Reichmuth Alpin Classic - P (BVG)

YTD +4.2%

Positive Start to 2024

The first half of the year was characterized by strong stock markets, a weak CHF, and brilliantly performing precious metals. The SNB was the first central bank to lower interest rates due to declining inflation, with other central banks following suit. CHF investors also benefited from foreign currency gains, as most major currencies appreciated against the CHF due to solid economic prospects. All these factors supported the stock markets, which were buoyed by the technology sector and the investment theme of "beneficiaries of artificial intelligence".

Category	Allocation ø	Performance 2024	Contri-bution
Cash (incl Fees)	3%		-0.5%
Bonds	40%	1.4%	0.6%
Equities	45%	7.8%	3.5%
Real Estate	12%	0.1%	0.0%
Currencies			0.6%
TOTAL	100%		4.2%

Real Estate Not in Favor

The highest performance contribution came from stocks, which we continue to overweight. Stocks in the technology and infrastructure sectors, particularly those related to artificial intelligence applications (semiconductors, energy management, etc.), performed very well. However, Swiss small-cap stocks did not meet expectations and lagged behind the overall market. Real estate companies are now feeling the impact of higher financing costs. Nevertheless, we believe that the higher interest rates are already priced into property values (at least in Switzerland), suggesting that these have found a floor.

Is Inflation Defeated?

We anticipate overall solid economic development with low, but positive growth in the coming months. Accordingly, corporate profits are expected to somewhat meet expectations. However, following the strong price increases in the first half of the year, a temporary consolidation over the summer months is likely, supported by historical seasonality. New stimuli are expected in the run-up to the US elections in fall. Tax cuts for businesses would likely be positively received by the market in the event of a Trump victory. Under the Democrats, it may be more challenging to stimulate the economy due to limited scope for further spending increases given the high deficits.

The need for investment in building local supply chains and energy restructuring will strain the budgets of Western states (budget deficits) and keep the demand for raw materials high. With an isolated Russia as the largest producer of raw materials and other geopolitical hotspots, the risk of future supply shortages of critical raw materials increases. As long as this situation remains unchanged, it is premature to speak of an end to the inflationary regime. Therefore, real assets like stocks remain favored. Alternative investments, precious metals, and other commodities continue to play an important role in portfolio construction. In contrast, we keep interest rate risks low in portfolios and continue to prefer short-term bonds or cash.

Philipp Murer, Portfoliomanager

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