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Management Report 2nd Quarter 2022

Investors had reason to be concerned in the second quarter. The war in Ukraine has now triggered an inflation spiral, resulting in higher goods prices, especially for energy and food, primarily in Europe. In the United States, on the other hand, the tight labour market caused wages and inflation expectations to pick up. Inflation in the US climbed to a level last seen in the 1980s. As a result, the US Federal Reserve, sprang into action, also to send a stark message that it was now taking decisive steps to tackle inflation. In June, it increased its benchmark rate by 75 basis points, its greatest hike since 1994.

This move did not bring any reassurance and in fact exacerbated existing worries. Forecasts started reflecting scenarios of a stagnating or shrinking economy dominated by inflation. Equity and bond prices plummeted and – except for oil and agricultural commodities – even commodities ceased being a dependable hiding spot for investors. Moving to currencies, only the US dollar lived up to its reputation as a safe haven.

Hopes that equity markets could continue their recovery in March dwindled at the start of the fourth quarter on account of the US Fed's interest rate hike that many observers considered aggressive. The MSCI All Country World Index fell by 14.1% over the quarter, calculated in local currency. Western stock exchanges (- 14.8%) and, in particular, Wall Street (-17.1%), were hit hard. German (- 15%) and Dutch (- 15%) equities were also among the clear losers. Emerging market equities performed better, declining by just 9% thanks to a more encouraging economic outlook for China towards the end of the quarter. Many major cities began easing the restrictions imposed to contain the pandemic at the start of May, particularly benefiting the Chinese market (MSCI China +4.6%). However, emerging markets with links to Ukraine suffered indirectly from Russia's aggression (Hungary: -15.2%, Poland: - 21.3%).

Rising inflation and interest expectations continued to hurt bonds. Looking at government paper, Japanese sovereigns were the front runners in terms of income (- 1.5%) thanks to the Bank of Japan standing by its loose monetary policy and maintaining its very low interest rate across maturities. US Treasuries (-3.9%) occupied the middle ground, with Germany (-6.3%), Italy (- 7.3%) and the UK (-7.7%) bringing up the rear. One topic of conversation at the end of the quarter was that government bond yields in core eurozone countries (such as Germany) began to diverge from yields in the more indebted "periphery", i.e. mostly southern European countries such as Italy. This got the attention of the European Central Bank (ECB), which said that it would actively take steps to mitigate these tensions

within bond markets. The situation eased somewhat in response.

Emerging market bonds were also well into negative territory given the rise in interest rates, although bonds in local currencies (-8.6%) performed slightly better than those in hard currency (-11.4%). Corporate issues fared little better over the quarter, falling by -7.3% in both the US and in Europe. The AAA segment in Europe (- 7.9%) and the US (-8.2%) experienced losses on par with the high-yield segment (BAA: 7.9% in Europe, 7.8% in the US).

In terms of currencies, the US dollar remained solid as a rock in the second quarter. Another popular safe haven currency, the Swiss franc, ended the quarter on a solid note but still trailing the front-runner by a hefty - 4%. The euro, down approximately 6% versus the dollar, hardly benefited from the ECB's more specific signals regarding interest rate hikes.

Commodities presented a mixed picture, partially due to special factors. Russia's war against Ukraine, which has resulted in the supply of gas slowly being cut off, drove up the cost of energy (Brent oil: +7%) and agricultural commodities (soybeans: +9.9%, corn: +8.5%). This was offset by significant price declines, for example for copper (-20.4%), aluminium (-30.3%) and nickel (- 29.5%). Gold (-6.9%) failed to benefit from investors' portfolio changes in the second quarter. The rise in real yields (nominal yields less inflation) in connection with more restrictive central bank policies directed attention away from gold and towards other asset classes.

the value of the A share decreased by -10,19% from EUR 287.63 to EUR 258.33

the value of the B share decreased by -1.99% from EUR 159.53 to EUR 156.36

the value of the C share increased by -12.97% from CHF 133.66 to CHF 116.33