CPIC

Management Report
4rd Quarter 2020

2020 is over – a year few are likely to quickly forget. Despite the worst recession seen since the Second World War, equity markets in industrialized countries fared well over the year as a whole, picking up by 14.1% as measured by the MSCI World. Despite getting off to an extremely bumpy start because of uncertainty surrounding the US elections and new lockdowns in Europe, the fourth quarter really propelled this growth (up 12%).

Joe Biden's thrilling final push to electoral victory and the encouraging news about a highly effective Covid-19 vaccine ensured a phenomenal boom for financial markets in November. Biden's appointment as the new US president seems to have averted the risk of an escalating the US-China trade war, and the vaccine offers hope of a return to normality in the services sector in the near future. In addition, the constant stream of economic data largely negated gloomy predictions of a weak fourth quarter ahead

At country level, it was the stragglers' time to shine in the fourth quarter, i.e. stock markets that had fallen behind over the summer. More defensive stock markets such as Switzerland brought up the rear.

Low interest rates are making the search for bonds with attractive yields noticeably more difficult and so investors are increasingly looking to riskier bonds. This was demonstrated by the corporate bonds segment, where issues with lower credit ratings (BAA) saw far higher yields than first-class bonds (AAA). Other winners included emerging market bonds in hard currency (up 5.8%) and in local currency (up 2.8%), which were also bolstered by the vaccine euphoria and reduced trade war risks.

Yields on government bonds remain low. Nevertheless, it is worth highlighting that their prices rose in most countries in Q4 despite encouraging political and economic developments. This reflects the lip service paid by the ECB and the Fed to continuing their bond buying programs.

Cyclical currencies, like those in Europe and in emerging markets, benefited from the optimistic economic outlook. Many US investors increasingly directed their investments towards European equities, but no longer hedged the currency. This is one of the reasons the US dollar declined by 3.8% against the Swiss franc in the fourth quarter

The EUR/CHF exchange rate remained relatively stable in Q4 at 1.08, with the euro gaining just 0.4% on the franc.

Since the beginning of 2020:

the value of the A share increased by 2.96% from EUR 248.24 to EUR 255.58

the value of the B share decreased by -0.14% from EUR 159.48 to EUR 159.26

the value of the C share increased by 2.01% from CHF 124.44 to CHF 126.94

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