



ROSSIER, MARI & ASSOCIATES LTD
Investment Consultants

Investment Report 31 December 2022

In our latest annual report, we wrote that 2021 had exceeded our wildest expectations. Unfortunately, we cannot say the same for this year. As already mentioned in our investment report as of 30 June, we have made a pretty good start in 2022. As of March 31, our performance was still positive despite the start of the war in the Ukraine, whilst our benchmark was already in the red. In the second half of the year, our performance slipped into the red, whilst the benchmark plunged even lower. The SMI closed the year with a performance of -16.67%, the S+P 500 with -19.44% and the Eurostoxx50 with -11.75%. Our fund recorded a minus of 10.83% and expressed in CHF a minus of 11.13%.

Our performance over the last 5 years (November 2017 – October 2022) has been encouraging. Like last year, Forbes published the top 50 fund managers of the year in its issue No. 9, 2022. For this purpose, the performance over the past five years of 4,750 fund managers domiciled in Germany, Austria and Switzerland have been evaluated. We have reached no. 1 ranking and, consequently, have improved from last year's ranking of no. 15. The annual performance over the last 5 years was +12.11%, only slightly less than the annual performance for the period 2016-2021 (+12.59%) and this despite the bad markets prevailing in 2022. It is worth mentioning the comparison of the outperformance of both periods under review: the outperformance during 2016 to 2021 was +8.93%; in 2017-2022, it was substantially better with 12.10%. This result confirms our efforts of minimizing losses in bad years and maximizing profits in positive years.

Last year's favorites achieved mixed results. We had mostly bet on 4 sectors - construction, clean energy, finance, tourism - and on Idorsia. We achieved the best results in the financial sector (Zürich Vers., UBS and Swiss Re) and in the construction industry (Holcim). Clean Energy closed in negative territory comparable to the development of the SMI. The tourism industry and Idorsia definitely finished badly. Idorsia represents an important position in our portfolio and remains one of our favorites in 2023. We would like to give a brief assessment of the situation and would use for this purpose a SWOT analysis: Whilst no product of the company was on the market in 2021, the situation has now changed.

Strengths: Since May 2022, the main insomnia product “Quviviq” has been on the market in the USA; from September 2022 it was also marketed in Germany and Italy. In the meantime, approval has also been granted in Switzerland. The sale is planned from the 2nd semester 2023. Another product, “Pivlaz” against cerebral vascular spasms, was launched on the Japanese market in 2022. It will bring the company the largest turnover for the time being.

Weaknesses: Idorsia plans independence from the capital market from 2025 onwards. Until then, investors remain cautious. Sales of “Quviviq” in the U.S. are also not developing as fast as expected.

Opportunities: the drug “Aprocitentan” (for intractable hypertension) has successfully completed phase III and has been introduced to the FDA. Approval is expected by the end of 2023 and sales are expected to begin in mid-2024. Further 7 products are in various phases I/II/III of approval (see pipeline on the Idorsia website <https://www.idorsia.com/about-idorsia/idorsia-today/our-pipeline>).

Threats: The Management expects Idorsia to break even in 2025. For “Quviviq”, the market potential for this time is estimated at approximately USD 1 billion. “Aprocitentan” is also a potential billion-dollar drug as from 2025/2026. However, these are expectations with no guarantee of success.

Financial institutions, investors and analysts are struggling with forecasts for 2023. We note that the situation is characterized by great pessimism, and it is not excluded that over 90% of market players are very pessimistic for the first 6 months of 2023. Their main arguments are the monetary policy of the national banks, which could be very restrictive in the long term. The energy supply remains uncertain in the medium term; interest rates will continue to rise even though inflation, especially in the US, is already declining. Both the economy and the profits of the companies could erode - the war in the Ukraine could last for years, Covid explodes in China, stability in Iran is shaky, North Korea continues to threaten. In about six months, the US presidential election campaign will start, and the tone of voice could get ugly if Trump is nominated again by the Republicans. The division of the American people would continue. We have rarely seen so much pessimism in our 40-year experience. Again, from experience, however, in most cases exactly the opposite of the forecasts happens.

Of course, from today's perspective, we are not euphoric, but neither are we completely pessimistic like the majority of the financial industry. In our view, our strategy should not focus on the market as a whole, but on those markets that are most likely to benefit from financial, economic and geopolitics. We believe that Switzerland and the US could be the beneficiaries in 2023, perhaps also certain emerging markets, Europe and China, on the other hand, less so.

The US is and will continue to benefit most from the war in the Ukraine. The Republicans are bothered by the fact that American taxpayers send so many billions to the Ukraine, much more than the Europeans. They forget - or worse - do not realise that this money is ultimately flowing back into the American arms' industry, which will support the economy. The Americans will be at the forefront when the war is over because all wars have an end, except perhaps the one between North and South Korea, where the state of war has never been formally ended. When the time comes to rebuild the Ukraine, American construction companies will benefit, to the great annoyance of European states, especially Germany. The disadvantage of

investing in the US is the dollar. We expect a weaker US currency against the CHF next year.

Switzerland will be our main market for investment in 2023. Our favorites are Sika, Holcim, Roche, Swatch, financial stocks and a few selected US stocks. Idorsia remains our preferred asset.

Georges Mari

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