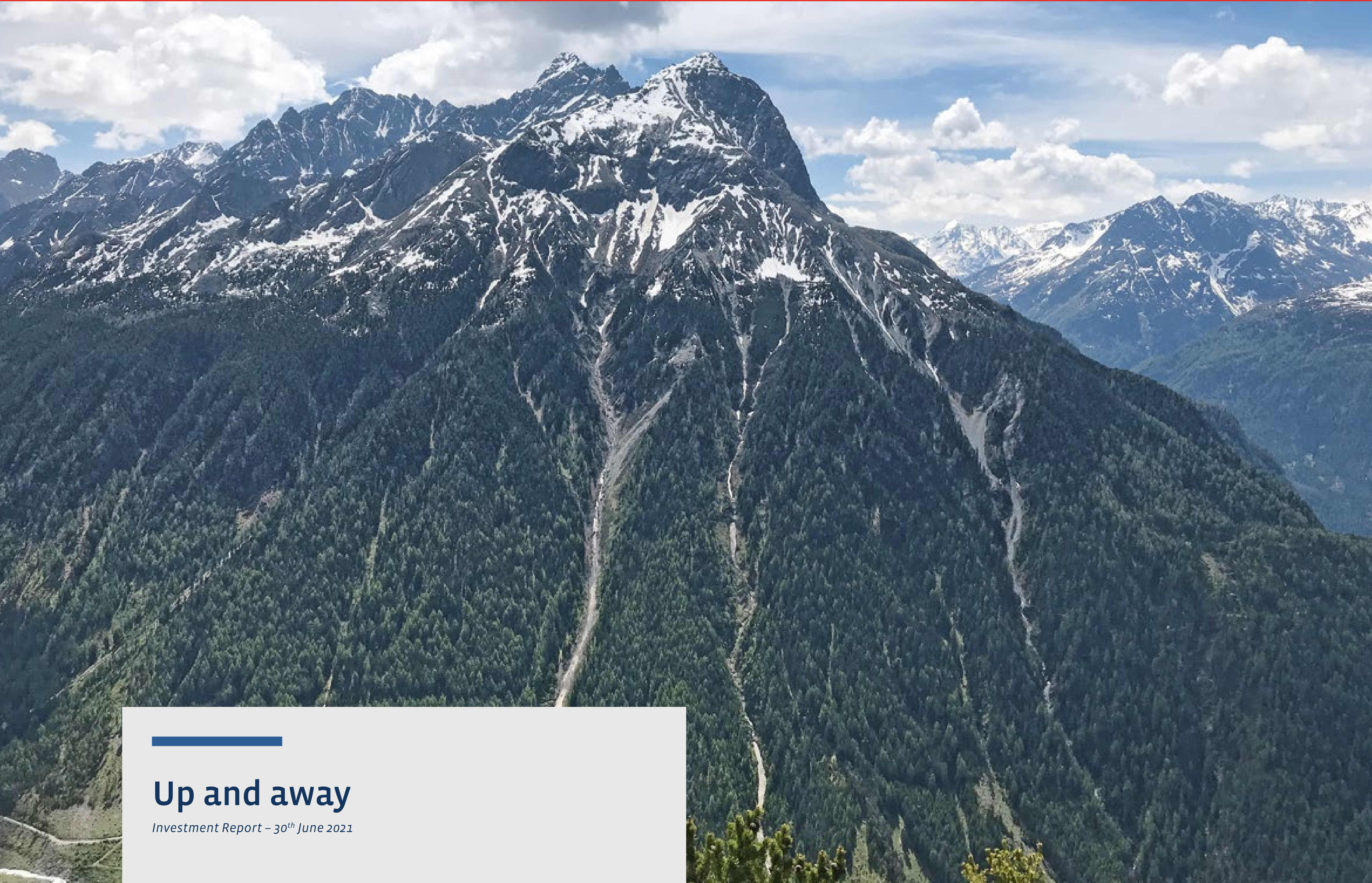
SALMANN
INVESTMENT MANAGEMENT



Up and away

Investment Report – 30th June 2021

Up and away

The global economy's kick-start triggered a strong tailwind to equity and commodity prices in the second quarter. The brief consolidation in the Spring quickly gave way to a continuation of the bull market in most places. However, bonds have suffered because long-term interest rates have risen. This has also taken some of the shine off gold. The current high fundamental equity values reflect the expectation of high corporate earnings growth.

The surge in economic activity is breath-taking. In several economies, the swift pace has already led to capacity bottlenecks, delivery delays (e.g. for semiconductors), staff shortages and rising prices. For the first time in a long time, this has raised the spectre of inflation and pushed up inflation rates, especially in the USA.

A rosy economic outlook

The outlook for the future is equally rosy. “Things can't get any better”, one is tempted to say. Leading indicators such as the Purchasing Managers Index (PMI) have climbed to record levels. This also applies to the Eurozone, for example, where the highest level since the beginning of the measurement in 1997 was reached, standing at 63.4 points. Switzerland and the UK also recorded highs in May, and these were undercut only slightly in June with values of 66.7 and 63.9 points, respectively. The global PMI stands at 55.5 points, and in industrial nations such as the USA, Germany, the Netherlands and Italy, it is also well above 60. Only China, at around 51 points, is only just above the growth threshold of 50. However, negative values were recently recorded in India, Mexico and Russia.

Average Growth and Inflation Expectations
of the Economists polled in the “Bloomberg Composite Forecast”:

	Real GDP Growth		Inflation	
	2021	2022	2021	2022
China	8.5%	5.5%	1.5%	2.3%
Germany	3.4%	4.2%	2.5%	1.6%
EU	4.6%	4.4%	1.9%	1.6%
United Kingdom	6.7%	5.4%	1.6%	2.0%
Japan	2.6%	2.4%	0.1%	0.6%
Switzerland	3.4%	2.8%	0.3%	0.5%
USA	6.6%	4.1%	3.5%	2.5%

Gross domestic product (GDP) is expected to grow significantly almost everywhere in 2021. According to the economists surveyed by Bloomberg (Composite Contributor Forecast, see table), the USA, Canada and China stand out especially at present, with consensus estimates of 6.6, 6.2 and 8.5%, respectively. However, the recovery in Germany, Austria and Switzerland is expected to be more modest, with growth forecasts in the range of 3 (Austria), to 3.4% (Germany and Switzerland), although this is naturally also very positive for these nations. According to the surveys, only India, which has been badly hit by the pandemic, is forecast to see its GDP fall by 7.5%.

Consumers are also brimming with confidence. Some of the savings from the lockdown are likely to flow into the real economy. In America, for example, where there are statistics for almost everything, consumers are reported to have accumulated “excess” savings (whatever that means exactly) of 1.5 trillion US Dollars by March, representing around 7% of 2020 GDP. By comparison, the record-breaking US stimulus package passed in the Spring weighed in at $1.9 trillion US Dollars.

This optimism, coupled with the still very low base rates, has fuelled equities worldwide. In addition to the outstanding performance in Switzerland (SPI up 15.2% since the beginning of the year), other European and North American shares likewise continued their upward flight. Among the absolute high flyers were stock exchanges such as Stockholm and Vienna, which are up by more than 20%.

Although the economy is firing on all cylinders, central banks are still keeping short-term interest rates low. This is causing some market participants concern in view of the surge in inflation. According to the Taylor Rule, which in the USA takes interest rates, economic activity and inflation

Tending Wealth.
Safe and experienced hands.

into account, the Fed Fund rate (interest rate for overnight loans between banks) should currently stand at 2.65%, not 0.25%.

However, many market participants currently are of the view that the surge in inflation is temporary and can be explained primarily by base effects (energy prices, temporary wage pressure, the catch-up effect on consumption), and that we are not at the beginning of a sustained higher, long-term inflation. We share this opinion.

Change in **Equity Markets since the beginning of the year:**

		Dec. 2020	June 2021	Change
Asia ex Japan	MSCI AC Asia ex Japan	636.9	677.7	6.4%
Europe	DJ STOXX 600	879.6	1'012.9	15.2%
Japan	MSCI Japan	2'237.3	2'436.0	8.9%
Switzerland	SPI	13'327.9	15'347.1	15.2%
USA	MSCI USA	10'520.8	12'060.2	14.6%
World	MSCI AC World	8'008.5	9'053.3	13.0%
Hedge Funds	HFRX Global HF	1'380.5	1'432.0	3.7%

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

All eyes are on interest rates

Long-term interest rates, an area the monetary guardians have less influence upon, have risen almost everywhere since the beginning of the year, although they have since begun to erode again slightly from the level they reached in the spring. At the same time, the interest rate curves have drifted upwards.

In the USA, for government bonds it now takes six years of residual term to reach a yield of 1%. In the Eurozone, as well as in Germany, on the other hand, an investment must be committed for 13 years just to get above the zero line. In Switzerland, it takes as long as 15 years. In the Old World, the imbalances on the bond markets are still enormous. Italy, for example, can borrow more cheaply than the USA by about 20 basis points over 10 years. This hardly reflects the economic power of these countries.

In the high-yield segment, there are still no signs of a revival in yields as the economic outlook is too positive and financing options remain cheap. The rise in interest rates has weighed on bond prices. However, one cannot yet talk about attractive buying prices.

Commodities have really taken off. In addition to the 44% increase in the price of oil, the price of timber in particular has grabbed the headlines far beyond the stock exchange world. For example, the price of North American timber has doubled.

The **equity funds employed by us** achieved the following returns since the beginning of the year, partly exceeding their benchmarks:

Aberdeen Asia Pacific (USD)	4.5%
Barings ASEAN Frontiers Equities (USD)	8.7%
GAM Japan Stock Fund (CHF hedged)	8.7%
GAM Japan Stock Fund (€ hedged)	9.0%
Strategy Certificate SIM–Swiss Stock Portfolio Basket	13.8%
iShares Core SPI ETF (CHF)	15.2%
iShares Stoxx Europe 600 ETF (€)	14.8%
Performa European Equities (€)	14.7%
Performa US Equities (USD)	16.4%
BB Adamant Medtech & Services Fund (CHF)	14.2%
BB Adamant Medtech & Services Fund (€)	12.7%
BB Adamant Medtech & Services Fund (USD)	9.2%

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

At times, the commodity traded much higher. The S&P Goldman Sachs Commodity Index shows a premium of 31%, and copper is up about 25%. Prices for agricultural commodities such as soy oil, corn and coffee also rose by double digits. In contrast, gold, expressed in US Dollars per ounce, has fallen by around 7%.

Conclusion: equities remain sought after

Things are suspiciously quiet on the political front. There is a certain danger that investors will be lulled by this (probably rather deceptive) calm. Under the surface, something is brewing. It is important to keep a watchful eye on China's expansionism, the Middle Kingdom's tensions with the USA and Australia, the Middle East, Russia and Belarus. In Europe, the German federal elections in September are casting early shadows, but so far without appearing ominous.

We continue to prefer equities to bonds. We hold Gold as a substitute currency and hedge against the unforeseen. Alternative investments, whose excess returns (vs. the risk-free interest rate) are not as bad as is often rumoured, also serve to blunt excessive fluctuations in the values of diversified portfolios.

Other funds employed by us
performed as follows:

Acatis IfK Value Renten Fond (CHF hedged)	1.8 %
Acatis IfK Value Renten Fond (€)	2.0 %
BCV Liquid Alternative Beta Fund (CHF hedged)	7.4 %
BCV Liquid Alternative Beta Fund (Euro hedged)	7.5 %
BCV Liquid Alternative Beta Fund (USD)	8.1 %
Franklin Templeton K2 Alternative Strategies Fund (CHF hedged)	2.4 %
Franklin Templeton K2 Alternative Strategies Fund (€ hedged)	2.6 %
Franklin Templeton K2 Alternative Strategies Fund (USD)	3.0 %
Lyxor ETF Euro Corp. Bond Fund (€)	-0.5 %
Pictet CH-CHF Bond Fund	-1.3 %
Swiss Rock Absolut Ret. Bond Fund (CHF hedged)	0.0 %
Swiss Rock Absolut Ret. Bond Fund (€ hedged)	0.2 %
ZKB ETF Gold (USD)	-6.7 %

Performance incl. re-invested dividends where applicable.

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 different reference currencies at times display different nominal weightings and weighting changes.

Money Market
There have been no significant changes here, which means that we are slightly overweight in cash.

Bonds
Although prices have fallen a little and yields have risen slightly, bonds remain a tough investment environment. We remain true to our strategy, which is "none or hardly any government bonds, low duration, residual maturities of no more than five years if possible, and a spread across all maturities". We have not made any changes to the positions and are therefore underweight.

Equities Switzerland
Swiss equities once again radiated in their best light and ended the quarter, as measured by the Swiss Performance Index (SPI), well ahead of the field with a 9.5% performance sprint. This brings the total performance for the first semester to 15.2% (price gains plus dividends).

During the course of the year, yields on **10-year government bonds** increased everywhere:

	Dec. 2020	June 2021	Change
Europe	-0.57 %	-0.21 %	63 %
United Kingdom	0.20 %	0.71 %	255 %
Japan	0.02 %	0.06 %	200 %
Switzerland	-0.55 %	-0.22 %	60 %
USA	0.91 %	1.47 %	62 %

The annual rebalancing has slightly altered our selection of the most attractive Swiss value equities, the Swiss Stock Portfolio (SSP). The equities of Forbo, Schweiter Technologies, SFS Group, Swiss Re, Tecan and Zehnder are new additions. No changes were made to the equity holdings in the Commodities and Industrial sectors, in Holcim and Vetropack, in the Consumer Goods sector, in Bell Food, Emmi, Nestlé and the Swatch Group, and in the Technology sector, in Also and Swisscom. Among the financials, Cembra Money Bank, Helvetia and Swiss Life continue to be included, while in the pharmaceuticals/healthcare sector Alcon, Coltene, Novartis, Roche, Siegfried, Sonova and Vifor Pharma remain. Adecco and Baloise have been removed from the portfolio.

Managing wealth.
Precise and thorough analysis enhances return.

Measured on the **Price / Earnings ratio** using the latest 12 months profit figures, equity markets have developed differently:

	Dec. 2020	June 2021	Change
SPI Index	22.6	21.0	-44.2 %
DJ STOXX 600 Index	51.4	45.8	-10.9 %
MSCI AC Asia ex Japan	25.8	18.2	-29.5 %
MSCI Japan	30.7	20.2	-34.2 %
MSCI USA	30.4	30.6	0.7 %
MSCI AC World Index	33.3	30	-9.9 %

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

In the first half of the year, the "Swiss Stock Portfolio" (SSP) gained 15.04%, roughly matching the index. Sonova, Swatch and Zehnder were the best performers in the portfolio in the second quarter. The figures are total return, i.e. share price changes plus any dividends.

For the "Strategy Certificate linked to the SIM-Swiss Stock Portfolio Basket" certificate based on the SSP (Valor: 36524524, ISIN: CH0365245247), the performance for the first half of the year amounts to a plus of 13.8%.

Over the long term, the performance of the "Swiss Stock Portfolio" continues to be excellent. Since 2012, the average annual performance of the SSP has been 15.08%, significantly outperforming the average benchmark performance of 11.75%. Since 2012, the total cumulative return of this strategy amounts to around 280%, while that of the index is 187%. The SSP figures bear transaction costs, whereas the benchmark index does not bear any costs.

Equities Europe

Our European stock selection, the European Stock Portfolio (ESP), was also rebalanced in the Spring. Rio Tinto and Skanska (mining and industrial, respectively), the consumer-related Ahold Delhaize and Kindred Group, as well as the insurance equity, the Phoenix Group, are now among the fundamentally most attractively valued stocks. Equities in the chemical company, Yara International, and the technology equities United Internet and Sopra Steria Group have also made it onto the list.

Aurubis, ASM International and A2A, as well as Barratt Developments, British American Tobacco and Covestro have retained their places in the selection. Diasorin, Hikma Pharmaceuticals, IG Group and Legal & General also remain in the portfolio. Neste, Nokian Renkaat, Persimmon, Randstad, Recordati and Swatch Group as well as Tate & Lyle are also part of this value stock selection.

No longer included are Amsterdam Commodities, Dialog Semiconductor, Enagas, Fuchs Petrolub, Jupiter Fund Management, Siltronic, Taylor Wimpey and Terna.

The ESP achieved a total performance (price changes plus distributions) of 14.56% in the first half of the year, slightly less than the Dow Jones Stoxx 600 Index (15.15%). In the figures for the ESP, transaction costs and withholding taxes are deducted, whereas the reference index is calculated without costs. The total cumulative performance of the ESP since 1993 amounts to about 1,081%, while that of the benchmark to about 671%, or 8.73% respectively 7.17% annualised.

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

	Price / Book	Div. Yield
SPI Index	2.45	2.50 %
DJ STOXX 600 Index	2.14	2.46 %
MSCI AC Asia ex Japan	1.73	1.75 %
MSCI Japan	1.46	2.00 %
MSCI USA	4.76	1.30 %
MSCI AC World Index	3.2	1.67 %

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

Equities USA

Despite their lofty valuations, US equities continued to climb steadily in the second quarter. This was helped not least by the high earnings growth that US companies are returning. With regard to the market as a whole, analysts estimate an increase in earnings per share of 30% for 2021, which is significantly more than at the beginning of the year. The positioning has remained unchanged, which means we are slightly overweight.

Equities Asia (ex Japan)

We are also slightly overweight in Asian equities (excluding Japan). The positions have not changed. Compared to Europe and America, events in the Far East simmered on a low heat during the reporting period.

Equities Japan

The Japanese market did not shatter records in either the second quarter or the first half of the year, but is still clearly up. The positions are unchanged and thus slightly overweight.

Alternative Investments

Hedge funds, measured against the global hedge fund index, gained 2.4% in the second quarter and are up 3.7% for the semester. Some of the instruments we use significantly beat this performance (BCV Liquid Alternative Beta Fund), while others fell short (see table "Other funds we use"). The positions were not changed in the last three-month period.

Summary of our current **Asset Allocation:**

Asset class	
Money Market	slightly overweight
Bonds	underweight/ short duration
Equities Switzerland	slightly overweight
Equities Europe	underweight
Equities USA	slightly overweight
Equities Asia	slightly overweight
Equities Japan	slightly overweight
Precious Metals	overweight
Alternative Investments	slightly overweight

For a Swiss Franc referenced portfolio.

Precious Metals

For once, Gold is bringing up the rear. The rise in interest rates, the (superficial) calm on the political stage as well as increasing confidence that the pandemic can be pushed back more and more, thanks to progress in vaccinations, have slowed down the rush of investors into the safe haven that is Gold. We have left the positions unchanged.

News of our own

Philipp Marxer, a long-standing and valued member of the Executive Board and Chief Operations Officer (COO), has been newly appointed Managing Director/Chief Executive Officer (CEO) by the Board of Directors. His appointment continues the process of corporate rejuvenation and generational change that has been underway for several years. In return, René Frank, the former CEO and a member of the Executive Board since 1994, is stepping down from operational management. As a delegate of the Board of Directors and as a Relationship Manager, René Frank will continue to provide support to the management and our clients.

Philipp Marxer, a Swiss Federal certified banking expert, has been Chief Executive Officer of Salmann Investment Management AG since June 2021. At the same time, he is responsible for Operations, which includes infrastructure, human resources, accounting and compliance. He has more than 25 years of professional experience in money market and foreign exchange trading, as well as in client investment advisory and portfolio management. Before joining Salmann, Philipp Marxer worked for a Family Office in Liechtenstein and for one of the leading Liechtenstein banks both in Switzerland and abroad. He joined our company in 2007 and has been a Member of the Management Board since the beginning of 2008. The whole team congratulates Philipp and wishes him much satisfaction and every success in his new position.

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

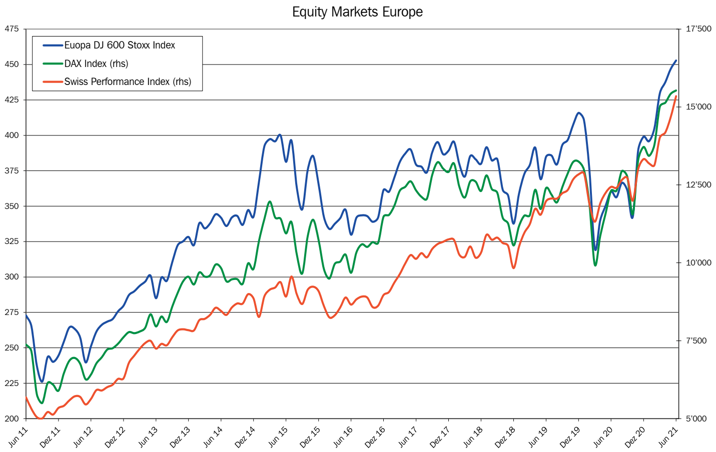
	Dec. 2020	June 2021	Change
CHF / Euro	1.0821	1.0966	1.3 %
CHF / USD	0.8852	0.9255	4.6 %
Euro / USD	0.8178	0.844	3.2 %
Yen / USD	103.3	111.09	7.5 %

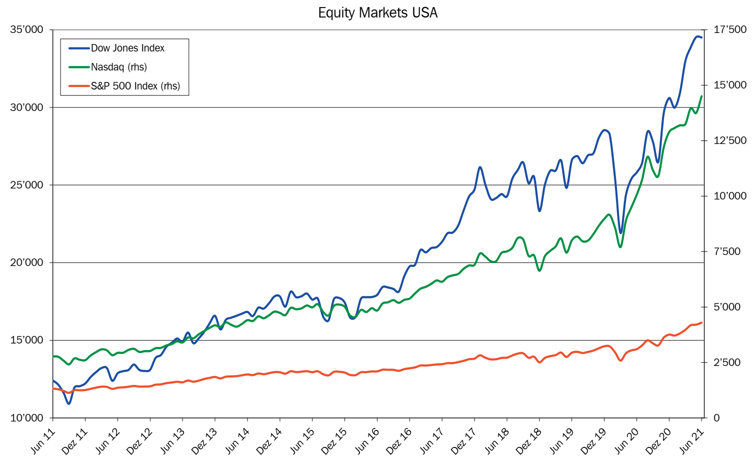
Source: Bloomberg.

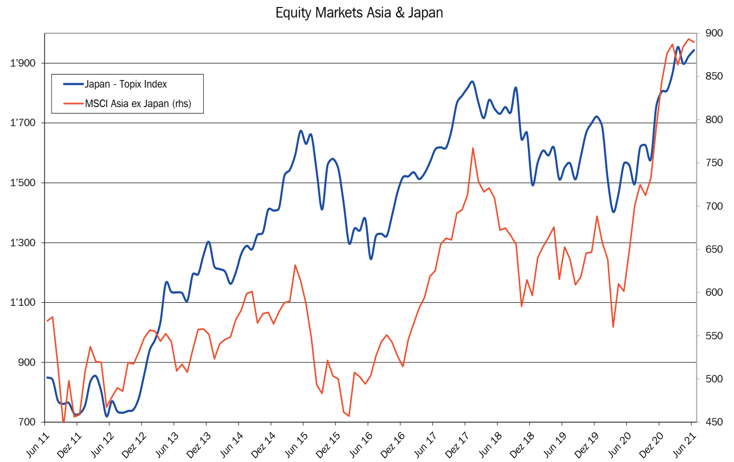
Living wealth.

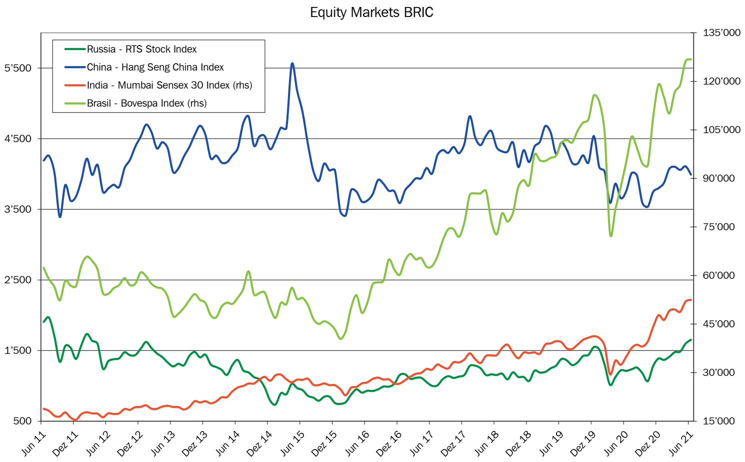
Trust is paramount in asset management.

Equity Markets at a glance

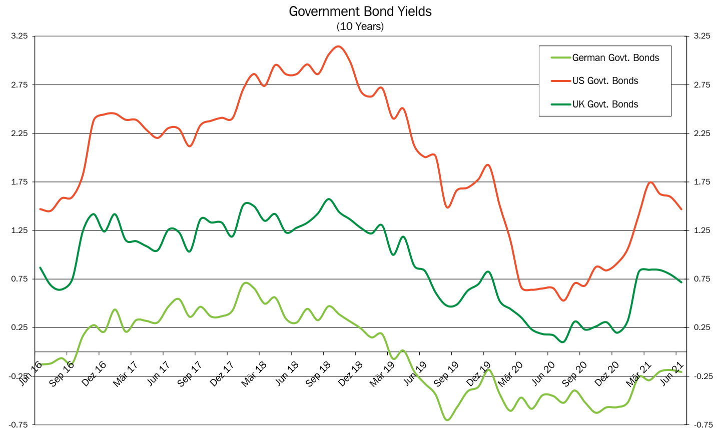


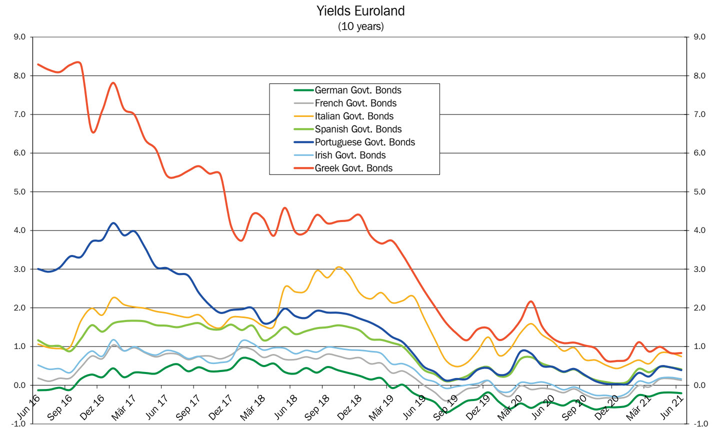


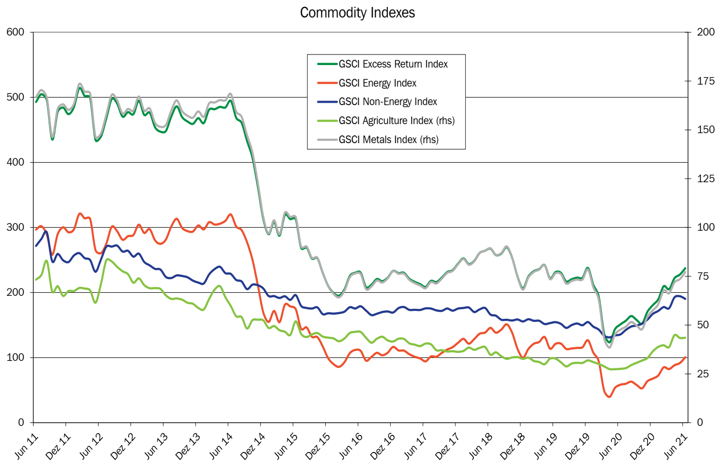


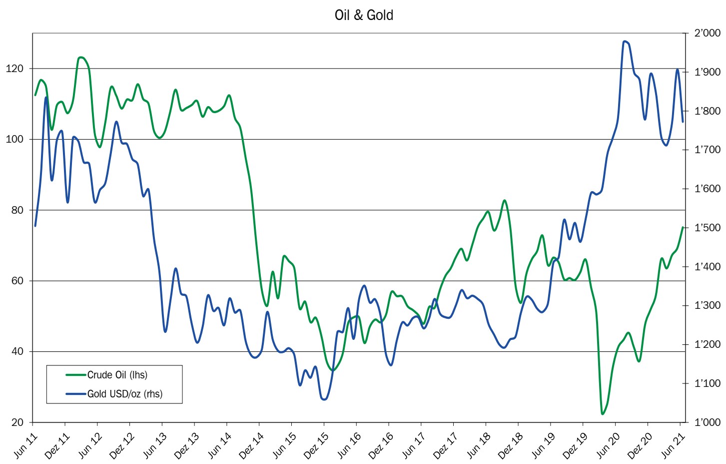


Bond yields and other indicators









Notes

SALMANN
INVESTMENT MANAGEMENT

Closing words

We wish you pleasant and relaxing
summer days and thank you
for the trust you have placed in us.

Alfred Ernst
Director, Relationship Manager

Contact us

Salmann
Investment Management AG

Beckagässli 8
FL-9490 Vaduz

T +423 239 90 00
F +423 239 90 01

www.salmann.com