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April 2023

Belvoir Global Allocation II Universal

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Monthly Update

- Reporting season dominates market movement
- Stocks hit new highs in USA and Europe
- Inflation falls gradually
- Sell in May and go away?
- Belvoir Global Allocation II Universal records a gain of 1.4% in April, +8.4% YTD

While March was characterized by high volatility in both interest rates and equities, April was much calmer. In USA as well as Europe, most stock indices traded in a range of 4-5% in April. A certain calm also set in on the interest rate side. It was only towards the end of the month, after heavyweights Microsoft and Alphabet (Google) reported results that were well above expectations, especially in the case of Microsoft, that markets rallied to new highs for the year. Many investors had been too conservative, and in some cases even short, in anticipation of a much weaker April. However, some indices, especially in Europe, are already back at all-time highs (CAC 40, thanks to LMVH for example), while others are not far away (DAX around 3%). Many investors in the US are underinvested, which means the balance is on the buy side. This is known as a "pain trade" or a technical rally with little fundamental support. April marked the start of the reporting season and, thanks to significantly lowered analyst expectations, around 70% of companies have so far managed to report better-than-expected figures. Looking under the bonnet of the indices, the picture is much more mixed, with much greater variation across sectors. In April, the sector rotation continued, and the large techs made significant gains. Overall, the market rally is still driven by a few index heavyweights. Thanks to the AI hype around ChatGPT, Microsoft has risen above USD 300 and is now only 13% below its all-time high, while Apple is only about 4% below its all-time high. LVMH, Eli Lilly and others hit new highs in April, while others such as Alphabet, Intel or Nike are still a long way off. 2023 will be a year in which stock picking will be more important than in periods of broad market appreciation.

In view of these price levels, the question once again arises of the stock market wisdom of whether one should rather sell in May and reduce the quotas to the less reportable period of May and June. The question of whether the US debt ceiling will be once again raised will soon be back in the spotlight. If the Republicans in the US prevent or block an increase in the debt ceiling, this would not be good for the equity markets. We know from the past that such a blockade can lead to equity market corrections of 10-20%, depending on how long the blockade lasts.

In the fund, we have built hedges on the S&P and Nasdaq 100 of around 20% of NAV into the strength of the last few days of April. The daily VaR is currently only around 1.1%. We sold Amazon at a level of around USD 103 (currently still 0.7% in the fund), Abercrombie at USD 27, Seagate (USD 64) and DocuSign (at 55.90, also with a profit since purchase). At the beginning of April, we added John Deere (now up around 2.5%) and Total (up 1.5%) after seeing the oil price rise sharply. On 24 March we doubled our position in BNP at EUR 50.55 and sold the whole position at EUR 56.52 on 3 April with a profit. The foray into banking stocks ended with a small profit. We also bought Roche at CHF 268, 10% lower than in December when we sold at CHF 301. Roche has stopped its slide and is now recovering (around 2% weighting, bought at CHF 268). Kimberly Clark, a solid value company, was added to the Fund (around 2%). Coca-Cola reported excellent figures and was unable to hold on to the initial gains on the day of the figures, which means that we appear to be fully valued. Although we remain positive on the long term, we have now taken all the profits in the fund and given the stock a short-term bye. We are keeping the stock on the watch list. We bought Intel on the technical breakout, but unfortunately the stock failed to confirm the breakout and fell below 30 and even below 29. We therefore limited our losses with a stop loss at 29 and sold the stock with a small loss of around 6% (-0.10% NAV contribution). Intel is the turnaround candidate in the semiconductor sector and we will continue to monitor the stock. We still had a residual position (0.7%) in Tesla, having halved it on 6 February at a price of 195. We have now waited for the quarterly figures and sold the rest of the position. The figures were not good and the market punished the stock as Tesla's margins shrank. Sales up - profits down, the market doesn't like that and we don't either, also because the competition in the EV sector is getting tougher and tougher. The valuation was absurdly high anyway.

At the end of April, the fund's equity ratio is 70% before hedging and 50% net after hedging. Bonds are weighted at 16% and cash at 13%. In this reporting month, the biggest winners are Eli Lilly (13.47%), Medtronic (+11.05%), Starbucks (+8.04%) and Merck & Co. (+6.84%). On the other hand, the shares of Tesla (-23.52%), Northern Data (-16.83%) and 3-D Systems (-15.88%) lost value. In terms of currency exposure, the main currencies have an allocation of EUR 64.29%, USD 22.21%, CHF 8.29% and CAD at 4.19%. The fund's overall performance for April was +1.4% and 8.4% YTD.

The fund continues to focus on the leading companies in the technology and innovation sector, with an increased core-satellite approach. In addition, depending on market conditions, we will allow ourselves to partially hedge and to consider interesting bonds in the allocation again.

For more information about the Belvoir Global Allocation II Universal Fund, please visit our website. We are happy to answer questions about the funds via the contact details and are grateful for any feedbacks.

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