Letter from the President and the Fund Mangers
July 2020

The beginning of the year 2020 was very similar to the end of the year 2019. By mid-February, equities were already generating returns of 5% again. Market participants had no idea that only six weeks later, global equities would end the first quarter down 20% and global government bonds up 4.4% from their respective levels at the beginning of the year.

The warning signs of a crisis were felt as early as the end of January, when an outbreak of a new coronavirus epidemic broke out in China. While the virus was spreading outside China, Europe only became aware of the scale of the crisis with the sharp increase in the number of infections in Italy. Most governments reacted by introducing exit restrictions or other equally drastic protective measures. Public life came to a virtual standstill, leading to a collapse in value creation in many sectors. Very quickly, prices for risky investments collapsed.

A slight lull then occurred in the financial markets when some central banks and governments announced unprecedented support measures in record time. However, this announcement did not prevent economic data from collapsing to levels comparable to those recorded during the economic crisis of 2008. In the second quarter, the evolution of the financial markets was marked by massive price rises that seemed to contradict the real state of the economy.

As far as equities are concerned, the crisis has spared no sector and no region. Of all regions, those with a defensive orientation of their sectors, such as Switzerland, were less severely hit. The equity markets rebounded from the end of March with a gain of 17.9% (in local currency). However, this still represents a decline of 5.1% for the first half of the year as a whole. Once again, it was technology equities that outpaced other sectors with a 30.9% gain over the quarter. For the first half of the year, their rise reached a remarkable 14.1% despite the coronavirus crisis.

Across the world, government bonds experienced a positive, albeit much less spectacular trend: continuing the upward trend of the first quarter, they rose by 0.6% in the second quarter (+5.0% in the first half in local currencies).

Corporate bonds posted heavy losses in the first quarter, including those with good creditworthiness. In Q2, bonds from US issuers with a robust creditworthiness, which recently entered the US Federal Reserve's buy list, benefited particularly from the euphoria on the financial markets. However, European corporate bonds, high yield, international bonds and emerging market bonds also ended Q2 in positive territory.

Currencies behaved in typical crisis situations. The worst hit were "cyclical" currencies, which generally depend on exports or commodity prices. Among the winners, on the other hand, were the Swiss franc and the Japanese yen. The lack of liquidity in US dollars led to a reflex movement among investors, who parted company with their investments in emerging countries.