HighValue Partners

HVP – Quarterly report

Q2-2024

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Market Overview

Fixed Income – Review

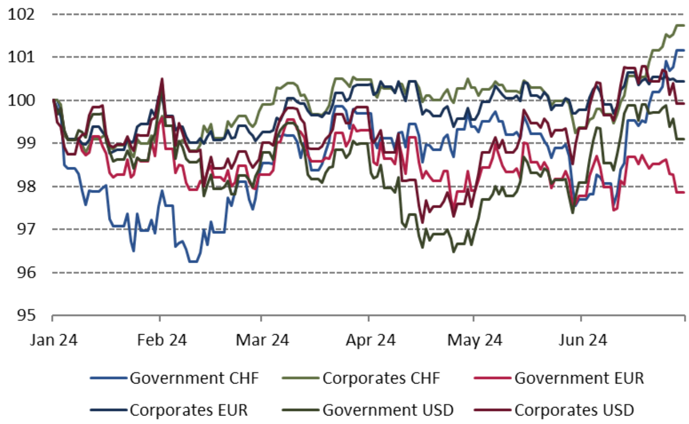
Category	QTD	YTD
Government CHF	1.5%	1.2%
Government EUR	-1.5%	-2.1%
Government USD	0.1%	-0.9%
Corporates CHF	1.3%	1.7%
Corporate EUR	0.1%	0.4%
Corporates USD	0.1%	-0.1%
Inflation Linked	-0.3%	-0.8%
High Yield Bonds	1.0%	2.3%
Emerging Markets Bonds $	-0.1%	1.4%
Emerging Markets Bonds local	-1.2%	-2.9%
Convertible Bonds	0.8%	-0.2%

Source: Bloomberg

- The bond market showed mixed performance in the second quarter. US bonds performed positively, while EUR-denominated bonds suffered losses.
- Contrary to the rise in global interest rates, yields in Switzerland fell across the entire yield curve. At its meeting on June 20, the SNB lowered the key interest rates for the second time this year from 1.50% to 1.25%.
- The rather positive market environment was only partially reflected in the performance of convertible bonds and emerging market sovereign bonds.

Fixed Income – Outlook

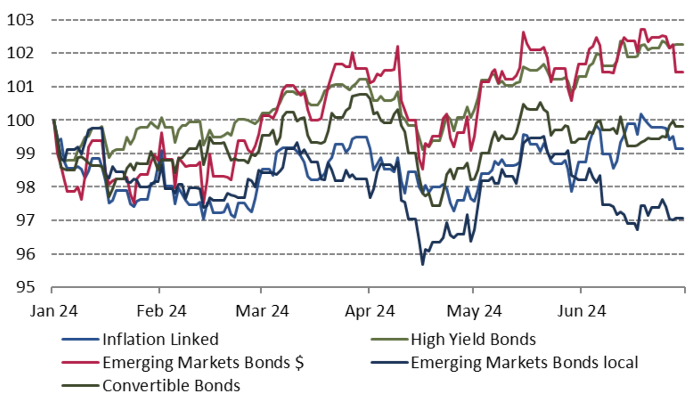
Overview Government and Corporate Bonds



Source: Bloomberg

- The phase of higher short-term interest rates due to the gradual easing of central banks' gold policies may slowly come to an end, and the yield curve may normalize.
- Given the current symmetrical inflation risks (deflationary growth shock due to financial disruptions versus the risk of persistently expansive fiscal policy and high wage increases leading to renewed inflation), medium-term maturities offer better risk-reward prospects.

Comparision of further fixed income categories



Source: Bloomberg

- Considering the uncertainties regarding economic and fiscal policy, as well as potential inflation fluctuations, it seems sensible to focus more on the credit quality of higher-grade investment-grade bonds.
- Emerging market bonds will benefit from the Federal Reserve's easing, and local currency bonds will become more attractive with the weakening of the US dollar.

Equities – Review

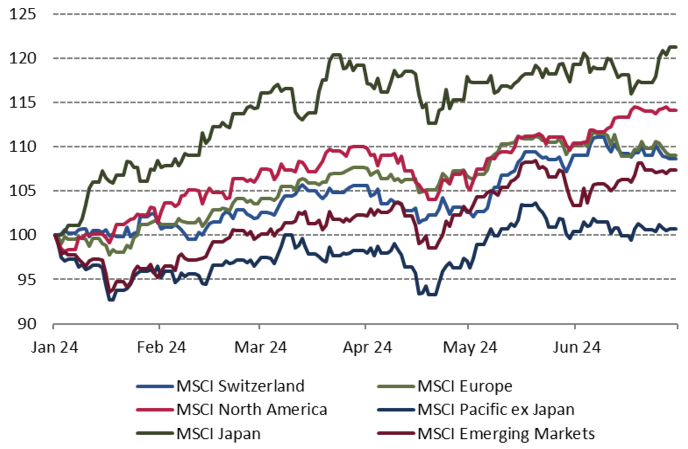
Regions and selected indices	QTD	YTD
MSCI Switzerland	2.8%	8.6%
MSCI Europe	1.3%	9.1%
MSCI UK	3.6%	7.8%
MSCI North America	3.7%	14.1%
MSCI Pacific ex Japan	2.5%	0.7%
MSCI Japan	1.8%	21.3%
MSCI World (in USD)	2.6%	11.7%
SMI	2.2%	7.7%
SPI	3.1%	9.3%
SMIM	-2.5%	0.4%
DAX	-1.4%	8.9%
Dow Jones	-1.7%	3.8%

Source: Bloomberg

- After a brilliant first quarter, the second quarter began somewhat "bumpy". The reasons were geopolitical tensions, particularly the conflict between Israel and Iran and the resulting danger of an escalating conflict, as well as the stagnating disinflation trend in the US.
- The price correction in April (MSCI lost about 4%) was offset again in May. Notably, the market responded positively to disappointing economic data and the associated prospect of possible interest rate cuts.
- In June, the focus was then on the interest rate decisions of the major central banks.

Equities – Outlook

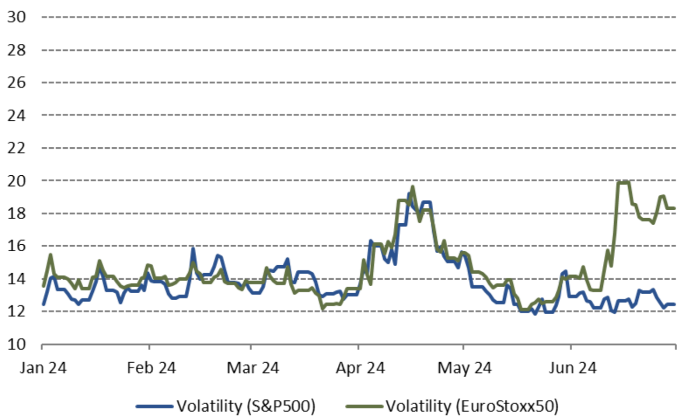
Comparison of various regions



Source: Bloomberg

- From a technical perspective, the equity markets are still on an upward trend. The deterioration in the economic environment in the USA could prove to be the biggest problem. Due to the economic and geopolitical uncertainties, we remain neutrally positioned.
- The US stock markets are continuing their record-breaking run and the performance gap to the European equity market has become even more widened.
- Macron's announcement of early parliamentary elections had a negative impact on the European equity market.

Overview Volatility



Source: Bloomberg

- The US presidential elections in early November are already casting their shadow. The first TV debate between Biden and challenger Trump at the end of June was clearly won by Trump. Good for US stock markets, less so for European stock markets.
- On the other hand, economic dynamics are shifting in favor of Europe, making valuation differences appear too large, especially for European small caps. These companies could greatly benefit from early interest rate cuts by the ECB, as they are heavily reliant on variable-rate debt.

Alternative Investments and Currencies – Review

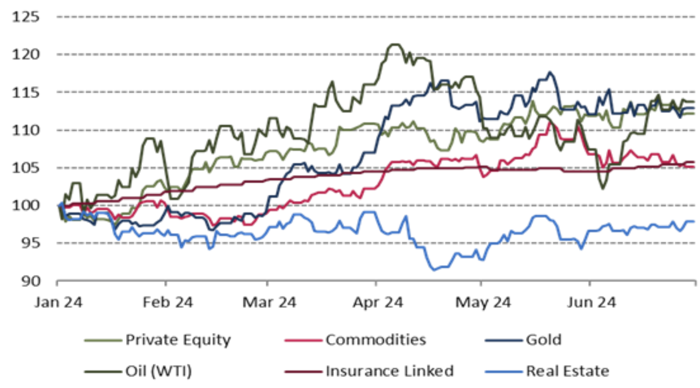
Category		QTD	YTD
Private Equity		1.1%	12.2%
Commodities		2.9%	5.1%
Precious Metals		7.9%	15.0%
Gold	2339.60	5.5%	12.9%
Oil (WTI)	81.54	-2.0%	13.8%
Insurance Linked		1.1%	5.8%
Real Estate		-1.2%	-2.1%
EUR/CHF	0.9628	-1.1%	3.7%
USD/CHF	0.8988	-0.3%	6.8%
EUR/USD	1.0713	-0.7%	-3.0%
USD/JPY	160.88	6.3%	14.1%
GBPCHF	1.1364	-0.1%	6.0%
EUR/GBP	0.8473	-0.9%	-2.3%

Source: Bloomberg

- For metals, it was an overall positive quarter, with silver, platinum, and copper achieving their best performance in six quarters. Gold also recorded its third consecutive quarterly increase.
- Despite a rise at the end of the quarter, the major trading currencies lost some ground against the CHF during the reporting period.
- The Japanese currency continues to suffer from the high interest rate differential with the US.

Alternative Investments and Currencies – Outlook

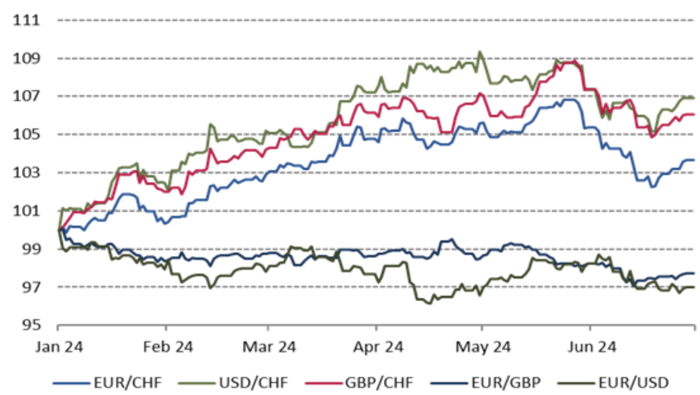
Overview alternative investments



Source: Bloomberg

- The demand for oil is not expected to rise significantly due to the anticipated slowdown in growth, but supply is likely to remain constrained due to geopolitical tensions and conflicts. As a result, the price could remain at the current level.
- The outlook for gold remains positive in the medium to long term despite potential short-term risks. Continued central bank demand, geopolitical uncertainties, and the macroeconomic environment are expected to continue acting as driving factors.

Comparison of main currencies



Source: Bloomberg

- The Japanese yen is weak, very weak. Any interventions would likely only temporarily halt the yen's weakness: Japanese private investors would immediately take the opportunity to invest in the US. A trend reversal is probably not expected until much later this year or next year when the US Federal Reserve aggressively cuts interest rates.
- With the slowdown in US growth and the easing by the Fed, we expect the US dollar to weaken slightly.

What moves us! – EU punitive tariffs on Chinese electric cars

«Our enemies are innovative and resourceful, and so are we. They never stop thinking about new ways to harm our country and our people, and neither do we.» *George W. Bush*

The European Commission has imposed tariffs on electric cars from China. Although these tariffs are not as high as the 100 percent imposed by US President Joe Biden in the trade war with China, they are expected to range between 17 and 38 percent. However, this decision is seen as problematic. It could particularly harm German car manufacturers and European consumers, hinder the necessary transition to sustainable transportation, and consequently have negative effects on the climate. In the medium term, China will hardly suffer from this, but in the short term, the measure could strain relations between the two economic superpowers. Additionally, these tariffs can be seen as an expression of European double standards.

Although these tariffs are legally sound according to World Trade Organization (WTO) rules, the question of their appropriateness remains. In China, the state supports its car manufacturers through subsidies, leading to overproduction of vehicles. These excess cars are then dumped on the market at low prices, distorting competition and harming European companies.

At the same time, China is a significant market for German car manufacturers. Mercedes, Volkswagen, and BMW sell around a third of their vehicles in China. In July 2023, Mercedes CEO Ola Källenius emphasized on Chinese state television that China is a "home beyond home" for Mercedes. Should China respond to the EU tariffs with its own tariffs of 15 to 25 percent on "large-engine" cars, it would severely strain the relationship.

The EU tariffs would also affect European car manufacturers that produce in China and re-import these vehicles to Europe, particularly impacting French manufacturers. Additionally, higher prices for electric cars could deter potential buyers, hindering the transition to electric mobility. This issue is not due to a lack of charging infrastructure or bureaucratic hurdles, but rather due to financial incentives supported by Chinese subsidies.

Although China is a systemic competitor, the idea of change through trade should not be completely abandoned. Europe is a much more significant market for China than Russia. Without China's support, Russia could not continue its war in Ukraine for long. A trade war with China could weaken Europe's influence, which could be used to affect the relationship between China and Russia or to deter China from attacking Taiwan.

Ultimately, the problem is not just the dumping price but also the price-performance ratio. Chinese electric cars often offer more value for money, even if they become more expensive. Moreover, China plans to build factories in Europe. BYD, the main sponsor of this year's European Football Championship, is building plants in Hungary and Spain and aims to become Europe's largest electric car manufacturer by 2030. Therefore, European manufacturers like VW need to develop new strategies.

Furthermore, European countries should not be too self-righteous when it comes to subsidies. European farmers have been generously subsidized for decades and export their subsidized products to China. Agriculture Minister Cem Özdemir negotiated the export of German apples, beef, and pork to China in April. France exports large quantities of wine, cognac, cheese, and other luxury products to China. Should China respond to the car tariffs with tariffs on agricultural products, European farmers could be significantly affected.

Other European products, from Airbus planes to animated films, have been and continue to be subsidized. In an ideal world, there would be no subsidies, but in reality, all states, including the USA, subsidize their industries.

Our funds at a glance:

Fund name	Crcy	Investment Strategy	NAV	YTD	NAV Date
HVP Global Opportunities Fund -CHF-	CHF	Balanced	133.47	10.79%	28.06.2024
HVP Global Opportunities Fund -EUR-	EUR	Balanced	218.86	7.10%	28.06.2024
HVP Funds – Constant Fixed Income	EUR	Bonds	1357.45	2.84%	28.06.2024
HVP Funds – Target Equities	EUR	Equities	1519.64	4.62%	28.06.2024

Source: www.ifm.li

Our distribution funds at a glance:

Fund name	Crcy	Investment Strategy	NAV	YTD	NAV Date
H.A.M. Enhanced Yield CB Fund -USD- A	USD	Convertible Bonds	104.79	2.02%	26.06.2024
H.A.M. Global Convertible Fund CHF A	CHF	Convertible Bonds	1771.39	0.55%	26.06.2024
H.A.M. Global Convertible Fund EUR A	EUR	Convertible Bonds	2255.99	1.44%	26.06.2024
H.A.M. Global Convertible Fund GBP A	GBP	Convertible Bonds	1223.29	1.95%	26.06.2024
H.A.M. Global Convertible Fund USD A	USD	Convertible Bonds	1808.07	1.99%	26.06.2024

Source: www.ifm.li

If you have any further questions about our products, please do not hesitate to contact us. We would like to thank you for the trust you have always placed in us and for your many years of loyalty.

Your HighValue Partners Team