

Climbing to new all-time highs

Investment Report – 31st March 2024

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The sharp ascent in global equities that began last November continued in the first three months of the year. Driven by the "Magnificent Seven", of which four (namely Microsoft, Amazon, Meta and Nvidia) still remain, equities from the technology sector in particular are enjoying very strong momentum. The bond markets have also normalised in the wake of falling inflation figures.

Although there is great optimism on the stock markets, many investors are wondering how long the climb to new all-time record highs on these markets will last. Investor sentiment, as expressed in terms of bull-bear sentiment, shows a clear overhang of "bulls" – market players with

a positive market sentiment. We are optimistic that the current stock market boom will continue given the increasing market breadth. While the start of the current stock market rally last November was primarily triggered by equities in the technology and communications sectors, equities from the financial (banking, insurance) and industrial sectors have increasingly emerged as price drivers in the first quarter of 2024.

Change in Equity Markets since beginning of the year:

		Dec. 2023	Mar. 2024	Change
Asia ex Japan	MSCI AC Asia ex Japan	516.6	528.9	2.4%
Europe	DJ STOXX 600	1'136.9	1'223.9	7.6%
Japan	MSCI Japan	3'116.3	3'713.6	19.2%
Switzerland	SPI	14'571.2	15'442.9	6.0%
USA	MSCI USA	13'488.7	14'877.5	10.3%
World	MSCI AC World	9'885.5	10'763.4	8.9%
Hedge Funds	CS Hedge Fund Index*	777.2	804.4	3.5%

Development of index in local currency. Exceptions Asia ex Japan and World in USD. MSCI-Indices are net total return.

* New index, as the data of the previous one is no longer accessible. Value as of the beginning of March.

The stock markets of Japan, Italy and Denmark proved to be the high-flyers with double-digit annual advances in the first quarter of the year. For once, the stock exchanges on the Old Continent are outperforming those overseas. The cross-border European stock market index Euro Stoxx 50, which includes the 50 largest companies in the EUR currency zone, ranks among the global leaders. The stock markets of emerging countries such as China and Brazil are at the bottom end of the table.

Investments in foreign currencies have appreciated for Swiss Franc investors due to the weakness of the Swiss Franc. The Swiss Franc experienced a first quarter deeply in the red, mainly as a result of the SNB's cut in benchmark interest rates, depreciating against practically all currencies. The Franc lost 7.1% against the US currency, 4.8% against the EUR and 6.2% against the British pound.

The **equity funds employed by us** achieved the following returns since the beginning of the year:

Alma Eikoh Capital Japan (CHF)	15.9%
Alma Eikoh Capital Japan (€)	16.4%
Barings ASEAN Frontiers Equities (USD)	2.8%
BB Adamant Medtech & Services Fund (CHF)	18.0%
BB Adamant Medtech & Services Fund (€)	11.9%
BB Adamant Medtech & Services Fund (USD)	9.6%
CS Index Fund Equity Switzerland Large Caps (CHF)	6.7%
Franklin Templeton FTSE India ETF (USD)	6.2%
GAM Swiss Sustainable Companies Fund (CHF)	5.1%
Galileo Vietnam Fund (USD)	9.5%
iShares Core SPI ETF (CHF)	4.6%
iShares Stoxx Europe 600 ETF (€)	7.7%
Performa European Equities (€)	5.9%
Performa US Equities (USD)	13.6%

Performance in fund currency. Source: Bloomberg or respective fund company.

The easing of inflation is one of the driving factors behind the favourable start to the year on global stock markets. Although the decrease in annual inflation in the USA has recently been disappointing



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and although the US Federal Reserve (Fed) has not yet cut interest rates, market investors believe that there will be three interest rate cuts this year, the first in June.

The most recent inflation rate recorded in America was 3.2% and 3.3% in the Eurozone. However, the inflation rates of the individual countries within the European Economic Union vary greatly. All of which is reason enough for the US and European central banks to leave benchmark interest rates unchanged. Inflation forecasts are falling worldwide and are approaching the target of 2% (see also table "Average growth and inflation forecasts").

Meanwhile, a historic event took place in Japan with the first interest rate hike in seventeen years. The SNB caused an even greater media stir when it cut the CHF benchmark interest rate in March. In Switzerland, the benchmark interest rate currently stands at 1.50%, while in the USA it is in the range of 5.25 to 5.5% and in Europe, the European Central Bank's (ECB) benchmark lending rate is 4.5%.

The general consensus among central bankers suggests further interest rate cuts on a global front. For example, there are indications of interest rate cuts to 1% in Switzerland and three small interest rate cuts of 25 basis points in the USA by the end of the year.

Price recovery for fixed-interest securities

Prices for fixed-interest securities have benefited from expectations of falling policy interest rates. In contrast, new investors have to be satisfied with lower yields on interest-bearing securities. In Switzerland, the yield to maturity for 10-year government bonds is currently 0.69%. In the USA, yields have risen from 3.88% to 4.2% and in the Eurozone from 2.02% to 2.30% since the beginning of the year.

Average growth and inflation forecasts of economists surveyed by the "Bloomberg Composite Contributor Forecast":

	Real GDP Growth		Core-Inflation	
	2024	2025	2024	2025
China	4.6%	4.3%	0.8%	1.7%
Germany	0.1%	1.1%	2.5%	2.1%
EU	0.9%	1.7%	2.6%	2.3%
United Kingdom	0.3%	1.2%	2.5%	2.1%
Japan	0.7%	1.1%	2.3%	1.8%
Switzerland	1.2%	1.5%	1.5%	1.3%
USA	2.2%	1.7%	2.9%	2.4%

Driven by strong demand for physical gold from central banks, the bright precious metal reached an all-time high (in USD terms) in the first quarter. This was despite investors reducing their holdings in gold funds due to increased opportunity costs.

Alongside coffee and orange juice, the price of cocoa is the top performer amongst the commodities. The raw material for chocolate production

has risen in price by a whopping 130% since the beginning of the year, as a result of crop failures in the Ivory Coast and Ghana. Conversely, prices for wheat, soya and maize have fallen slightly. Prices for industrial metals (aluminium, copper, etc.), which are often regarded as preliminary economic indicators, have stabilised following the price correction in 2023.

The crude oil price rose to a four-month high in March. The fragile geopolitical situation is mainly responsible for the double-digit percentage price increase since the beginning of the year. Russia and the OPEC association are trying to push up prices by cutting oil production.

Other funds employed by us performed as follows:

Acatis IfK Value Renten Fond (CHF hedged)	3.2%
Acatis IfK Value Renten Fond (€)	3.6%
Amundi ETF Euro Corp. Bond Fund (€)	0.3%
BCV Liquid Alternative Beta Fund (CHF hedged)	2.2%
BCV Liquid Alternative Beta Fund (Euro hedged)	2.7%
BCV Liquid Alternative Beta Fund (USD)	3.1%
Pictet CH-CHF Bond Fund	0.5%
Plenum European Insurance Bond Fund (CHF hedged)	4.2%
Plenum European Insurance Bond Fund (€)	4.7%

Performance incl. re-invested dividends where applicable.

Economic data improving

Regarding the economic outlook for 2024: Despite all the prophecies of doom, the forerunner US economy has not yet slipped into recession. The Bloomberg forecast sees GDP growth of 2.2% in the USA for the year as a whole. The growth prospects for the Eurozone lag far behind at 0.9%. The European powerhouse, Germany, is struggling and is causing concern with only a modest GDP increase of 0.1%. According to the economists' consensus estimates, the forecasts for Asia are positive. India stands out here with estimated growth of 7.5%.

From a global perspective, the Purchasing Managers' Indices (PMIs) are passing the growth threshold. In particular, there is an optimistic assessment of the business climate for wide areas of Southern Europe and some regions of Asia and Latin America in the near future.

To sum up: the expected GDP figures indicate modest growth in Europe. In the USA as well as Asia, the economic traffic light is set to pale green. Falling inflation figures could result in policy rate cuts and support the economic recovery in Europe. The underlying mood in companies is brightening.

Overweight in equities appropriate

The valuations of equities, expressed in terms of price/earnings ratios for example, are close to their long-term averages (Switzerland, USA) or slightly below them (Europe, World). Currently, we find the returns on equities more attractive than the lower bond yields, which is why we are overweighting equities in our asset allocation.

Asset Allocation

At its meetings, the Investment Committee decided on the following changes to the asset allocation

for medium-risk balanced Swiss Franc portfolios not subject to client's restrictions. Mandates in other reference currencies show partially deviating changes and weightings.

Money market

In alternative investments, we made a sale so that we are slightly overweighted in liquidity in the short term. We are already planning a new investment and will reduce the allocation to neutral again.

Yields on ten-year government bonds

have risen slightly since the beginning of the year:

	Dec. 2023	Mar. 2024	Change
Europe	2.02 %	2.30 %	14 %
United Kingdom	3.54 %	3.93 %	11 %
Japan	0.61 %	0.73 %	19 %
Switzerland	0.70 %	0.69 %	-2 %
USA	3.88 %	4.20 %	8 %

Bonds

USD bonds remain very attractive due to the higher returns. We are retaining a 4% allocation in this segment as part of the asset allocation. Bonds in CHF have benefited from the interest rate cut by the SNB but are now becoming less attractive at this yield level. We are using two special funds in this asset class as an "add-on" and to increase returns.

Equities Switzerland

The Swiss Performance Index (SPI) rose by 5.98% over the last three-month period. Our stock selection based on value criteria, the "Swiss Stock Portfolio" (SSP), achieved an overall performance (price changes plus dividends) of 4.59% in the first quarter and thus lagged slightly behind its benchmark.

The shares of Lonza (+53%), Holcim (+24%) and Alcon (+14%) performed particularly well in the SSP in the past quarter. Vetropack (-17%) and Swatch (-8%) bring up the rear.

Over the long term, the SSP has performed exceptionally well. Since 2012, the average annual performance has been 10.37%, significantly outperforming the median benchmark performance of 8.34%. Since 2012, this strategy has achieved a cumulative total performance of around 270%,



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compared with 189% for the index. Transaction costs are deducted in the SSP figures, whereas the benchmark index is calculated without costs.

The price/earnings ratios based on the latest 12 months profit figures, have varied in performance:

	Dec. 2023	Mar. 2024	Change
SPI Index	17.7	20.8	6.1%
DJ STOXX 600 Index	13.7	15.0	9.6%
MSCI AC Asia ex Japan	16.5	16.5	0.1%
MSCI Japan	16.5	17.9	8.0%
MSCI USA	23.7	25.8	8.6%
MSCI AC World Index	20.7	22.6	9.1%

Source: Bloomberg. MSCI-Indices are net total return.

Equities Europe

"Big is beautiful", in other words, in Europe, the large companies outperformed the market as a whole. Accordingly, the EuroStoxx 50 gained +12.8% and beat the overall StoxxEurope 600 index, which advanced by "only" 7.7%. The Nordic stock exchanges were up 6.8% and the Swiss stock

market 6.0%. The British stock exchange was at the bottom of the chart with a price advance of 2.8%. In addition to the size criterion, growth stocks (STOXX Europe Growth +9.0%) were also favoured over value stocks (STOXX Europe Value +5.8%).

Our European direct investment selection, the "European Stock Portfolio" (ESP), which is based more on fundamental valuation criteria (value approach) than on growth and market capitalisation, was unable to benefit from the hype

Price/Book ratios and Dividend Yield of major equity markets:

	Price/Book	Div. Yield
SPI Index	3.7	2.9%
DJ STOXX 600 Index	2.1	3.1%
MSCI AC Asia ex Japan	1.6	2.5%
MSCI Japan	1.7	1.9%
MSCI USA	4.9	1.3%
MSCI AC World Index	3.3	1.8%

Source: Bloomberg. MSCI-Indices are net total return.

surrounding the large-cap stocks. Over the entire 1st quarter, the ESP remained in negative territory at -2.15%.

The best performers in our selection in the first quarter included Repsol (+20.6%), Hannover Re (+17.3%) and MAN Group (+16.5%). The figures are given in the respective local currencies. The worst performers were STM Microelectronics (-11.5%), Barrat Developments (-14.3%) and AP Moeller Maersk (-21.7%).

The long-term performance of the ESP since 2004 shows an average annual return of 6.84%, compared with 6.93% for the benchmark. The portfolio has thus accumulated a total of 282% since 2004, compared with 288% for the cumulative index performance. Moreover, transaction costs and withholding taxes have been deducted from the figures for the ESP, whereas the benchmark index is calculated without costs. The performance of the SSP and ESP can also be tracked at any time on our website www.salmann.com in the "Investment strategies" section.

Equities USA

The US equity market remains robust. The upward trend that began in the last quarter of 2023 continues this year. All the major US indices have reached new all-time highs. Fundamental valua-

tions (e.g. price/earnings ratio) are now slightly higher in a 10-year comparison due to the price advances. In terms of market technique, the strong momentum of the US market is striking. The clear outperformance of large companies compared to small caps and growth stocks compared to value stocks continues.

Equities Asia (without Japan)

We repositioned ourselves in Asian equities at the end of 2023. In addition to our long-standing position in the Barings Asean Fund equity fund, which contains equities from emerging countries in Southeast Asia, we are invested in Indian and Vietnamese equities through two country funds. By deliberately focussing on these two countries, we hope to benefit from the relocation of production from China to alternative locations.

Equities Japan

The Japanese stock market is benefiting from a weak yen and, grotesquely, rising interest rates. The trade union umbrella organisation, Rengo, has negotiated wage increases of over 5%. This will increase the purchasing power of Japanese consumers and also fuel inflation, which will be a positive support for Japanese equities after many years of deflation, as long as the increase remains moderate and controlled by the Japanese central bank.

Alternative Investments

In February, we decided to purchase the AXA Cat Bonds Fund. The fund invests in bonds that reinsure clearly defined loss events from natural disasters. This investment segment currently has an excellent premium-risk ratio. At our investment meeting in March, we also decided to sell the holdings in BCV Liquid Alternative Beta A.

Summary of our current Asset Allocation:

Asset class	
Money Market	slightly overweight
Bonds	underweight
Equities Switzerland	slightly overweight
Equities Europe	slightly underweight
Equities USA	overweight
Equities Asia	slightly overweight
Equities Japan	overweight
Precious Metals	no position
Alternative Investments	slightly underweight

For a Swiss Franc referenced portfolio.

News from us

In December 2023, **Bruno Zanetti** (organisational manager and developer) took up his position as Head of Compliance and Administration at Salmann Investment Management AG. He has worked in the Liechtenstein financial centre for more than 30 years. Before joining Salmann, he worked for various banks in the field of compliance and corporate development as a project manager. He also managed the Back Office of a bank for several years.

Bruno Zanetti will drive forward various digitalisation and automatisisation projects at Salmann. We welcome Bruno most warmly and wish him every success and fulfilment in his new position.

Sustainable investing with Salmann

Sustainability, or "ESG" (Environmental, Social, Governance), has become a distinct investment strategy at Salmann. The fulfilment of regulatory requirements allows for some latitude. The solutions range from a simple strategy using investment funds with seals of approval in accordance with Article 8 or 9 of the Disclosure Regulation (European regulations), to a complex approach with direct influence at shareholder meetings. To analyse company figures, we rely on data from specialised third-party providers.

In order to provide our clients with an appealing ESG offering, we have created a range of customised options in which individual preferences can be specified. The result is a comprehensive strategy that takes into account various aspects of the ESG catalogue. This includes a minimum proportion of sustainable investments, various exclusion criteria, the limitation of adverse sustainability impacts and the fulfilment of environmental protection targets set out in the EU taxonomy. Our client relationship managers will be happy to provide you with further information on the Salmann ESG investment strategy.

Since the beginning of the year, **selected exchange rates** have trended as follows:

	Dec. 2023	Mar. 2024	Change
CHF / Euro	0.9289	0.9731	4.8%
CHF / USD	0.8414	0.9014	7.1%
Euro / USD	0.9059	0.9268	2.3%
Yen / USD	141.04	151.35	7.3%

Source: Bloomberg.

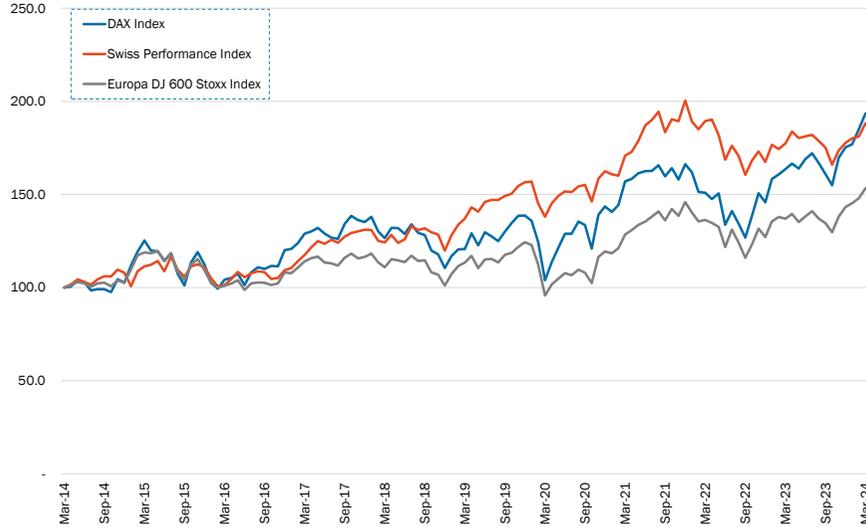


Reliable Partnership.

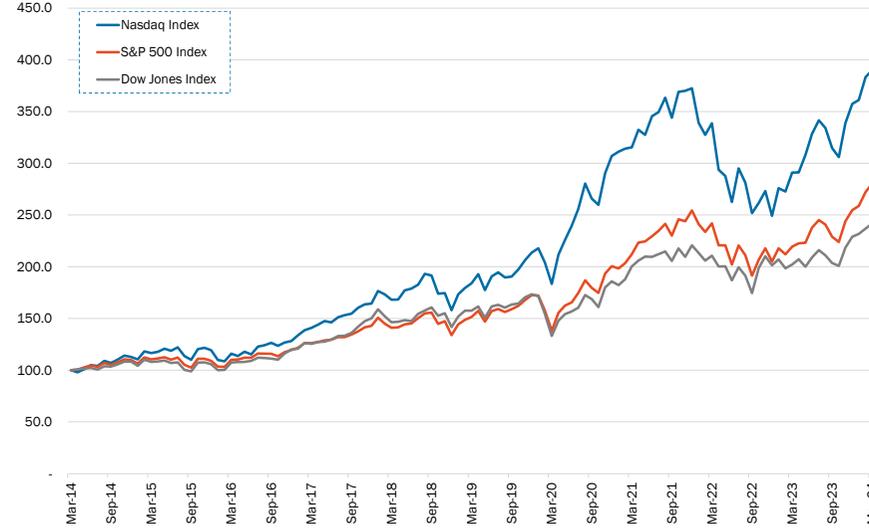
Continuity is one of our strengths.

Equity Markets at a glance

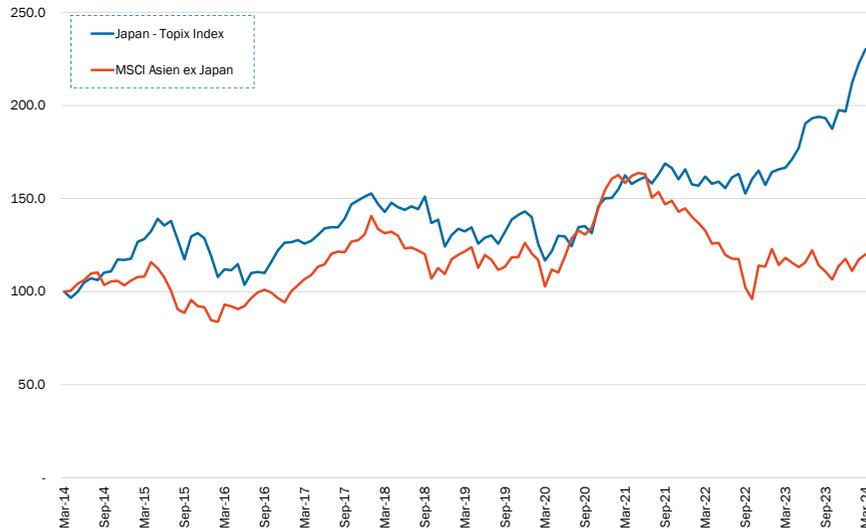
Historical performance of european equity markets (indexed)



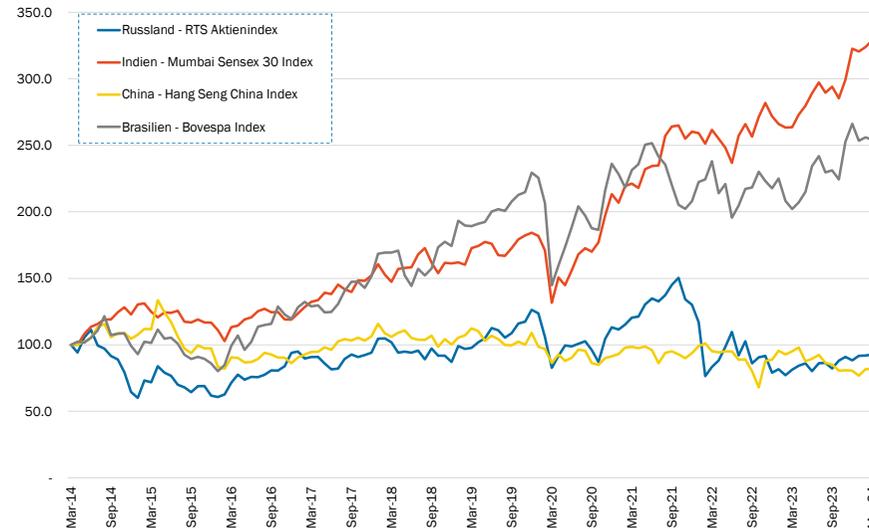
Historical performance of american equity markets (indexed)



Historical performance of asian equity markets (indexed)

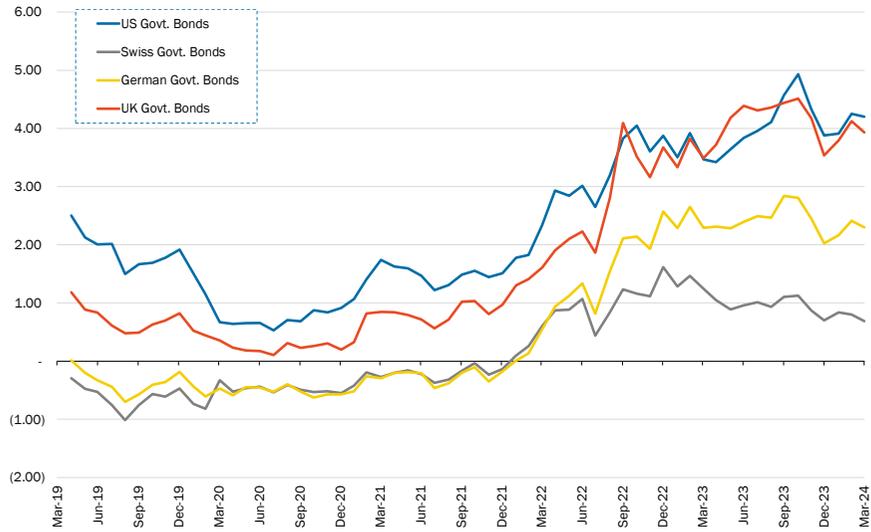


Historical performance of BRIC equity markets (indexed)

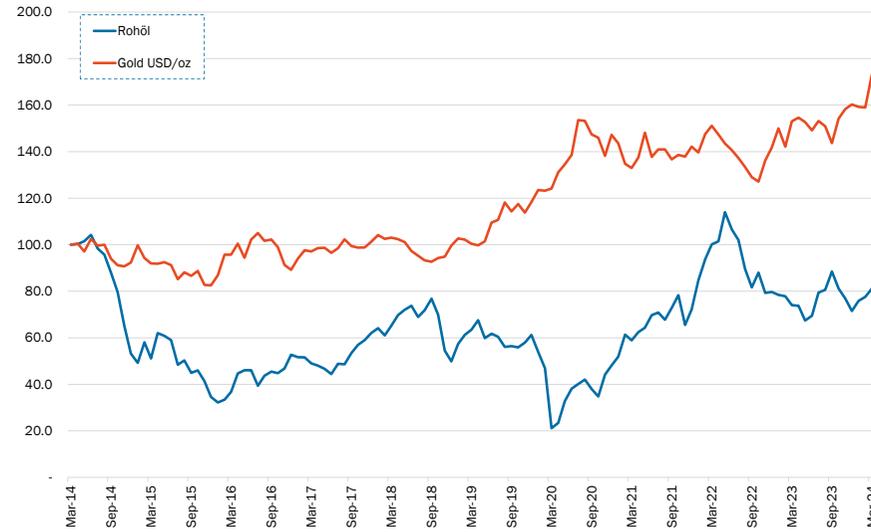


Bond yields and other indicators

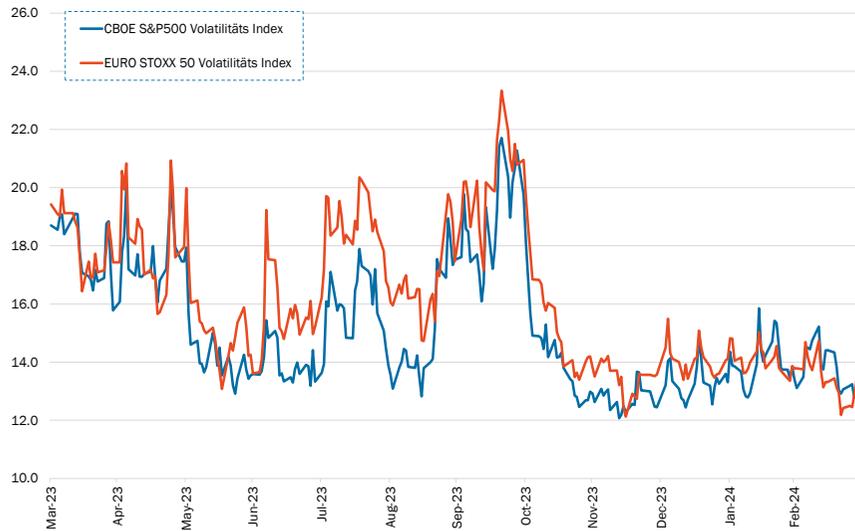
Historical development of Government bond yields (10 Years in %)



Historical price development of oil and gold (indexed)



Volatility indices development (last 12 months)



Foreign exchange CHF development (last 12 months)



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Closing words

We would like to thank you for the trust you have placed in us and for your interest in our investment commentary and wish you a prosperous start to spring.

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