MARKET OVERVIEW

NOVEMBER 2024

MFM
MIRANTE FUND MANAGEMENT

NEWS NOVEMBER 2024

CONGRATS, ÉRIC!

Certificate of Advanced Studies

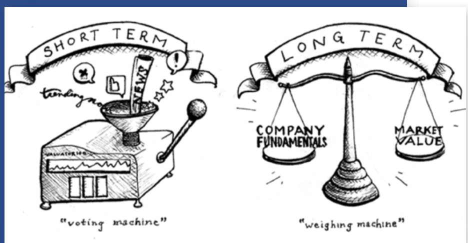
Éric Dégeorges successfully passed his internal audit exams with distinction at the Geneva School of Management.

The course, rich in case studies and research projects, is taught by renowned Swiss audit experts, such as Charles Pict, Director of Internal Audit at the State of Geneva, and Miriam Gil, Head of Risk, Compliance, and Quality at Retraites Populaires.

The ongoing training of our employees gives MFM a valuable competitive edge, enabling the company to stand out in an ever-evolving sector.

QUOTE OF THE MONTH

"In the short term, the market is a voting machine, but in the long term, it is a weighing machine"



Ben Graham, 1894 – 1976

20th-century American economist and investor
Image credit - euclidean.com

In this section, we introduce one of the experts with whom we collaborate actively for the benefit of our clients.

PERFORMANCE WATCHER

Assessing the quality of our management for greater transparency and efficiency

The Performance Watcher platform was created almost twenty years ago for private bankers, independent asset managers, family offices, and trustees to help them better assess the quality of their portfolio management.

For the past six years, MFM has collaborated with Performance Watcher to compare its performance in a fully automated way with over 2,000 users. This unique B2B network ensures complete anonymity for all participants, and all data transferred on the platform remains absolutely confidential.

The analyses generated by Performance Watcher allow us to compare our results with the performance of other portfolios under identical market conditions, management styles and risk budgets. Our clients can thus track, on a daily basis, the added value of our active management approach.

LITHIUM

America approved construction of a sprawling lithium mine in Nevada, overriding objections by environmentalists. The project could quadruple America's lithium output, supplying enough to power 370,000 electric vehicles a year.America hopes to challenge China, which has 7% of global lithium reserves but 80% of lithium chemical production.

LONG RATES THAT SURPRISE ON THE RISE

In October, the main surprise came from interest rates. Not short-term key rates set by central banks which, with the exception of a few emerging countries and Japan, are pointing low; but long rates set by investors on the bond market.

Written by Frank Crittin, CIO of MFM

This month, these rates took a significant turn, rising in the United States and Europe to levels close to those observed last spring.

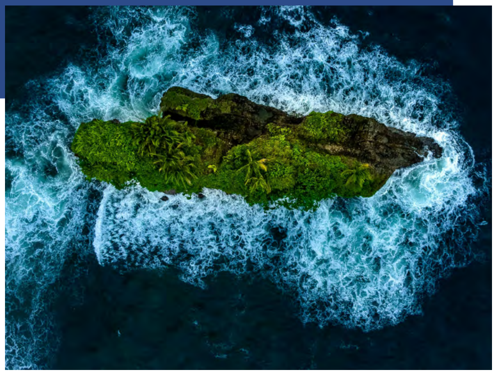
In the United States, the 10-year bond rate reached 4.3%, a peak in three months. The upward movement in U.S. Treasury yields is primarily due to expectations that the Federal Reserve may take a more cautious approach to cutting interest rates. The strength of the latest economic indicators has made this scenario even more likely. The Fed could therefore moderate the pace of its reductions, favoring small reductions gradually. The prospect of solid growth in the United States and the cautious attitude of the Fed confirm the idea of maintaining rates at relatively high levels. Added to this, the presidential election will have a significant impact on returns. Candidate Donald Trump gained ground in polls during the month, fueling market chatter about the impact of his inflationary policies combining high tariffs with lower taxes, both of which would likely lead to increased spending and , potentially, new deficits.

On the corporate side, the first announcements of corporate results were eagerly awaited. The first companies to publish their results posted encouraging figures that regularly exceeded sales and profit forecasts. Investors rewarded these positive surprises, with stocks that beat expectations posting substantial gains that we haven't seen since 2018, while those that missed their targets suffered modest declines. Taiwan Semiconductor Manufacturing Co. (TSMC), which plays a crucial role in the semiconductor production chain, was one of the first to publish its results. It exceeded quarterly estimates and revised its growth outlook upwards. This reassured investors about the strength of demand for semiconductors and the boom in hardware intended for artificial intelligence, one of the main drivers of technological growth in the coming semesters. At the end of the month, however, the first results of mega-tech companies, notably Meta, and Microsoft showed strong growth in these areas, but the forecasts for investment spending levels, which continue to increase, worried some investors.

ASSET CLASS PERFORMANCE:

WHEN RISING RATES COOL THE MARKETS

The financial markets suffered a general decline in October. For the first time since April, most major asset classes recorded losses.



The rate movement has created challenges across most asset classes as investors re-evaluate the attractiveness of various assets in this context.

Bond assets, particularly those with longer maturities and high-interest rate sensitivity, have been under pressure. Unsurprisingly, US long-duration bonds suffered from rising yields anticipating high rates for an extended period. The best performances were observed on the side of convertible bonds, which benefited from their low duration (i.e. rate sensitivity) as well as their exposure to the equity premium, thus generating a slight positive return.

The stock markets also had a difficult month. A trend accentuated at the end of the month by the disappointing results of several large American technology companies, which negatively affected investor sentiment. In terms of regions, Japanese stocks performed best. Investor sentiment is supported by a weak yen which has boosted the Japanese economy, largely oriented towards exports. Conversely, Chinese stocks underperformed their global peers after impressive gains in September, despite government efforts to inject liquidity and boost growth. Investors in China remain cautious, given the imminent US presidential election and persistent doubts about the real effects of recent announcements of support for the Chinese economy. At the sectoral level, the financial sector benefited from the excellent results announced by the major American banks. Additionally, this sector is expected to benefit from a high-interest rate environment improving the net interest margins of banks and insurance companies. On the other hand, the real estate sector was the biggest loser last month. This sharp decline follows three consecutive months of gains; Again, higher rates are a headwind, increasing the cost of borrowing and leading to a slowdown in transactions and development projects.

Surprisingly, commodities ended the month in negative territory. Oil, in particular, fell despite tensions in the Middle East. The announcement of an increase in production by OPEC+, the absence of an Israeli attack on Iranian oil infrastructure and weak Chinese demand have helped to keep prices low.

MACRO-ECONOMIC OUTLOOK:

GLOBAL GROWTH RESILIENT BUT DIVIDED

As we move closer to the end of 2024, global growth continues to demonstrate resilience. Looking closer, we observe divergent fortunes depending on the region.

As we move closer to the end of 2024, global growth continues to demonstrate resilience. Looking closer, we observe divergent fortunes depending on the region. According to the latest forecasts from the International Monetary Fund, global growth is expected to stabilize at around 3.2% in 2024 and 2025. A prognosis which remains unchanged compared to previous projections. However, beneath this apparent stability, changes are tangible. The growth outlook for the United States has been revised upwards, driven by strong consumption and employment. On the other hand, the European economy is increasingly in difficulty, with a near-recession in Germany, its main engine of growth. In emerging markets, growth in Asia exceeds expectations, fueled by strong demand for semiconductors and artificial intelligence, while commodity-focused regions such as the Middle East and Africa face to softer prospects, hampered by geopolitical disturbances.

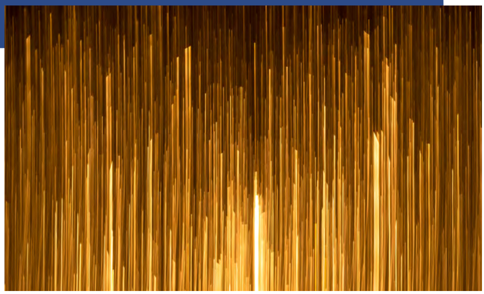
On the inflation front, a similar divide stretches across the Atlantic. Inflation in the United States remains stubbornly high. The Federal Reserve, cautiously observing a still tight job market, is unlikely to rush its rate cuts, keeping investors in uncertainty. In Europe, on the other hand, inflation has weakened sharply. The euro zone is recording inflation right on the magic number of 2%. The European Central Bank has already cut rates three times this year and could cut them further. As Europe returns to its historical pattern of low growth and low inflationary pressures, some economists fear that the ECB's initial rate hikes were an overreaction to a global inflationary surge generated, in Europe, mainly by the surge in raw materials.

One of the major issues in the coming weeks will be the impact of the Republicans' resounding victory in the U.S. elections. President Trump's initial decisions could have significant consequences for global economies and financial markets. If he is able to secure a majority in the House of Representatives in addition the Senate, the newly elected president could swiftly implement his policies on trade tariffs and tax cuts. This is likely to increase inflationary pressures and widen the fiscal deficit, potentially leading the Fed to adopt a less accommodative stance. Indeed, within hours of Trump's election confirmation, the yield on U.S. 10-year Treasury bonds quickly approached 4.5%. While Trump's election is seen by many experts as positive for equity markets, the rapid implementation of the announced tariffs could introduce significant uncertainty among investors and business leaders.

POSITIONING OF INVESTMENT STRATEGIES:

CAPTURING VALUE DESPITE GEOPOLITICAL TREMORS

In the short term, shocks and profit-taking are to be expected given the uncertainties surrounding American politics and geopolitical tensions.



These events, with significant consequences, are difficult to predict and evaluate for the financial markets. In addition, geopolitical outbreaks are often considered rare, high-impact events that are not easy for investors to truly protect themselves from.

Beyond these factors, looking ahead to the coming months, several indicators remain positive. Firstly, the economic indicators are green. First, overall growth remains strong. Economic indicators in the United States remain strong, China could benefit from the announced stimulus. Only Europe seems to be worth it. Overall, growth is expected to remain positive in the coming months. The company's results appear to remain very positive. Profits, although a little under pressure recently, are expected to rise next year. Third, financial conditions remain good. Credit risk premiums for corporate bonds remain at a historically low level. The spread — or additional borrowing cost — between corporate bond yields and U.S. Treasury yields has narrowed to its lowest level in nearly 20 years. This reduction in spreads reflects investors' belief that the US central bank will succeed in controlling inflation without triggering a recession, where some companies would have difficulty repaying their debt.

In terms of allocation, the difference in yield between bond investments and equity investments has narrowed significantly with the significant rise in interest rates. This premium measures the excess return expected by investors for holding stocks rather than bonds considered less risky. The very low level of this indicator highlights the importance of being exposed to investment premiums linked to bonds such as duration (sensitivity to interest rates, also called «bond premium») and credit (sensitivity to risk bankruptcy, 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.

In the current environment, a balanced investment approach remains essential. Fixed-income assets offer stability and some returns, while stocks allow you to benefit from economic growth trends that can offset the effects of inflation. Overall, structured portfolio construction and controlled diversification make it possible to build resilient strategies which allow you to benefit from interesting opportunities in periods of turbulence. In the longer term, this type of strategy also makes it possible to maintain controlled exposure to the main investment premiums despite short-term erratic movements in the financial markets.

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

- United-States: tax cuts and deregulation are positive in the short term but…
- Europe : extremely weak with its main engine, Germany, at a standstill
- China: investors question the scale and effectiveness of stimulus measures

CORPORATE PROFITS

- The global trade war announced by Trump will put pressure on corporate profits
- The latest companies' results are generally positive
- The bankruptcy rate remains at historically low levels, as demonstrated by credit spreads

INFLATION

- Divergence between Europe and the United States
- In the United States, with strong growth, it remains too high, the arrival of Trump will not help
- In Europe, it is becoming too low again due to sluggish economic growth

INTEREST RATE

- Long rates rose sharply in October in the United States and Europe
- With Trump's policies increasing inflation and deficit, the Fed could become less accommodative
- Central bank actions remain closely linked to macroeconomic data

RADIANT WEATHER

VARIABLE WEATHER

STORMY WEATHER

MONTHLY PERFORMANCE

31 OCTOBER 2024

EQUITIES MARKET (LOCAL CURRENCY)

Japan	2.34
United States	-0.76
World (all countries)	-0.92
United Kingdom	-1.39
Emerging Markets	-2.87
Switzerland	-3.12
Asia (ex-Japan)	-3.25
Europe	-3.26
China	-5.60

EQUITIES SECTOR (LOCAL CURRENCY)

Financials	2.12
Telecommunication Services	1.97
Energy	1.52
Information Technologies	-0.89
Industrials	-1.11
Consumer Discretionary	-1.74
Utilities	-1.82
Consumer Staples	-3.30
Materials	-3.71
Health Care	-3.85
Real Estate	-4.25

OTHERS (USD)

Industrials commodities	-1.63
Global commodities	-2.24

FIXED-INCOME (USD HEDGED)

Global Convertibles	0.33
Swiss Bond Index AAA-BBB (CHF)	0.03
Global High-Yield	-0.07
Global Aggregate 1-3 Year	-0.16
Global Inflation-Linked Bonds	-0.94
Global Treasury	-1.22
Global Aggregate	-1.35
Global Aggregate 5-7 Year	-1.39
Emerging Market Hard Currency Aggregate	-1.56
Global Corporate Credit	-1.62
Global Aggregate Long Duration	-2.51
US Treasury Long Duration	-5.21

MEET THE TEAM

Paula Cherpillod

Head of Compliance

My role involves ensuring the implementation of Swiss and international financial regulations, as well as developing internal policies.

I oversee process compliance and communicate with regulatory authorities in efforts to combat fraud and money laundering.

Ambition is not only a mindset; it is what allows you to see opportunities where others see challenges.

François Wittemer

Asset Manager

I assist my clients in structuring and organizing their assets strategically, ensuring they have a solide foundation for a secure future, even in the face of any unforeseen circumstances.

I work closely with my clients, building a personal relationship based on trust and honesty.

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

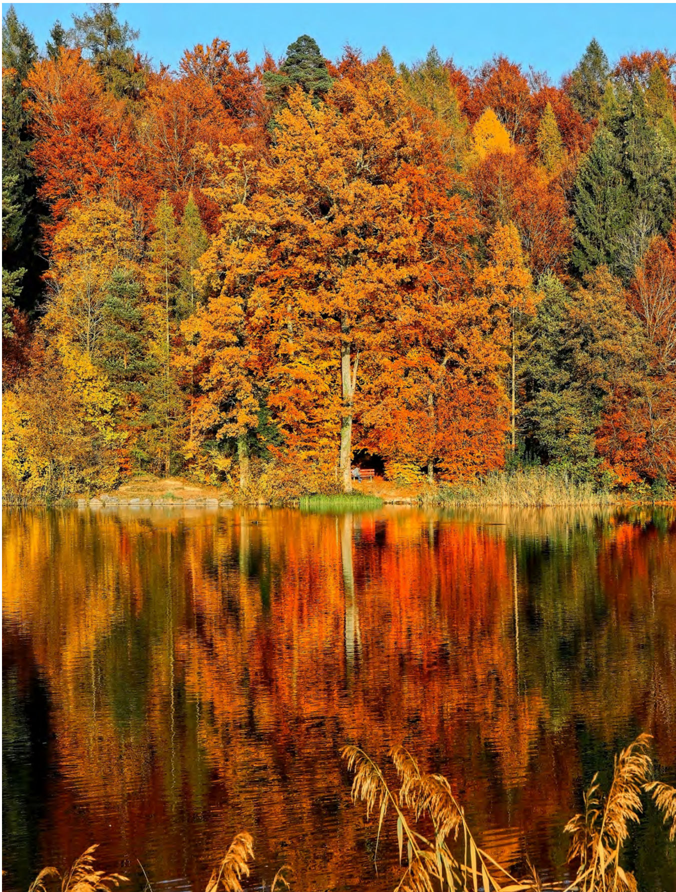
We set up your Swiss pension plan for the 2nd and 3rd pillars (1E, libre-passage and 3A)

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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