BELVOIR
CAPITAL AG

May 2023

Belvoir
Global Allocation II
Universal

Monthly Update

- Anxiety about the debt ceiling in the U.S.
- Value Flop - AI Shares Top!
- Inflation continues to fall
- Summer doldrums ahead?
- Belvoir Global Allocation II Universal Fund down 1.2% in April, +7.0% YTD

At the beginning of May, we reached new all-time highs in the DAX and CAC 40 (France) in Europe. These, however, could not be maintained over the course of May and closed in the red for the month. Especially the luxury stocks as well as those value stocks that did well in Europe lost significant value. The same thing happened in the USA. All value stocks lost significant value after the first good week in May, which led to the indices in the U.S. (except for the Nasdaq) also closing the month in the red or maximally “flat”, respectively. Over the course of May, people became more and more aware of the fact that the raising of the debt ceiling in the U.S. could potentially be blocked by the Republicans. It was not until an agreement emerged at the end of May that prices recovered. However, the indices in the USA were only driven by few shares. If one excludes the big tech stocks from the corresponding indices in the U.S., the results show that the whole of 2023 would have been negative so far instead of only the month of May. 7 stocks (Apple, Microsoft, Nvidia, Amazon, Alphabet, Tesla and AMD) accounted for nearly 100% of the performance in the S&P 500. In May, these stocks were driven primarily by one theme: AI – or in German – KI. Every company or stock that somehow has something to do with AI (or claims to do so!) was driven up by its momentum. Meanwhile, valuations of Nvidia and Co., for example, have run to P/E ratios beyond 200. Although we also firmly believe in a future with AI, we have begun to perceive the hype and the now high valuations as a bubble. Therefore, we will rather reduce when it comes to AI, or have already done so. AMD and Nvidia have already been reduced in our portfolio this year. For the 2nd half of the year, we anticipate a revival of value stocks, which is why we have positioned ourselves accordingly. This goes hand in hand with the rather gloomy economic outlook. For the year of 2023, the IMF expects the weakest global growth since 1990.

On the interest rate side, there was little news. Although inflation in the USA and Europe continues to come down gradually, it remains at higher levels. Therefore, we must prepare for a longer period of higher interest rates overall. The interest rate cycle in the U.S. is now coming to an end at around 5% for short maturities; nevertheless, it will not fall below 3% again, not even as a result of rapid rate cuts. We are, hence, sticking to a short duration with yields in the USA of around 2 years. In Europe, we are positioning ourselves even shorter, as we expect interest rates to continue to rise at the end. However, we cannot expect too much here either, as

Germany is already officially in a recession, thus depriving ECB of its room for maneuver in terms of significantly higher key interest rates.

Positioning

With just under 76% in equities, 16% in bonds and 8% in cash, we positioned ourselves in our neutral positioning. In May, we made certain shifts. Elli Lilly was significantly reduced after some good movement with about 30% since purchase. At the same time, Adobe, in its weakness, was increased, as were Medtronic and Thermo Fisher. J&J, in its strength, on the other hand, was completely reduced at the beginning of May. 3-D Systems has been sold, because the company unfortunately earns no or too little money and the interest rates in the U.S. are becoming a burden for the company. In contrast, Roche was increased and Coca-Cola was resumed. Here we see potential for the coming weeks and months.

In this reporting month, the biggest winners are Adobe (+18.72), Amazon (+13.82) und Eli Lilly (12.95%). On the other hand, the shares of Nike (-13.78), Starbucks (-11.33) und Walt Disney (-10.93) lost value. In terms of currency exposure, the main currencies have an allocation of EUR 65.36%, USD 19.96%, CHF 9.88% and CAD 3.85%. The fund's overall performance for May was -1.2% and 7.0% 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.

Your Belvoir Team

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The sales prospectus, the basic information sheet and the current reports, the current unit prices as well as further information on the fund and, if applicable, other unit classes of the fund can be found free of charge in German on the following homepage at https://fondsfinder.universal-investment.com.

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