

RM Smart Strategy Fund

Minutes of Investment Committee meeting of

25 January 2022 at 2.00 pm

For personal reasons, our economist and member of the investment committee, Andreas Homberger, had to terminate his contract with Rossier Mari & Associates. To fill the vacancy, a consulting contract was concluded with WPuls (formerly Wellershoff and Partners). WPuls is represented by Mr. Adriel Jost and Ms. Christa Janjic-Marti.

Fundamental:

The topics that will occupy us in the short and medium term are growth, core inflation, interest rate developments and the purchasing power of the CHF against the Euro and the US dollar.

Growth

The economy is doing very well, even if the Omikron variant is currently causing headwinds in certain industries. Mood indicators in the US are at their highest level for the last 20 years. In Europe, the level is not as high as in the US, but at least it is in a comfortable positive range. As we had already mentioned in our Investment Report of 31.12.2021, world growth in 2021 was 5.8%. For the current year, we expect about 4.3%. This excellent economic situation is very positive for employment, consumption and profits of companies. But there is also a negative aspect that affects some already very highly valued companies; these are mainly technology stocks (P/E 22 Nvidia: 51, Microsoft: 31, Tesla: 99, Amazon: 55 etc.); which is also why they tend to be weaker despite good quarterly figures (as of 31.12.2021). In the technology sector, a reduction in P/E due to lower prices and higher profits will be very likely in 2022.

Inflation

Inflation has risen sharply since mid-2021. It is 7% in the US, 5% in the Eurozone and less than 2% in Switzerland. The low percentage in Switzerland can be partly explained by the rising CHF. The increase in inflation is mainly due to the increase in energy prices (about 2% of the index) and from secondhand car trading (about 1% of the index); the rest relates to higher property prices and rents, as well as the shortage of goods due to bottlenecks in supply chains. Rising wages in the parched labour markets are also having an inflationary effect. Production, transport and restrictive corona measures are also relevant to inflation.

We assume that in the course of the year the energy and secondhand car price increases of a total of 3% will diminish; nevertheless, inflation will remain at 3-4% in the US and around 2% in Europe. The latter value is also predicted by the President of the ECB, Christine Lagarde. While the FED is now openly talking about inflation risks, the ECB continues to disregard it. Therefore, it is not planning any interest rate increases for 2022 and 2023 for the time being, while the Fed has already announced three to four rate increases for 2022 as well as the end of bond purchases. The higher growth rate is already discounted in the share prices.

Our favorites for 2022 are mainly in the financial industry (banks, insurance companies). Assuming that the FED will raise interest rates in the US in stages to around 1¼%, we are also focusing on tourism, construction (infrastructure) and clean energy sectors.

Currencies

The CHF is significantly undervalued in terms of purchasing power. This trend will persist as long as the inflation differential between the US and the European Union exists. In the medium term, a parity of 1:1 to the Euro would be realistic. The interest rate differential in favour of the USD could support the American currency.

Investment recommendations:

- Cruise Lines
- Easyjet
- Sika
- Straumann

Charttechnically:

- S+P** The dark clouds have degenerated into a storm. Since the beginning of the year, the index has lost 9%. Technology stocks in particular are responsible for this bear market. The oscillators have retreated to a neutral level, increasing the likelihood that we are in a bottoming process. The long-term trend remains intact, but the dark clouds have not gone. The support line is 4350, then 4250. The resistance zone is 4520/4600.
- SMI** A sideways movement until the end of 2021 has indeed occurred, but the SMI could not escape the bear market of the S+P. The trend remains intact in the medium and long term. The long-term overstretch is at a modest level compared to the US. Support at 12050/11485 resistance for 12050/12590.
- Eurostoxx** A resumption of the uptrend has taken place, but has been overtaken by the medium-term situation. The medium-term, now neutral level could call for a rebound, but even an oversold level cannot be ruled out. Caution is therefore advised. The trend remains intact in the medium and long term. Support at 4040 then 3920, resistance zone at 4230.
- Gold** In the long term, the trend remains intact, and this will not change. Resistance at 1850/60, then 1920/50.
- Currencies** The euro experienced a brief rebound against the CHF, but slipped back below 1.04. At 1.03 a bottom seems to have formed. The USD remains resilient. The medium-term buy signal is still intact. Resistance at 0.935.

Purchases January

Position increases

- Idorsia
- RWE
- Royal Caribbean Cruises
- Carnival Corp.
- Bayer

New positions

- Walt Disney, new Position
- Easyjet, new Position

Sales January

- Schlumberger (entire position)
- Cronos Corp. (entire position)

Next meeting according to separate doodle.