ROSSIER, MARI & ASSOCIATES LTD
Investment Consultants

Investment Report
December 31, 2020

At the end of 2019 we expected a good market performance for 2020. At the end of September 2020 our expectations were met and at year end comfortably confirmed. The 2020 performance of our portfolio management is around 6% (5.97%).

Despite the market slump in February/March due to the Covid-19 pandemic, we were able to maintain our performance at a good level thanks to the technology stocks. In addition, as suggested in our September report, we have seen a revival in value stocks (especially financial stocks) in the final months of the year. The financial titles were and are strongly represented in our portfolio and contributed accordingly to the good performance.

The outlook for 2021 is mostly optimistic. There are positive factors such as

- By the summer of 2021, the vast majority of the European and American population will be vaccinated. This should also be the case in China. Therefore, a return to a normal life is tangible.
- Although the global economy will not reach pre-Corona levels before 2022/2023, we expect a growth rate of 4-5% in 2021. Consequently, unemployment figures will drop.
- In 2021 interest rates will remain at 2020 levels. Should inflationary trends show up, interest rates could slightly rise. There are hardly any investment alternatives to the share market other than highly speculative investments such as bitcoin.
- The uncertainty of the American election belongs now to the past. With the victory of the Democrats, generous financial aid packages can be expected. The announced tax increases have only a slight negative impact on the market.

- With economic growth, company profits and, consequently, EPS will increase. Thus, there is an upside potential for share prices although limited in view of the already prevailing high market valuations.

In addition to the positive factors, there are also events that could weaken the expected positive development of the stock markets:

- The dollar was the big loser in 2020 (-9%). The situation does not look good for the US currency in 2021 either. With the Democrats in power, deficits will increase even more. Major expenditures are already planned in the health care and environmental protection ("Green New Deal").
- The last election has left behind a deeply divided American society. Trump lost the election, but Trumpism will live on and the consequences are not yet foreseeable.
- Internal tensions will also increase among Democrats once the first euphoria of electoral success has faded. Today, the moderate Democrats seem to be in charge, but the radical left wing under Bernie Sanders and "the Squad" will soon come up with extreme requests.

Conclusion:

We believe that the positive factors will outweigh the negative. The S+P500 will probably crack the 4000 points. Most analysts are predicting an EPS (S+P500) of $170 to 180. This would mean a P/E of 22/23. Due to the prevailing very low US interest rates (0/0.5%) the stock valuations are not very high. Our favourites for 2021 are primarily financial titles (UBS), energy (Royal Dutch) and "Big Tech" (Apple, Microsoft, Nvidia, etc.).

Last year - after the takeover of Osiris - we were looking for a further potential profit successor for our fund. Our choice fell on Idorsia, where we had already built up a starting position in December 2019. During 2020 we gradually increased the position on the occasion of intermediary market corrections. Today, we hold about 10% of the portfolio value in Idorsia. We expect their first product - Daridorexant (Insomnia) - to be approved by the FDA at the end of 2021. Sales should start in early 2022. Four other products are already in Phase III, three products in Phase II and four products in Phase I of research.

We continue to hold a gold position in the portfolio.

January 6, 2021

Georges Mari