving.“

Equity markets

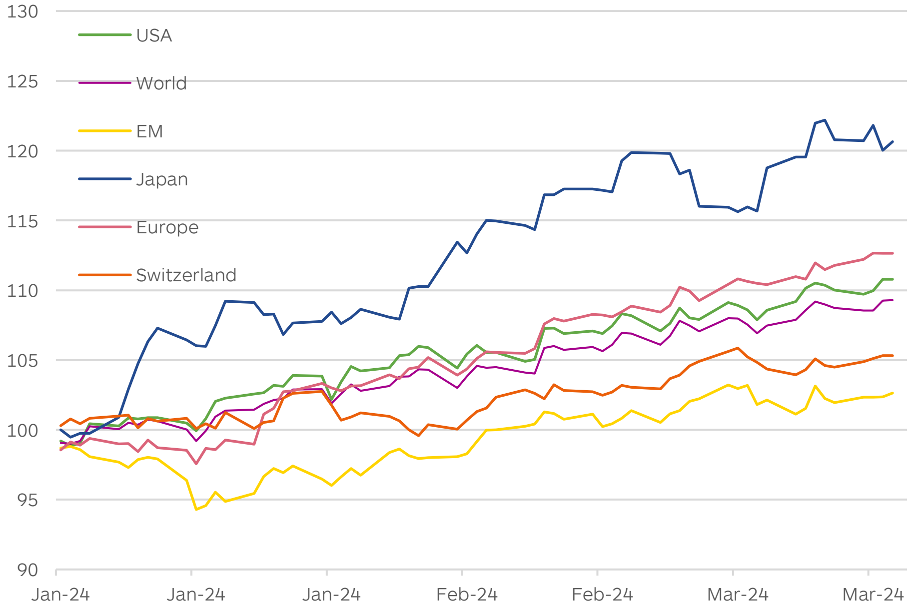
Excellent - this is how the first quarter for most stock markets can be summarised. The industrialised countries stand out in particular: Switzerland +7%, USA +11%, Europe +13% and Japan +21%. As an example, from a Swiss perspective, the MSCI World Index set a new record. For 280 trading days, the global equity index has not seen a correction of more than 2% in one day, the longest streak of its kind in around thirty years. The favourable performance of the equity markets already mentioned is due to better-than-expected quarterly results in the US and Europe. For example, earnings estimates for the USA, by far the largest stock market, were revised upwards. This is one of the main reasons why, in the first quarter, shares in industrialised countries performed significantly better than shares in emerging markets.

“The first quarter on the stock markets of the industrialised countries was brilliant.“

We have the economic engine USA to thank for the last few positive months. Its economic growth remains robust and this is mainly driven by consumption and provides the necessary final demand. However, the USA is dependent on help from Europe and China for a sustained positive investment environment. Looking at final demand, there is a positive sign. In Europe, new orders in trade and services are improving. On the other hand, the situation in China is more challenging. It is true that the Chinese government is endeavouring to revive the ailing property market and domestic consumption. However, it would be too premature to speak of a sustained reversal of the trend. For us, this means remaining true to the basic principle of diversification and not putting all our eggs in one basket. From a Swiss investor's perspective, we do this by taking equity exposures in Switzerland, Europe, the USA, Japan and the emerging markets in order to adequately diversify the risks.

"Thanks to the USA as the economic engine."

Global Equity Markets YtD. (indexed)



Source: Bloomberg Finance L.P., Factum AG

Bond markets

The Swiss National Bank rarely makes bigger headlines than the Federal Reserve. But just for one day, Thomas Jordan stole the show from his US colleague Jerome Powell. The SNB lowered its key interest rate by 25 basis points from 1.75% to 1.50% and did so earlier than expected. This makes the SNB the first of the leading central banks to reverse its interest rate policy. The smaller central banks in Europe - the Czech Republic (December 2023), Hungary (October 2023) and Ukraine (July 2023) - were quicker.

"A big bang from the SNB."

The Fed left everything as it was in March. However, the forecasts for growth and inflation were revised in an upward direction. There has been no change to the expectations of the FOMC members regarding key interest rates (dot plot) for 2024; three easing steps due to start in June are currently considered certain, with three more to follow in 2025. Fed Chairman Powell also confirmed that the reduction in the balance sheet of the central bank (QT) will be slowed down in order to prevent potential turbulence on the money market.

"The Fed has left everything as it was."

Economic data that was better than expected by the market consensus, and that, mainly in the largest global economy, the USA, led to higher bond yields in general in the first quarter, although we do not believe this diminishes the long-term attractiveness of bonds. In addition, the favourable US economic data led to a reduction in the additional yield on government bonds, particularly in the higher-yielding segment, so-called high-yield bonds. As a result, the risk compensation for corporate bonds with a lower credit rating has decreased.

"In general, higher bond yields in the first quarter."

Yield on ten-year US Treasuries in %

Commodities

The recent gold rally came as a surprise to many market observers. One factor is the tense geopolitical situation, as gold has a long tradition as a "crisis currency". Purchases by central banks in emerging markets are another important aspect. China, in particular, has significantly increased its gold exposure in recent quarters. The price of gold rose by around 8% in the first quarter. All in all, we believe that a neutral positioning - three per cent in a balanced investment profile - is justified.

"Gold gained around eight per cent in value in the past quarter."

Price of gold 1st quarter 2024

As has so often been the case in the past, commodities are currently more vulnerable than other asset classes such as equities or bonds. The oil price remains particularly susceptible to increased volatility because it is not clear whether the OPEC+ production cuts will continue for much longer. In addition, global demand could be affected by a change in economic growth. The US and Chinese economies are of particular importance in this context. Their development has diverged considerably in recent quarters. This could change if the US economy were to lose momentum or if the Chinese government were able to boost economic growth with a stimulus programme. As history has shown, increased volatility in commodities can also be expected in the future.

"We can expect commodities to remain volatile in the future."

Currencies

The unexpected interest rate move by the SNB put additional pressure on the Swiss franc. It continued the weakening trend that has been ongoing since the beginning of the year, but did so even faster. Compared to the major global currencies, it only gained against the Japanese yen. At first glance, this may seem surprising, as, in terms of monetary policy, the BoJ has been moving in the opposite direction. However, it has not signalled any further interest rate hikes despite rising inflation rates, which weakens the valuation argument and continues to make the yen an attractive financing currency. The Australian dollar and the British pound also lost ground in the context of their central bank decisions. Although the RBA has not ruled out further interest rate hikes due to possible inflationary pressure, it has revised its economic forecasts downwards. The BoE is more confident about the decline in

"Depreciation of the Swiss franc continues."

inflation than before and, for the first time in two and a half years, none of the committee members voted in favour of interest rate hikes.

USD/CHF 1st quarter 2024

Market overview 29 March 2024

Stock indices (in local currency)	Current	1 Mt (%)	YtD (%)
SMI	11,730.43	3.96	6.77
SPI	15,442.86	3.94	5.98
Euro Stoxx 50	5,083.42	4.38	12.94
Dow Jones	39,807.37	2.21	6.14
S&P 500	5,254.35	3.22	10.55
Nasdaq	16,379.46	1.85	9.32
Nikkei 225	40,168.07	3.17	20.82
MSCI Emerging Countries	1,040.39	2.22	2.13
Commodities			
Gold (USD/fine ounce)	2,229.87	9.08	8.09
WTI oil (USD/barrel)	83.17	6.27	16.08
Bond markets			
US Treasury Bonds 10Y (USD)	4.20	-0.05	0.32
Swiss Eidgenossen 10Y (CHF)	0.69	-0.11	-0.01
German Bundesanleihen 10Y (EUR)	2.30	-0.11	0.27
Currencies			
EUR/CHF	0.97	1.78	4.72
USD/CHF	0.90	1.94	7.17
EUR/USD	1.08	-0.15	-2.26
GBP/CHF	1.14	1.93	6.22
JPY/CHF	0.60	1.10	-0.12
JPY/USD	0.01	-0.93	-6.83

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