BELVOIR
CAPITAL AG

March 2023

Belvoir
Global Allocation II
Universal

Monthly Update

- Crisis of confidence due to bank bailouts
- By definition, we're no longer in a bear market – true or false?
- Interest rates are falling
- Reallocations have borne their first fruits
- Belvoir Global Allocation II Universal records a plus of 4.0% in March

Due to the rapid and sharp jump in interest rates – particularly in the US – the first regional banks have come under pressure by their demand deposits. There has been a surge in loss of confidence in the financial system, triggered by the lack of matching maturities, the first defaults on loans and, above all, the write-downs on interest rate investments. Cash deposits from accounts totaling over USD 400 billion were withdrawn from US bank accounts throughout March. These were either shifted to money market funds or to the big banks. Credit Suisse alone had to absorb outflows of client funds amounting to app. CHF 50 billion in a single day. As a result, there was no other option than to bail out the bank.

In contrast to February, the quake surrounding US regional banks and the Credit Suisse bail out has caused investors to flock to quality. Government bond prices rose rapidly, while 2-year US Treasuries yields fell from 5.1% at the beginning of March to a low of 3.6% on March 20th. Anything with so much as a whiff of risk was sold off. Even the most solid banks in Europe and the US saw their share prices fall by 20% and more. Gold rose towards an "all-time high" to almost USD 2,000 per ounce. Bitcoin, once again hailed as "digital gold", has also made massive gains, trading above USD 28,000 for the first time since summer 2022. Newly perceived as quality stocks were the US mega caps in the tech sector: Apple, Microsoft, Nvidia, Meta, Tesla, Amazon, and Alphabet. These were all among the big winners of this market movement. However, valuations are no longer cheap. Without these stocks, both the S&P 500 and the Dow Jones would have ended up in the negative not only in March, but for the whole of Q1 2023. Essentially, only a few stocks are responsible for pulling up prices of US indices. In Europe, things are a little different: since both indices have a more defensive composition and most companies have a much more favorable valuation, these indices made significant gains across the board after the mid-March correction. By definition, we're no longer in a bear market, having clearly broken the 200-day average lines to the upside and gained over 20% since the lows last year. Nevertheless, we continue to see storm clouds on the horizon, and may yet see these lines breached to the downside again in Q2. What particularly worries us at the moment is the real estate market. If big players like Vonovia, Germany's largest real estate owner, can lose almost 80% of its value from a high, then surely this is the system's next weak point.

On the bond side, our positioning suitably stabilized the portfolio in March. With a weighting of just under 16% in the fund, short-dated government bonds and high-quality companies made a positive contribution to returns during March. Eli Lilly, Nestlé, PepsiCo, McDonald's, and Deutsche Telecom made positive contributions, giving a stable and good monthly result. However, once again, the main winners were the big tech stocks: Adobe, Apple, Microsoft, Alphabet, and AMD all posted double-digit gains. The position in Barrick Gold, which was still one of the fund’s weakest stocks in February, proved to be a sensible diversification. Alphabet was sold entirely into strength, as their business model is threatened by Microsoft's AI and ChatGPT. Alphabet generates over 60% of its revenue from paid Google search listings. We see this as a risk in such a rapidly changing environment. AMD was also sold entirely into strength. Intel was added to the portfolio; this industry dinosaur had huge problems and was the problem child of the semiconductor industry, though it seems to have recovered now. This is signaled by its resistance at USD 30 on its rise to the top. As yet, Intel remains the only investment in the semiconductor sector, as we still see catch-up potential there. However, we set a tight stop loss limit. Although we have an overall positive perception of the semiconductor sector in the long term, the overinflated AI hype seems to have driven prices too high for us (PEs >100). At more favorable prices, we are willing to build positions in AMD, Nvidia and ASML once again. Going into market weakness, the position in BNP was increased. Deere was also bought, while the positions in Amazon and Microsoft were reduced into price strength. We added Equinor (formerly Statoil), the Norwegian energy company, which is the only company in the sector to aim for climate neutrality by 2030. Investment in climate-friendly, renewable energies is a driver of innovation, which led us to build up a small position.

At the end of February, the fund's equity ratio was around 74.0%, with bonds at 16.0% and cash at 10.0%. In this reporting month, the biggest winners are Adobe (+16.13%), Barrick Gold (+12.94%), Microsoft (+11.94%) und Apple (+8.28%). On the other hand, the shares of Medtronic (-6.09%), Abercrombie (-6.18%) und BNP (-4.97) lost value. In terms of currency, as of the end of March 2023, the main currencies have an allocation of EUR at 63.9%, USD at 24.6%, and CHF at 6.4% and CAD at 4.1%. USD strength in mid-March was used to reduce the USD ratio. The fund's overall performance for March was +4.0% and 6.8% 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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