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FORUM FINANCE

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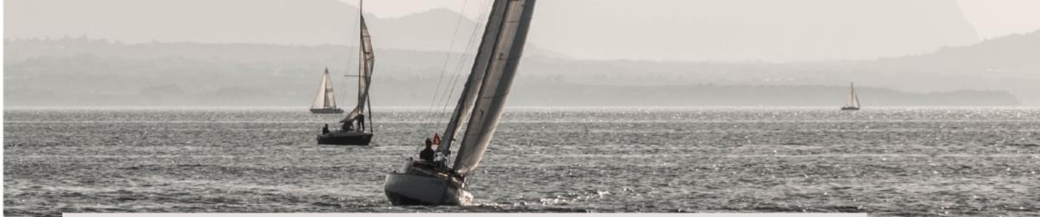


MONTHLY NEWSLETTER

October 2024

KEY ECONOMIC DATA

- U.S. gross domestic product (GDP) increased at an unrevised 3.0% annualized rate in Q2'24. Growth in Q1'24 was revised up to a 1.6% rate from the previously reported 1.4% pace.
- Euro zone inflation eased to 1.8% in September from 2.2% in August, Eurostat data showed.
- U.S. consumer confidence dropped in September to near the bottom of the narrow range that has prevailed over the past two years.
- Industrial output fell 3.3% in August from the previous month, data released by the Ministry of Economy.
- U.S. employment increased less than expected in August, but a drop in the jobless rate to 4.2% suggested the labour market was not falling off the cliff.
- European Central Bank (ECB) cut its benchmark interest rate by 25 basis points in September.
- Federal Reserve (Fed) cut interest rate by 50 basis points in September.
- Consumer price inflation in China reached the highest level since February with an increase of 0.6% in August.

European Central Bank cuts rate, again while the Federal Reserve cut by half a point

+23.1%

PERFORMANCE OF THE CHINA A ONSHORE SHARES

INVESTMENT PERSPECTIVE

September marked a milestone for the central bank after more than two years of fighting inflation, with the Federal Open Market Committee (FOMC) announcing a 50bp cut and hinting that more cuts were on the way.

In the latest 'dot plot' of officials' projections, most expect the federal funds rate to fall to 4.25%-4.5% by the end of 2024, implying another half-point cut. Policymakers also expect the funds rate to fall a further percentage point in 2025, ending the year between 3.25% and 3.5%.

In Europe, both the European Central Bank and the Swiss National Bank cut interest rates in September, the former for the second time by 25 basis points and the latter for the third time, as inflation slowed and concerns about the eurozone economy resurfaced.

The increased visibility provided by these clarifications allowed short rates (the front end of the curve) to fall sharply in the second half of September.

This monetary easing is taking place against a backdrop in which the inflation battle of recent quarters appears to be on the winning side, as confirmed by the latest inflation figures, particularly in Europe, where headline inflation is already approaching the European Central Bank's 2% target.

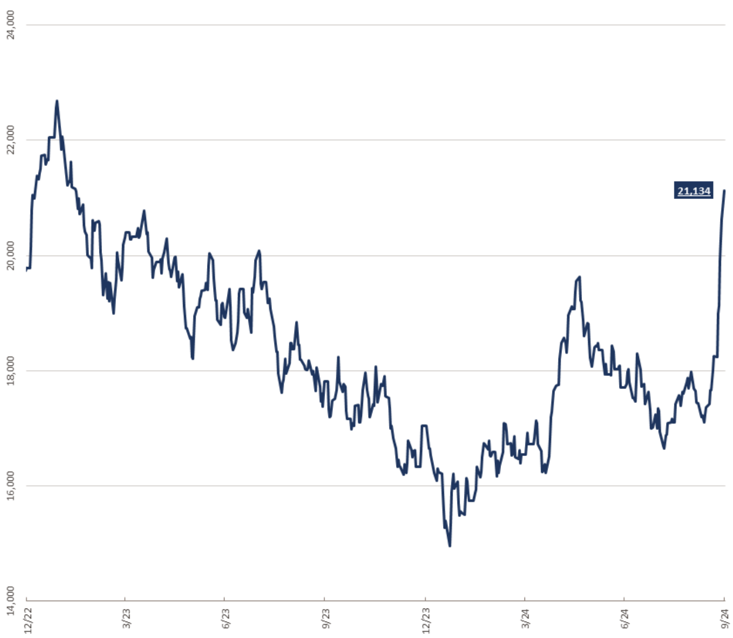
These cyclical dynamics reinforce the soft landing thesis and enabled both bond and equity markets to post positive performances in September. This optimism also pushed many sentiment indicators into the green, providing further support for risky assets.

In equities, the prize went to Chinese equities, which benefited greatly from government measures to support the economy. Indeed, the various categories of Chinese equities rose by more than 23% in a matter of days.

The start of the monetary easing cycle in the US weighed heavily on the US currency. As measured by the dollar index, the US currency fell for the third month in a row, for a cumulative decline of 4.8% over the third quarter.

Among commodities, the divergent performance of gold, up 5.7%, and oil, down 7.3% over the month, was notable.

Hang Seng Index



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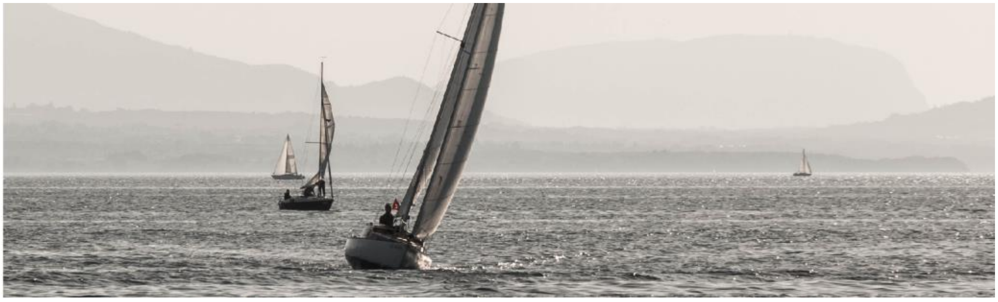

INVESTMENT STRATEGY

Since the beginning of the year, seasonal effects have produced some surprises. April, usually a positive month for equities, was down sharply this year, while September, feared by many, turned out to be a very positive month.

If history repeats itself, we should have a positive fourth quarter for equities, including October which, contrary to popular belief, remains a buoyant month.

As central banks clarify their policy normalisation, which the market has already partially priced in, risk appetite remains favourable, reinforcing our constructive stance, particularly on equities.

It is crucial to recognise that market leadership will continue to evolve, as we have seen on several occasions this year, albeit without much repetition, at least so far.

On the bond side, we continue to rotate into duration at the expense of credit. We are differentiating our stance more clearly by region, with a broad preference for European duration and a more cautious stance on US duration.

Notwithstanding the recent announcements in China, which we naturally welcome, we are increasing our weighting in emerging markets due to their favourable economic and monetary dynamics.

In terms of the currency mix of our portfolios, we are taking advantage of the recent weakening of the US dollar to increase our US currency exposure in Swiss franc and euro accounts.

Given Current Disinflationary Environment, the FOMC’s Half-Point Cut is an Appropriate Recalibration

PORTFOLIO ACTIVITY

Following the FOMC announcement, we decided to reduce our credit exposure and hence our bond exposure, while maintaining a high interest rate sensitivity, except for Swiss duration, where the potential is limited.

It is worth noting that the rotation of bonds this year towards greater interest rate sensitivity (duration) made a positive contribution to performance, as did our exposure to credit and emerging market debt.

Having increased our bond allocation as opportunities arose in the cycle, it is now time to reduce it, particularly high yield, in favour of equities. The proceeds allowed us to increase our allocation to emerging markets through an actively managed global emerging markets equity fund with a distinctive and unique approach.

Apart from emerging markets, we increased our exposure to US equities and, to a lesser extent, European equities. We have generally used passive instruments for quick and efficient execution.

For dollar accounts, our tactical view on the dollar is to favour an approach based on hedging non-dollar currency exposures.

For our Swiss franc accounts, where we have aggressively reduced the non-Swiss franc weighting - a good decision given the appreciation of the franc - we believe it is appropriate to increase our investments not only in emerging markets but also in US and European equities.

We have also increased our exposure to the US dollar by converting a portion of our alternative investments, previously hedged against currency risk, into a US dollar tranche.

	31/12/2023	30/6/2024	30/9/2024	Month-to-Date	Year-to-Date
Yields (%)				Δ In basis points	Δ In basis points
US 3-Month	5.33	5.35	4.62	-49	-72
German 3-Month	3.55	3.32	3.01	-18	-54
US 2-Year	4.25	4.75	3.64	-28	-61
German 2-Year	2.39	2.83	2.06	-32	-33
US 10-Year	3.88	4.40	3.78	-12	-10
German 10- Year	2.02	2.50	2.12	-18	+10
Currencies				Δ In %	Δ In %
EUR/USD	1.1039	1.0713	1.1135	0.8	0.9
USD/CHF	0.8414	0.8988	0.8456	(0.5)	0.5
EUR/CHF	0.9289	0.9628	0.9416	0.3	1.4
GBP/USD	1.2731	1.2645	1.3375	1.9	5.1
Commodities				Δ In %	Δ In %
Oil (WTI)	$71.7	$81.5	$68.2	(7.3)	(4.9)
Copper	$389.1	$439.1	$455.3	9.8	17.0
Gold	$2’063	$2’327	$2’635	5.2	27.7

Source: Bloomberg Finance L.P.