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Management Report
4th Quarter 2015

At the start of the 4th quarter of 2015, the main focus was on favourable economic figures from the US. US labour market data in particular exceeded most economists' forecasts. At 5%, unemployment hit a new low since the beginning of the financial crisis. However, the robust data also heightened expectations that a key rate hike was on the cards in the US for the first time in more than nine years. It was too early for this move at the September meeting of the Fed, but the decision was taken on 16th of December 2015. The reaction from stock markets to the interest rate move was moderately positive: market participants were driven more by optimistic prospects for the US economy than by concerns over the potentially negative consequences of monetary policy tightening. Equity markets rose by 5.8% in local currencies in the 4th quarter, though they were down 3.2% over the 2nd half-year as a whole owing to the turmoil in the summer. Meanwhile, prices on the global bond markets fell by 0.1% (+1.9% in the second half-year).

As well as the rise in key interest rates in the US, two other significant events dominated stock market activity during the period under review. Firstly, on 3rd of December 2015 Mario Draghi, president of the ECB, announced additional measures to boost inflation.
Secondly, following the decision by the OPEC on 4th of December 2015 not to curb production, the price of a barrel of Brent crude oil actually dropped below the 40 USD mark, closing the year at USD 35.70. Although this is good news for consumers, this situation is highly problematic from the perspective of crude oil producers: the further collapse in oil prices goes hand in hand with an increased likelihood that certain companies – or even countries – will no longer be able to repay their debts.

Equities from the euro zone were among the winners in the 4th quarter. The renewed weakening of the EUR thanks to the highly expansionary monetary policy still being pursued by the ECB boosted the uptrend in these stocks towards the end of 2015. The spotlight was on the Frankfurt stock exchange, which produced impressive gains in excess of 10 percent in the 4th quarter (-1.8% in the half-year).

There was a marginal rise in yields on ten-year bonds of industrialised nations. The main reason for this was the rise in expectations with regard to the forthcoming interest rate hike cycle in the US.
While things remained largely quiet in terms of government bonds, there were considerable market fluctuations in US high-yield bonds. This market segment is heavily influenced by companies that for the most part operate in the energy industry and feature low creditworthiness. There was a further sharp rise in the yield premiums on these bonds versus safe government bonds due to the decline in crude oil prices, with spreads ending the year at over 700 basis points.

Once again, the USD proved to be the strongest leading currency. The rally in the greenback to a level of less than 1.06 vs. the EUR did not come to an end until the ECB meeting at the start of December. While the USD settled at slightly less than 1.10 vs. the EUR, the US currency made a gain of 2.5% from October to December and +7.1% over the half-year versus the CHF.

During the last 3 months of the year 2015:

the value of the A share has increased by 3.09% from EUR 198.44 to EUR 204.57,

the value of the B share has increased by 0.68% from EUR 154.68 to EUR 155.73 and

the value of the C share has increased by 0.93% from CHF 109.45 to CHF 110.47.

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