

Reichmuth Voralpin - P (BVG)

A powerful sign of life in 2021

YTD +3.1%

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)	6%		-0.8%
Bonds	56%	1.4%	0.8%
Equities	11%	16.6%	1.8%
Alternative Investments	19%	7.2%	1.4%
Real Estate	5%	8.9%	0.4%
Precious metals	3%	-4.5%	-0.1%
Foreign currencies			-0.4%
TOTAL	100%		3.1%

Equities & Alternatives shine

While the global bond markets showed a negative performance, Reichmuth Voralpin was able to achieve a positive performance contribution in this segment. Thanks to the low duration of the fixed income portfolio and the inclusion of inflation-linked and well-chosen emerging market bonds, we were able to protect against price losses. Equities and alternative investments delivered a substantial performance contribution. Due to the active addition of low-correlated investments such as Hedge Funds or Insurance-Linked Securities (ILS) in the alternative area, additional returns could be achieved and provided the portfolio with robustness. Gold remained somewhat below expectations - despite the strong increase in inflation, the gold price remained relatively stable.

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. We start the year with an overweight in real assets such as equities, real estate and gold. In addition, we maintain a low duration for bonds, which represent almost 60% of the strategy. 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 contrast, the allocation to alternative investments such as gold, Hedge Funds or ILS should help to diversify the portfolio in an inflationary environment.

Rolf Iten
Portfolio Manager

