March 2024

Belvoir Global Allocation II Universal

Monthly Update

- Long-term interest rates are rising - the Fed will likely cut rates less and later
- SNB starts rate cuts - which central bank is next?
- Robust stock markets - but tech stocks are losing momentum
- Stock picking was popular - not all sectors continue to perform well
- Belvoir Global Allocation II Universal Fund achieved **+0.6% in March and is at +5.3% YTD**

Despite increasing geopolitical tensions, capital markets remain stable—especially the US economy, which has been largely unaffected so far. The continued robust growth in the US, coupled with somewhat "sticky" inflation, delays the expected rate cuts. **Moreover, significantly lower rate cuts are anticipated for 2024 compared to two months ago**. This appears to be the "Goldilocks" scenario, where the economy continues to grow despite high interest rates, benefiting stocks. So far, only the Swiss National Bank (SNB) has initiated rate cuts to weaken the strong Swiss Franc, a move that has been successful so far. The Swiss Franc (CHF) has significantly depreciated against the Euro (EUR) and the US Dollar (USD), bringing parity with the EUR within reach again. **But in the long term, we view the CHF as stronger than the EUR and the USD due to the fundamental situation**.

In the stock market, some indices regained value in March or reached new all-time highs. However, a noticeable sector rotation occurred once again. Company earnings reports played a significant role: firms that missed their estimates faced double-digit discounts. On average, earnings exceeded expectations, and corporate profits continued to rise. The tech sector is gradually losing momentum, after experiencing one of the strongest rallies in recent decades since late October 2022. Among the "Magnificent Seven" stocks in 2023, Apple and Tesla have been particularly weak, incurring significant losses in 2024. AI-hyped stocks like AMD and Nvidia saw gains in March, but their momentum is also waning. Overall, Europe and the DAX outperformed the US stock market in March—with automotive stocks attracting attention due to their low valuations, with price-earnings ratios well below 10. Oil and commodity stocks also excelled in March. Consumer stocks remained sluggish.

In summary, **stock markets have reached levels that indicate a potential healthy correction in the near future**. Until now, markets have been consistently rising, with every slight dip being seen as a buying opportunity. Currently, investor sentiment is in the "Greed" zone, volatility is low, and the market is somewhat overbought. These factors suggest caution against full market positioning.

Performance and Positioning

We made no changes in the bond market. We continue to hold short-term US Treasury bills and corporate bonds, capitalizing on interest rates above 5%. Additionally, our relatively high liquidity ratio of approximately 13.7% provides comfort—as we benefit from favorable overnight deposit rates in EUR and USD, pending any rate cuts by the Fed and the ECB. The increase in yields on 10-year US Treasuries to over 4.4% validates our strategy. Should yields approach the 4.5 - 4.8% range, we would consider increasing our allocation to longer-term securities.

In March, we maintained a balanced equity allocation of around 50% for most of the month. However, towards the end of the month, we reduced our hedges in the S&P 500 and Nasdaq, resulting in a net equity allocation of approximately 64.47% after hedging. **Additionally, we made several reallocations:** 1) We sold AMD (at over 200 USD) and Nvidia, taking a tactical pause in the semiconductor sector. 2) After reducing our holdings in large tech stocks in February, we increased them again as they have recovered significantly from their previous all-time highs. We resumed buying Alphabet at 133 USD and Apple at 168 USD. 3) We further reduced our exposure to consumer goods stocks due to low margins, weak growth, and a bleak outlook. As a result, we completely sold off Nike, Pepsico, Nestlé, and Starbucks. 4) On the other hand, we increased our stakes in Meta, Amazon, and Arista Networks. Additionally, we added SentinelOne to our portfolio, a company that has consistently exceeded estimates over the last four quarters and is one of the fastest-growing firms in the cybersecurity sector. We see significant potential in its collaboration with Microsoft.

In March, the main drivers of performance were Barrick Gold (+13.66%), Alphabet (+11.99%), and Holcim (+8.85%). The losers were Adobe (-8.16%), Starbucks (-5.36%), and Nike (-5.01%). Unfortunately, the hedges at the fund level also cost about 0.48% in performance. The fund achieved a value increase of 0.6% in March and is now at 5.3% YTD.

Further information on the Belvoir Global Allocation II Universal Fund can be found on our [Website](). We are happy to answer questions about the fund via our contact details and are grateful for any feedback.

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