BELVOIR
CAPITAL AG

September 2022

Belvoir Global Allocation Fund

Monthly Update

- The major central banks are getting serious: interest rate hikes are now going to levels that imperil the global economy
- In particular, the European Central Bank's (ECB) radical prioritization of fighting inflation over ensuring a stable economy through the strongest ECB interest rate hike seen to date involves some risks
- Eurozone equities therefore remain underweighted compared to Swiss equities and both equities and bonds continue to be viewed with caution

September lived up to its reputation as the weakest stock market month of the year. In the first half of the month, the global stock markets were still conciliatory. The largest interest rate hike (+0.75%) in the history of the European Central Bank ECB was received in a relaxed manner. Market participants had expected this hike after inflation in the euro zone had risen to a record level of 9.1%. However, the US inflation rate for August caught investors on the wrong foot. It was primarily the unexpected rise in the core inflation rate (excluding energy and food prices) that triggered a sharp correction on the stock markets. With the interest rate hike of also 0.75% and their comments, the US central bank Fed made it clear that the fight against inflation has top priority. A turnaround by the Fed thus became a distant prospect. This led to a sharp rise in yields on the bond markets and to further declines in equity prices. Towards the end of the month, the new government in the UK caused turbulence. The plan for massive tax cuts financed with high debt sent the British Pound and government bonds (Gilts) into a tailspin. The Bank of England was therefore forced to take emergency measures to temporarily support the market for gilts.

The interim recovery of the financial markets in the summer months was followed by a renewed period of weakness caused by the announcement of further interest rate increases by the central banks. After a relatively robust earnings trend driven by tourism and other services over the summer vacations, the earnings situation is likely to become more difficult for many companies in fall. This is not least due to rising costs for salaries, energy and financing. It is therefore to be expected that the consensus of analysts will have to reduce earnings estimates for the coming months.

The equity exposure via futures was sharply reduced in September (from 76.6% to 62.3%). The futures are SPX Mini Futures in December and SMI Futures also in December. On the currency side, the USD exposure was increased. The allocation in the main currencies is 32.2% EUR, 32.0% CHF and 35.4% USD. The overall performance of the fund for the month of September is minus 5.35% in EUR.

Please visit our website for more information on the Belvoir Global Allocation Fund. We are happy to answer questions about the funds and are grateful for any feedback you may have.

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