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Management Report
4th Quarter 2021

“Peak growth”, inflation surge, stagflation – these terms worried investors in the fourth quarter. The temporary setbacks of stock markets between September and December were the result of a slowing economic momentum and the emerging normalization of US monetary policy. The pandemic also dampened prospects, especially for the European economy, and the US Federal Reserve startled investors by forecasting three interest rate hikes for 2022.

Nonetheless, markets recovered very quickly in the fourth quarter. Against all odds, economic growth remained remarkably high by historical standards in most countries. In addition, the US Fed continued to pump billions of US dollars into the system via monthly bond purchases, albeit to a lesser extent than it had done previously. At the same time, declining costs for container freight, computer chips and energy indicated that price pressure was gradually easing, pushing worries of stagflation – an economic slump alongside stubborn inflation – into the background. Another decisive factor in the conciliatory end to the year was the still exceptionally low real yields (nominal yields minus inflation), which drew investor attention even more sharply towards equities. In addition, the Chinese government, which had massively stepped-up supervision of some industries in previous quarters, didn’t tighten its grip further, and China’s central bank adopted a looser monetary policy.

Despite a bumpy ride, global equity markets finished the year with a handsome fourth-quarter performance (MSCI World All Countries up 6.7%). Investors seemed little bothered by worries about a slowing economy, rising inflation, or tighter US monetary policy. Nevertheless, emerging market equities continued to falter. China, the heavyweight in the emerging markets equity index, caused a particular headache for investors. While most sectors have so far proved relatively resilient in the face of the real-estate crisis, difficulties in this key sector hurt the Chinese economy overall. Even so, the change of direction at the Chinese central bank, which shifted to shoring up the economy, could prove a stabilizing factor. All in all, emerging market performance (-1.3% in the quarter in local currencies) remained well below that of western stock exchanges, where Sweden’s OMX (+11.8%), the US S&P 500 (+10.7%), and Switzerland’s SMI (+10.6%) carried the day.

Expectations of rising inflation and, accordingly, higher benchmark rates created unrest on bond markets in the last few months of 2021 too. Investors particularly rejected short-term sovereign bonds, the prices of which declined in some industrialized countries on account of the expected interest rate hikes. By contrast, long-term bonds withstood this pressure and even delivered slight profits for investors. This segment’s resilience reflected in part slowing economic momentum and the expectation of moderate inflation. According to JPMorgan, government bonds overall saw a slight upturn of 0.1%, with UK (+2.5%), Canadian (+1%) and Danish (+0.9%) securities registering the greatest return growth. Bonds issued by emerging market companies failed to deliver, whether denominated in local currencies (-2.5% in USD) or in hard currency (-0.4% in USD).

Central banks continued to set the pace for currency markets. US Federal Reserve preparations to tighten monetary policy propelled interest rate expectations for 2022 by more than 40 basis points in the fourth quarter. This caused short-term market rates to rise, which moved the US dollar higher against other major currencies. Only the Swiss franc proved more robust (+2.3% against the US dollar), benefiting from rising safe-haven inflows as the health crisis in Europe escalated and global real yields fell to record lows. The Swiss franc also shone compared with the euro. Regardless of attempts by the Swiss National Bank to control the domestic currency, the EUR/CHF exchange rate slipped below 1.04 for the first time since 2015.

the value of the A share increased by 12.54% from EUR 255.58 to EUR 287.63

the value of the B share decreased by 0.17% from EUR 159.26 to EUR 159.53

the value of the C share increased by 5.29% from CHF 126.94 to CHF 133.66

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