

Reichmuth Alpin - S (BVG)

A powerful sign of life in 2021

YTD +7.5%

Stock markets performed very positively over the past year. As a consequence, they are responsible for the largest contribution to the strong overall fund performance. Inflation and the fight against it are becoming a hot topic and could lead to more volatility in the markets.

Category	Allocation ø	Performance 2021	Contri- bution
Cash (incl. fees)	2%		-0.9%
Bonds	30%	2.8%	0.8%
Equities	44%	15.1%	6.7%
Alternative Investments	14%	8.2%	1.1%
Real Estate	5%	6.3%	0.3%
Precious metals	5%	-2.7%	-0.1%
Foreign currencies			-0.4%
TOTAL	100%		7.5%

There is no alternative to equities (TINA)

The majority of asset classes closed the year in positive territory. Thanks to the cyclical orientation - coupled with a high equity allocation and the positive performance contributions of alternative investments - the performance was pleasing throughout. The largest positive contributions came from equities. The excellent performance of Small- and Mid-Caps, which benefited from the good global economic development, is noticeable in the case of Swiss equities. Thanks to our low bond allocation and the inclusion of inflation-linked bonds, we were able to protect against losses in the fixed-income segment. Swiss real estate delivered a solid cash flow, while foreign REITs - in growing niches - performed even better. Hedge funds and insurance-linked securities (ILS) supported the pleasing result and are an important pillar of the fund strategy.

Inflation expectations in focus

We see 2022 as a transition year: the extreme market distortions resulting from the pandemic should normalize. The initially above-average economic growth will approach trend growth and interest rates will continue to move higher from the pandemic-related lows. The environment remains favorable for equities, but after the strong performance in 2021 we expect some consolidation and modest gains overall. Inflation remains the dominant topic for financial markets. Even if there is a slight easing in the reported inflation figures in the course of 2022, there are some indications of structurally higher inflation in the coming years. With TINA still in place, we start the new year with an overweight in equities. Despite uncertainties surrounding the latest virus variant, we see opportunities in European equities. A weakish EUR, plenty of stimulus from the European Recovery Fund and large investments in renewable energies should help the Eurozone to achieve high growth in 2022. In terms of equity selection, we are looking for a mix of quality companies and cyclical companies that will benefit from the upswing. Inflation expectations remain in the spotlight. If, contrary to our expectations, inflation forecasts move significantly higher in the coming months, we will reconsider our overweight in equities. In this scenario, however, fixed-income investments offer little diversification, which is why we are maintaining our underweight. In contrast, the allocation to alternative investments such as gold, hedge funds or ILS should help to diversify the portfolio in an inflationary environment.

Philipp Murer
Portfolio Manager

