MARKET OVERVIEW

AUGUST 2024

MIRANTE FUND MANAGEMENT

NEWS AUGUST 2024

BREAKFAST - ECO

12 September 2024 in Geneva

We're pleased to invite you to our upcoming breakfast about MFM Northlight European Credit Opportunities on the **12th September** at the elegant Hôtel de la Cigogne in Geneva.

This is a fantastic opportunity to connect, learn, and discuss market insights with industry experts.

Date: Thursday 12th September
Location: Hôtel de la Cigogne
Time: 08:00 am
RS**VP**: Damian.Milewski@mirante.ch

JULIA RENARD

Data engineering internship

Optimize our existing database pipeline is the current focus of our summer intern Julia Renard. Her work includes developing an ORM* application and improving SQL* performance to enhance the system's robustness.

This internship is part of her master's program in Data Science at EPFL and she is benefitting from the guidance of our quantitative team.

*ORM: Object Relational Mapping
* SQL: Structured Query Language

QUOTE OF THE MONTH

"Great things are done by a series of small things brought together."

Vincent Van Gogh, 1853-1890

SUMMER VIBE

I come back when I want to

The tote bag "*I come back when I want to*", was inspired by Vincent Kucholl's performance at the MFM event in the Olympic Museum.

Our team embraced the spirit of empowerment and freedom embodied in this phrase, capturing memories of their summer adventures.

Where do you want to come back?

Share your pictures on
#JeReviensQuandJeVeux #MFM

IN JULY MARKETS REMAIN STRONG BUT THE FIRST CRACKS APPEAR

Will the immense expenditure linked to artificial intelligence bear fruit?

Written by Frank Crittin, CIO of MFM

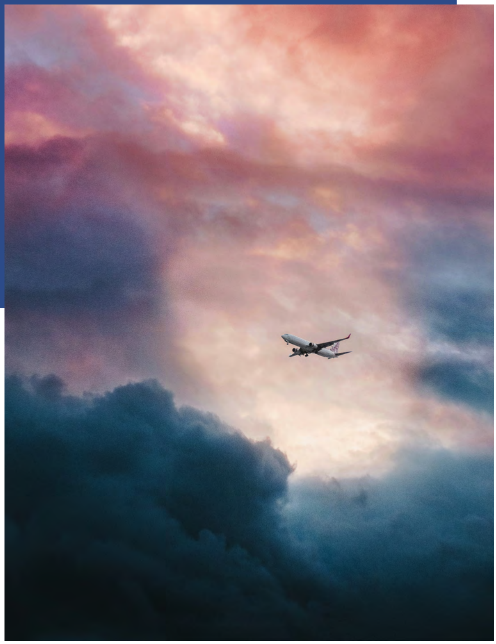
In July, markets overall continued their march forward. In the first part of the month, the markets were shaken by political events. The results of the European elections were followed by several developments, notably in France which dissolved the National Assembly. In the United States, the Democratic Party finally decided to replace the outgoing president with Kamala Harris, his vice-president, while Donald Trump was shot. In the second half of the month, investors began to become wary of the artificial intelligence frenzy that has fueled this year's bull market.

With mixed company results, investors are wondering whether the gargantuan spending of tech giants will generate the expected returns on investments quickly enough. As a result, the technology and consumer discretionary sectors found themselves under pressure. Investors have turned to companies less exposed to technology, and more generally to growth. Utilities and real estate benefited, helped by expected interest rate cuts that should reduce their borrowing costs. Finally, the financial sector also performed well thanks to the good results of the major American banks. At the regional level, the Chinese and Japanese equity markets posted negative performances. In Japan, the anticipation of probable rate increases weighed on the performance of exporting companies. China, meanwhile, continues to show moribund growth. The rate cuts announced during the month were not enough to reassure investors. Conversely, Switzerland posted an excellent performance, benefiting from its defensive status and also probably from European political uncertainty.

In the bond markets, the past month was marked by favorable performances, particularly for long-term bonds and corporate credit bonds. This positive dynamic in long-term bonds is mainly explained by expectations of falling interest rates in the United States and Europe in the coming months. Indeed, investors expect central banks to adopt more accommodative monetary policies, which translates into higher long-term bond prices. Sovereign bonds also benefited from their status as safe havens, especially in a context marked by geopolitical uncertainties and a fragile economic outlook. In contrast, short-duration aggregate bonds saw more modest gains. This more moderate performance is in line with their low duration, which means they are less sensitive to changes in interest rates.

A TUMULTUOUS START TO AUGUST

In August, speculations about an imminent US recession, the end of euphoria linked to artificial intelligence and the rise in interest rates in Japan have pushed financial markets into correction.



For several weeks, the growth dynamics of the American economy have raised questions. The signs of a slowdown were tangible but remained almost smooth. Nevertheless, the Fed is preparing to lower rates to support its economy. Until the end of July, investors expected a moderate economic slowdown. However, some recent indicators have suggested a more pronounced deceleration than expected, particularly in employment. The latest figures show that unemployment rose from 4.1% to 4.3% last month. This has led to a sharp change in investor perception. They began to fear the arrival of a recession without the central bank being able to respond quickly enough.

Speculation about an imminent US recession, the end of the euphoria linked to artificial intelligence and the rise in interest rates in Japan have pushed financial markets into correction mode. In Japan, the surge in the yen, which apparently led to an unwinding of carry trades, caused a significant correction in the Nikkei. The index suffered several days with fluctuations of more than 10%. Nervousness in financial markets is high and may remain so due to continued uncertainty over the economic outlook. Indeed, if the United States enters into recession, global growth will probably not be "carried" by China or Europe. China is still grappling with the consequences of its real estate crisis which is generating moribund domestic demand. Europe is once again heading towards endemic stagnation, with Germany not fully playing its role as an economic engine. Furthermore, the fact that we are in August, in the middle of the results season, with low liquidity levels and limited trading teams, has the effect of accentuating market reactions.

HOW TO POSITION INVESTMENT STRATEGIES

Structured portfolio construction and controlled diversification are the building blocks to develop resilient strategies.

How to position investment strategies in such a turbulent environment? It is extremely difficult to predict in the midst of a market correction its magnitude and duration. However, even without knowing whether this is a temporary correction in valuations or the beginning of a major crisis, our investment strategies focus on managing and potentially profiting from movements in different asset classes. In the short term, we are maintaining our management approach in times of crisis. We favor a systematic approach to rebalancing our portfolios while avoiding being influenced by emotional biases. These rebalancing make it possible to benefit from the extreme valuations of certain assets and therefore to be exposed to higher expected returns. In the medium term, we avoid positioning ourselves on a single macroeconomic scenario. Indeed, the probability of making a prediction that is both correct and usable for our investment strategies is tiny. Conversely, we aim to develop strategies that can navigate the various possible macroeconomic and financial scenarios with as much resilience as possible. Robust portfolio construction remains central to cushioning expected fluctuations in the risk appetite of different participants in the financial markets. The good news is that we now have a larger variety of instruments to help diversify our strategies in order to increase their resilience. Indeed, bonds that provide more attractive returns should help to partially support portfolios. Finally, in the long term, we favor a strategic allocation approach that focuses on optimizing the risk-return profile across all asset classes and investment premia. Our MFM Equity Risk Premium indicator continues, despite recent movements, to display low levels. These premium measures the excess return expected by investors for holding stocks rather than bonds considered less risky. This highlights the importance of being exposed to investment premiums linked to duration (sensitivity to interest rates, also called "bond premium") and credit (sensitivity to bankruptcy risk, also called "credit premium")). This also results in an increase in the expected return of diversified approaches combining bonds and stocks, while making these strategies less risky.

Financial markets are, as is often the case, threatened by a multitude of economic, political and geopolitical risks. Overall, structured portfolio construction and controlled diversification make it possible to develop resilient strategies which allow, in periods of turbulence, to benefit from certain opportunities. In the longer term, this type of strategy also makes it possible to maintain controlled exposure to the main investment premiums despite erratic short-term fluctuations in the financial markets.

WHAT KIND OF HEDGES DO YOU NEED IN TENNIS AND... IN FINANCE

Recently, Roger Federer gave an inspiring speech at Dartmouth's graduation. He said: "Throughout my career, I played 1'526 singles matches and won almost 80% of them. However, here's a question for you all: what percentage of points do you think I won in all these matches? Only 54%. »

We could do the same analysis on the financial markets. Since 1927, the S&P 500 Index has increased approximately 52% of the time on a daily basis. On an annual basis, it has increased about 70% of the time. For the record, over this period of almost a century, this resulted in a cumulative performance exceeding 39'000%.

Photo by Katie Lenhar, source: home.dartmouth.edu/news

MAIN MARKET DRIVERS

Over the long term, overall growth, corporate profit growth, inflation and interest rates are the four main drivers of financial markets.

GLOBAL GROWTH

- U.S growth slows: the signs of weakness are clear and the risk of recession is increasing
- Europe: return to stagnation, lower interest rates should help
- China: the economic recovery is running out of steam (low consumption & real estate)

CORPORATE PROFITS

- The current earnings season is mixed
- Will the immense expenses linked to artificial intelligence bear fruit?

INFLATION

- Inflation slows in many countries
- In some cases, such as the United States, this is a clear indication that the economy is slowing.
- In others, like China, it is a negative signal of weak demand.
- Japan is a notable exception with inflation that remains "elevated"

INTEREST RATE

- The overall trajectory of rates is downward following inflation, but the timing is delicate.
- Central bank policies remain closely linked to macroeconomic data.
- Only Japan is currently raising its interest rates

RADIANT WEATHER VARIABLE WEATHER STORMY WEATHER

MONTHLY PERFORMANCE

31 JULY 2024

EQUITIES MARKET (LOCAL CURRENCY)

Switzerland	2.67
United Kingdom	2.55
World (all countries)	1.25
United States	1.23
Europe	1.17
Emerging Markets	0.60
Asia (ex-Japan)	0.07
Japan	-1.04
China	-1.44

EQUITIES SECTOR (LOCAL CURRENCY)

Utilities	6.21
Financials	5.30
Real Estate	4.05
Industrials	3.56
Materials	3.09
Health Care	2.70
Consumer Staples	1.99
Energy	1.68
Consumer Discretionary	0.36
Information Technologies	-2.33
Telecommunication Services	-3.51

OTHERS (USD)

Global	1.30
Industrials (CBR)	0.46

FIXED-INCOME (USD HEDGED)

US Treasury Long Duration	3.57
Global Aggregate Long Duration	2.81
Global Corporate Credit	2.17
Global Aggregate 5-7 Year	2.00
Global Aggregate	1.93
Global Treasury	1.80
Global High-Yield	1.79
Emerging Market Hard Currency Aggregate	1.69
Global Convertibles	1.48
Global Inflation-Linked Bonds	1.45
Swiss Bond Index AAA-BBB (CHF)	1.22
Global Aggregate 1-3 Year	0.99

MEET THE TEAM

Serge Fournier

Portfolio Manager

I'm in charge of portfolio management for convertible bonds and fixed-income strategies.

What I particularly like about working at MFM is its local small structure. It means a strong team spirit despite the great autonomy and responsibility that you get.

In my professional journey, I have come to deeply value rigor, guiding every decisions and actions. I know that meticulousness breeds excellence.

Giordano Colombi

Senior Quantitative Analyst

I am a mathematical engineer with expertise in data-driven decision making and in modeling Machine Learning systems.

My responsibilities include portfolio optimization, portfolio construction, and conducting quantitative research.

I collaborate closely with fund managers, providing quantitative models for our investment strategies.

MFM
MIRANTE FUND MANAGEMENT

OUR UNIQUE SERVICES

When institutional asset management meets bespoke wealth management.

12 INVESTMENT STRATEGIES

Benefit from institutional-quality strategies combining qualitative and quantitative approaches.

WEALTH MANAGEMENT

We are here to manage your wealth and provide you with active advice.

MORTGAGE

We find the best financing solution for your real-estate project.

PLANNING

We guide you to serene retirement and estate succession.

FORESIGHT

We set up your Swiss pension plan for the 2nd and 3rd pillars (1E, libre-passage and 3A)

FAMILY OFFICE

We collaborate with a network of professionals in the legal, tax, insurance and cryptocurrency fields.

ACCESS TO DIGITAL PLATFORMS

Benefit from the portfolio aggregator My MFM.

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