Info Flash from the President and the Fund Managers
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2017 a very favourable year for financial investments in overall terms

The year 2017 came up with one delightful surprise after another, prompted essentially by a synchronised return to growth worldwide which was accompanied by improved prospects. The economic environment, in particular, benefited from an ideal setting, with three chief mainstays: steady and stable economic growth, low-level and contained inflation, and an accommodating and predictable monetary policy. Against this background, the volatility of financial assets remained at a very low level, and valuations have risen. The political environment in Europe and, in particular, the election of Emmanuel Macron as French President have made it possible to dispel certain concerns regarding the future of the euro, which, since May 2017, has shown a strong rise against all international currencies (+13.85% against the dollar, +9.96% against the yen, +3.99% against the pound sterling and +9.16% against the Swiss franc). This appreciation of the euro – and hence the depreciation of foreign currencies against the euro – held back the performance of internationally diversified portfolios.

Sovereign bonds are finishing the year in positive territory but involve risks

In a setting that is not particularly favourable for bonds in overall terms, international sovereign bonds have nonetheless managed to achieve a slightly positive performance in the course of 2017 (+1.32%). Corporate bonds and high-yield bonds also generated positive returns over the year (+0.93% and +2.44% respectively). The ECB's continuation of monetary easing and the good macroeconomic figures in Europe point to a robust recovery of the European economy, despite the political uncertainty prevailing in Germany, Spain and England. For the forthcoming quarters, however, the risks of a resurgence of inflation and increased "monetary normalisation" are set to have a negative impact on sovereign bonds. The ten-year US rate has crossed the 2.4% threshold and could move up towards the 3% line. The mechanical reduction in demand (net reduction in the Fed's balance sheet), the increase in the money supply (expansionary fiscal policy) and the potential increase in inflation and short-term rates constitute a trio of particularly hostile developments for US bonds. European bonds ought to follow a similar course, even if Europe is not at such an advanced stage of the monetary cycle.

Emerging equities more attractive than developed equities

Equities from developed countries finished the year on a highly positive note, due in particular to the encouraging employment figures in the United States and the robust recovery in Europe.

Developed-country equities displayed a good performance in 2017: Europe is up by more than 10%, the United States by 19.4% (even if it must be noted that this rise stems from the increase in a handful of flagship technology stocks with an annual performance verging on 50%) and Japan by 19.10%.

The synchronised global growth, Chinas bounce-back and the relative attractiveness of the emerging markets for the developed countries continued throughout 2017. Not only does growth appear to have stabilised, it is also still displaying promising momentum, and inflation is not giving any cause for major concern. Hence, administered monetary policies ought to follow a decisively accommodating route in overall terms. Equally important is the fact that the valuations of assets (equities or currencies) still remain highly attractive, especially in relation to the US market which dominates the MSCI World Index. Against this background, emerging-market equities registered an increase in excess of 37% over the year, confirming the trend reversal that started in 2016 after a number of unsatisfactory years.

In the course of 2017, the value of Segment A ("growth") rose from EUR 214.02 to EUR 224.38, representing an annual change in EUR of +4.84%. The value of Segment B ("conservative") went down from EUR 157.36 to EUR 157.11, giving an annual performance in EUR of -0.16%. The value of Segment C increased from CHF 112.97 to CHF 120.30, representing an increase in CHF of 6.49%.