MARKET OVERVIEW

MAY 2025

MFM
MIRANTE FUND MANAGEMENT

MAY NEWS 2025

OUR BUNNY

Celebrating Easter with plenty of chocolate

Some mornings, getting to the office early really has its advantages.

Our now-legendary Easter bunny, gifted by our partner WIZE, made a grand entrance.

Delivered by Michel and Vincent, our bunny had already completed a long supervised journey to arrive in one piece.

But before anyone could even admire it, our two usual suspects went straight for the ears, without a hint of remorse.

QUOTE OF THE MONTH

"The stock market is a giant distraction from the business of investing."

John Clifton “Jack“ Bogle, founder of Vanguard Group (1929-2019)

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

GILSTON DIGITAL SA

Our web ally

For over 6 years, MFM has worked with Gilston Digital SA on designing and developing our website: www.mirante.ch.

Based in Lausanne, Gilston Digital SA is a digital consulting and development company founded by Fiorenzo de Palma.

With over 30 years of experience, Fiorenzo has witnessed all the major waves of evolution and revolution in information technologies, having worked with major Swiss multinationals and participated in tech events in Silicon Valley. Today, he helps businesses of all sizes bring their digital projects to life.

His approach: combining technological expertise with an entrepreneurial mindset. His goal is to offer simple, effective, and – most importantly – profitable solutions for clients. He believes in the "culture of doubt," a constant questioning that drives innovation. Gilston Digital SA not only challenges conventional thinking but also immerses itself in the strategic aspects of clients' projects.

Gilston Digital SA offers a wide range of services, including:

- Development of websites, e-commerce platforms, and mobile apps
- Custom web applications for SMEs and institutions
- Digital project consulting and support
- Proof of Concept (POC) development, particularly in the Internet of Things (IoT)

Gilston Digital SA works with clients like Lausanne Hockey Club, the City of Lausanne, and various SMEs and municipal administrations, providing tailored digital solutions.

Contact : www.gilston.digital

AMERICAN PROTECTIONISM

MARKETS WOBBLE, YET REMAIN RESILIENT

The US tariff storm has caused panic, but some asset classes have held up. Focus on the winners and losers of a month under high tension.

Written by Frank Crittin, CIO of MFM

On April 2, President Donald Trump announced, in a gesture as brutal as it was tragicomic, customs duties at a level not seen in nearly a century in the United States. This decision caused a real shock on global financial markets, leading to high volatility across all asset classes. Tensions were particularly high at the start of the month, with the introduction of new customs tariffs targeting all of its trading partners. These measures were perceived as aggressive and poorly coordinated, raising fears of an escalation of protectionism and a sharp slowdown in international trade. Markets fell sharply, reaching a low point around April 8. Added to this was concern over President Trump's threat to fire the chairman of the Federal Reserve; a statement which, although not acted upon, increased the sense of unpredictability surrounding US economic policy. A relative calm began in the second half of the month, when the White House adopted a more conciliatory tone. The postponement of tariff measures, with the exception of China, and signals of openness to trade negotiations helped to reassure investors. The publication of solid quarterly results by several large companies also helped to improve the trajectory of financial indices at the end of the month.

April has not been easy for the stock markets. Against all odds, Japan stood out and managed to stay in the green. China, on the other hand, has been at the heart of the turmoil. Investors, scalded by the prospect of cascading tariffs between the two giants, opted for caution, pushing Chinese indices down. At the sector level, this climate of uncertainty has largely benefited the most defensive sectors, such as utilities and consumer staples, the favorites of investors looking for shelter. By month-end, buoyed by strong earnings from major U.S. firms, especially in the technology and financial sector, reversed earlier losses and ended on a positive note. At the other end of the spectrum, the energy sector faced a sluggish month. Caught in a double bind: markedly lower commodity prices on one side and ongoing concerns about a global economic slowdown on the other, energy-related stocks posted the steepest declines during the period.

Bond markets have taken a cautious stance amid mounting macroeconomic and geopolitical uncertainties. This heightened risk aversion has led to a pronounced shift toward high-quality assets, notably favouring developed market sovereign bonds, excluding those of the United States, and investment-grade corporate debt. The best performers were Swiss bonds which provided an anchor point in a turbulent month. The good performance of convertible bonds should be noted. They held up well, benefiting from the sectoral exposure of their investment universe and their intrinsic ability to adapt quickly to contrasting environments. On a global scale, longer maturity bonds performed well, apart from the United States which offered a completely different scenario.

TARIFFS' IMPACT

In the three weeks since the tariffs took effect, ocean-container bookings from China to the U.S. are down by more than 60 percent, said Ryan Petersen, founder and CEO of Flexport, a global shipping company.

WHY AMERICAN LONG RATES REACTED

THE RETURN OF THE BOND VIGILANTES

One of the most cited explanations for the U.S. administration's U-turn on tariffs is the rise in interest rates.

Last month, the American bond markets experienced a shock of rare intensity. The yield on 30-year government bonds even exceeded 5%, posting a weekly increase not seen since 1987. This sudden movement was caused by the announcement of new tariff measures perceived as inflationary. Usually sought after as safe havens, they were massively sold, leading to a rapid rise in long-term rates. Faced with the rapid rise in long-term financing costs, the American administration was forced to review its position. The announcement of a tariff break temporarily calmed the markets and stalled the rise in interest rates.

This rapid correction highlighted the sensitivity of financial markets to certain budgetary imbalances and inflation. A massive sale of bonds, and therefore a rise in interest rates, is a warning signal for any government. Rising bond yields force governments to pay more to borrow. If a government continues to borrow while yields are high, interest payments on its debt will soar, effectively increasing the government's financing costs. This stress on the yield curve reminds us that economic and trade policies are never neutral for bond investors.

For American economist Ed Yardeni, Trump's turnaround illustrates once again the potential influence of «bond vigilantes», even if it is today difficult to assess the real impact in the vast government bond markets. Ed Yardeni introduced the term bond vigilantes in the 1980s, in a research report titled Bond Investors Are the Economy's Bond Vigilantes. This term refers to investors who massively sell bonds in order to put pressure on governments whose fiscal or monetary policies they consider imprudent. He asserted that if the authorities do not regulate the economy effectively, the bond markets will take care of it.

In conclusion, bond investors can play a protective role when economic fundamentals are disrupted. However, the term "bond vigilante" is above all a way of illustrating the pressure sometimes exerted by financial markets, which are driven by a multitude of factors, on certain political decisions.

Sources:

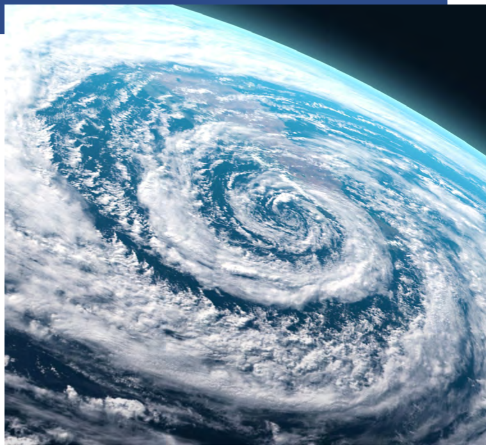
1. Bloomberg, *The Bond Investors Who Got Trump to Pause His Tariffs*, Ye Xie, 2025-04

2. Investopedia

3. Ed Yardeni, *Bond Investors Are the Economy's Bond Vigilantes*, 1983.

IN THE EYE OF THE STORM

Faced with the deafening noise of the short term, a diversified strategy remains the best defense.



« *Have you ever heard of the eye of the storm?* » asked a recent video from the Chinese Ministry of Foreign Affairs. Indeed, the center of a tropical cyclone can appear deceptively calm. This is precisely the situation in which the global economy finds itself today, caught in a "tariff storm" triggered by the United States.

If the direct effects of the trade war between the United States take time to materialize – the time it takes for cargo ships to cross the Pacific – the uncertainty generated is immediate. The 90-day tariff truce has allowed a rebound in the markets, but the optimism of investors is gradually giving way to the complexity of the negotiations. The only improvement: the corporate results season has started well, with solid publications even if they refer to a «distant» past prior to tariff measures. Businesses remain cautiously optimistic, while being aware of the challenges ahead.

How to position investment strategies in such a context? Two fundamental principles are essential. First, maintaining robust diversification remains essential to avoid any overexposure to possible market dislocations, whether geographical, sectoral, linked to investment styles and asset classes. Next, it is crucial to rely on clearly established crisis management plans in order to avoid any emotional reactions. As such, we carried out a tactical rebalancing of our allocations at the start of the month, by strengthening certain equity exposures showing attractive expected returns. Given the spectacular rebound in the markets, we are now considering closing this tactical position in order to gradually return to our strategic allocation, more focused on assets with a defensive profile.

In this unstable context, only a disciplined and widely diversified approach can preserve the consistency of portfolios in the face of turbulence. Headlines, often driven by emotion and immediacy, are poor indicators of allocations because they do not reflect the long-term trajectories of different asset classes.

MAIN MARKET DRIVERS

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

GROWTH

- On a global scale, the full impact of the tariffs on the world economy remains highly uncertain.
- United States: while the economy remains resilient (hard data), political turmoil and trade tariffs are dampening consumer sentiment and business investment (soft data)

CORPORATE PROFITS

- The earnings season began on a strong note, driven by the robust performance of major U.S. tech companies
- Uncertainty surrounding U.S. policy continues to act as a drag on corporate investment decisions

INFLATION

- US inflation continues to ease, providing the Federal Reserve with greater policy flexibility
- In Europe, inflation has hit the elusive 2% mark—right on target, year-over-year
- Long-term drivers of low inflation, such as productivity gains and demographics trends, remain in place

INTEREST RATE

- US interest rates remain high: loss of global confidence in US policy or simply portfolio rebalancing?
- Central bank decisions remain closely tied to macroeconomic data and inflation trends

MÉTÉO RADIEUSE MÉTÉO VARIABLE MÉTÉO ORAGEUSE

MONTHLY PERFORMANCE

30 APRIL 2025

EQUITIES MARKET (LOCAL CURRENCY)

Japan	0.37
Emerging Markets	-0.21
World (all countries)	-0.37
United States	-0.54
United Kingdom	-0.80
Europe	-0.82
Asia (ex-Japan)	-0.89
Switzerland	-2.73
China	-4.51

EQUITIES SECTOR (LOCAL CURRENCY)

Real Estate	3.16
Utilities	2.02
Consumer Staples	1.97
Information Technologies	1.61
Telecommunication Services	1.35
Industrials	0.62
Consumer Discretionary	-0.04
Materials	-0.91
Financials	-1.15
Health Care	-3.27
Energy	-12.42

OTHERS (USD)

Industrials (CBR)	2.20
Global	0.45

FIXED-INCOME (USD HEDGED)

Swiss Bond Index AAA-BBB (CHF)	1.52
Global Aggregate 5-7 Year	1.34
Global Treasury	1.28
Global Aggregate	0.98
Global Convertibles	0.90
Global Inflation-Linked Bonds	0.76
Global Aggregate 1-3 Year	0.76
Global Aggregate Long Duration	0.69
Global Corporate Credit	0.36
Global High-Yield	-0.02
Emerging Market Hard Currency Aggregate	-0.20
US Treasury Long Duration	-1.09

WEALTHBRIEFING SWISS EAM AWARDS 2025 IN ZURICH

FRANK CRITTIN, BEST CHIEF INVESTMENT OFFICER

You've been awarded Best Chief Investment Officer. What does this recognition mean to you?

Frank Crittin: *I'm very honored to receive this award, but above all, it reflects the work of our entire investment team. I'm fortunate to be surrounded by fantastic colleagues I've been able to rely on for years: Serge Fournier, Giordano Colombi, and more recently, Christophe Beney. This award highlights their commitment, their rigor, and also the excellent team spirit that drives them.*

Does your unique background make a difference in your investment approach?

Indeed, holding a PhD in mathematics, I did not immediately join a quantitative team. I began my journey in investment by managing a thematic strategy focused on equities. This allowed me to develop a strong understanding of the fundamental and economic dimensions of investing. Today, the combination of quantitative and qualitative approaches forms one of the core pillars of my investment philosophy.

What investment methodology do you apply?

Since 2018, we have chosen to develop an investment management approach based on advanced data analysis. We developed in-house a cutting-edge decision-making tool capable of generating reliable indicators, performing stress tests, and guiding risk allocation with precision and consistency.

This data-driven tool forms the foundation of our structured, systematic decision-making process, but it is also complemented by fundamental market analysis. This hybrid approach allows us to significantly reduce emotional bias and stay focused on long-term performance drivers.

Over time, our methodology has proven to be both resilient and effective, enabling us to successfully navigate a wide range of market trends and conditions. It has helped us build a competitive edge that clearly sets us apart in the industry.

What will you do to stay competitive and ahead of the curve?

I am convinced that advanced data analysis will continue to play a decisive role in asset management. The research tools we use - topological analysis, similarity clustering, and the construction of predictive portfolios - enable us to continuously improve our investment strategies.

Personally, I'm excited about what's ahead. The markets will continue to evolve, and so will MFM.

« With a clear vision, the right tools, and a strong team, I'm confident in our ability to seize the opportunities the future holds. »

WealthBriefing SWISS EAM AWARDS 2025

WINNER

Chief Investment Officer (CIO)

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