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Management Report
4th Quarter 2023

From an economic perspective, 2023 brought us a whole host of surprises. Despite all the forecasts of doom and gloom, the global economy proved to be more robust than could have been expected given the aggressive cycle of interest-rate hikes. Equally surprising for many market observers was the fall in inflation, which was sharper than anticipated. Although central banks' targets have not yet been reached in the major industrialized countries, with an inflation rate of 3%, they are once again within reach in the US and Europe. This mix of only slowly weakening economic data and falling inflation was the main driver of risky asset classes in 2023. However, central banks such as the ECB and the Fed put a damper on the markets all the way into the last quarter of the year and repeatedly triggered disappointment and setbacks with their “higher for longer” motto (higher interest rates for a longer period).

However, this changed at the beginning of November, with the ECB and the Fed no longer making any effort to counter the expectations of interest-rate cuts that were building up. The markets reacted with a strong rally in risky asset classes and government bonds.

Global equity markets (MSCI World All Countries in local currency) posted a significant gain of +9% and increased annual performance to +22.2%. At +5.6%, emerging-market equities once again lagged the developed markets (MSCI World: +9.5%). However, this is mainly due to the weak performance of heavyweight China (MSCI: -4.8%). Among industrialized countries, the US (+11.9%), Sweden (+12.6%), and the Netherlands (+15.1%) once again came out on top.

The sharp drop in global yields since the beginning of November was a positive factor for technology stocks (MSCI World) that came out on top with +17%, ahead of industrial stocks (+11.5%) and financial service providers (+11.3%). Energy stocks came in last place at -5.3%.

The bond segment experienced a historic fourth quarter, with the JP Morgan Global Bond Index gaining +5% (in local currency terms). In November, US government bonds even recorded their strongest rally since the mid-1980s. The reason for this was the positive mix for bonds of slightly weaker economic data, a sharper-than-expected decline in inflation, and a US central bank statement suggesting interest-rate cuts in 2024. However, the strongest gains were seen in Europe, led by Belgium (+8%), the UK (+8.4%), and Ireland (+7.6%). The US (+5.6%) and Germany (+6.2%) also performed respectably.

Emerging-market bonds also benefited from the weak US dollar. Both local currency bonds (+8.1% in USD) and hard currency bonds (+9.2%) rose significantly. In the corporate bond segment, US securities (+8.5%) outperformed those in euros (+5.5%), with the segment with a high credit rating (US: +9.8%, EUR: +7.0%) performing slightly better than those with low credit ratings.

The foreign exchange markets were also influenced by the central banks in the fourth quarter. The Fed's “dovish” communication sent the dollar tumbling from November onwards. On a trade-weighted basis, it lost 3% in the final quarter. The major player in the fourth quarter was the Swiss franc, which gained +8% against the dollar and +4% against the euro.

Raw materials once again proved unpopular with investors. Gas (-14.8%) and Brent oil (-18.6%) recorded a significantly negative performance in the fourth quarter. Several developments contributed to this weak performance. The conflict between Israel and Hamas has not yet triggered a regional crisis. In addition, oil production in the US reached an all-time high in the last quarter of the year, which led to a surprisingly sharp rise in US oil reserves. The production cuts announced by OPEC+ were also questioned by investors.

Since the beginning of 2023:

the value of the A share increased by 8.07% from EUR 253.79 to EUR 274.28

the value of the B share increased by 4.03% from EUR 155.34 to EUR 161.60

the value of the C share increased by 4.47% from CHF 113.41 to CHF 118.48

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