Letter from the President and the Fund Managers
January 2021

The year 2020 will remain firmly entrenched in our minds for ever as the year in which we experienced the worst economic and social crisis since the end of the second world war. If we look back to the end of last March, however, when the international equity indexes were posting figures of around -20% to -25%, the financial markets have, surprisingly, made a remarkable recovery in the meantime and achieved a respectable annual performance, with 75% of asset categories, including international equities, ending the year with positive returns (figures in USD).

This performance is due to a combination of, firstly, extraordinary support measures launched by the central banks and government bodies, secondly, the alleviation of concerns regarding COVID-19 through the development of vaccines and, thirdly, the easing of geopolitical risks (US elections, Brexit).

The global economy has suffered its worst shock since the end of the second world war, with the IMF estimating a contraction of 4.4% at global level for 2020 (-5.8% for the developed economies and -3.3% for emerging markets). COVID-19 and the containment measures introduced to combat the pandemic have had a considerable impact. First of all, in health terms, a total of 87 million cases and 1.8 million deaths worldwide were recorded up to the end of December. Then, at the social level, significant declines in activity resulted from the lockdown measures. In the United States, unemployment skyrocketed to more than 14% during the first wave in March. The central banks and governments reacted strongly to this unprecedented shock, lowering policy rates and increasing quantitative easing measures. The individual states have, moreover, assumed their share of responsibility and used the budgetary lever to support the economy, making direct payments to employees or companies, and launching loan guarantee measures and public investment programmes (major works policies). All in all, almost 12% of GDP has been deployed in this way to prop up a faltering economy.

OUTLOOK

While health, monetary and fiscal measures have been adopted as a matter of urgency to cope with the impact of the pandemic, its causes can only be resolved through the development of a vaccine. The development of a number of vaccines and the launch of large-scale vaccination programmes throughout the world are pivotal developments in this respect. In addition, Joe Biden’s victory in the US presidential election is set to mark a return to normal for the United States’ relations with its trading partners. And the Democrats’ victory in the Senate, giving the new president a (small) majority, is opening up the prospect of additional stimuli.

From a macroeconomic perspective, we can reasonably expect a period of sustained growth this year, even if this only stems from catching up on the activity lost in 2020. While the US GDP is set to return to its pre-pandemic level in 2021, the eurozone GDP will probably have to wait a further year before reaching this mark. Even a modest economic recovery, coupled with what are still low interest rates and favourable monetary and budgetary policies, ought to support the financial markets this year. A falling dollar and the resumption of world trade should favour the emerging markets led by China, which has, moreover, displayed greater resilience to the pandemic than the Western economies.

When it comes to the risks needing to be monitored, COVID still tops the list. The rollout of vaccines and their effectiveness (including against the new variants of the virus) pose significant risks and could threaten the progressive relaxation of restrictive measures and a return to normal business conditions. In addition, any increase in the cost of capital needs to be monitored, since this could have an impact on the valuation of financial assets, which are high by historical standards, and also on the financing of debts, which have risen greatly in the course of 2020. Tensions in the financial system, accelerating inflation or an error (in communication) in monetary policy on the part of the central banks are also risks that require monitoring in this respect.

In the course of 2020, the value of segment A (“growth”) rose from EUR 248.24 to EUR 255.58, i.e. an annual change in EUR of +2.96%. The value of segment B (“conservative”) went down from EUR 159.48 to EUR 159.26, giving an annual performance in EUR of -0.14%. The value of segment C increased from CHF 124.44 to CHF 126.94, representing an increase in CHF of +2.01%.