MARKET OVERVIEW

JUNE 2025

MFM
MIRANTE FUND MANAGEMENT

JUNE NEWS 2025

WINE EVENT IN ZURICH

Exploring Austrian winemaking

For the 9th edition of our *Wine Event*, a selection of wines from Austria's Burgenland region was presented. The wines were introduced by **Hans Georg Babits, a** renowned wine academic, whose insights and engaging stories captivated our institutional clients.

Once again, this evening offered a special moment of discovery and relaxed networking.

QUOTE OF THE MONTH

"The wide world is all about you: you can fence yourselves in, but you cannot forever fence it out.

The Lord of the Rings,
J. R. R. Tolkien, English writer (1892–1973)

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

SERENDIPITY AGENCY

Our communication partner

At MFM, communication holds a central place. It goes far beyond publishing our performance updates and monthly reports. Our primary goal is to convey our financial expertise in a way that is clear and accessible to our clients.

For several years now, we've had the pleasure of working with Orlane Perey, founder of Serendipity Agency. Specialized in brand strategy, visual identity and communication, her agency helps companies define who they are and build strong relationships with their clients.

Thanks to Orlane's expertise, we're able to translate the complexity of our field into a compelling and engaging visual language. Whether it's for our digital projects, printed brochures, or event visuals, we can count on Serendipity's creativity and reliability to guide us through every stage of the process.

This valuable collaboration has helped strengthen our presence and distinguish us in the competitive world of finance.

We're especially proud to have won the Best Client Communications award at the 2025 WealthBriefing Swiss EAM Awards. A recognition that also celebrates the success of our collaboration with Serendipity!

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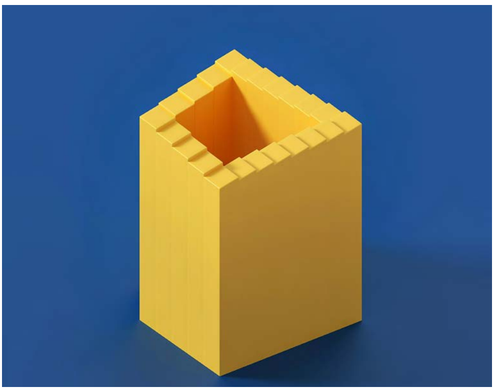
ILLUSION OF RELIEF: EQUITIES CLIMB - BONDS KEEP THEIR GUARD

In May, fears of a full-blown trade war continued to ease. But the new US tax bill reignited jitters, particularly in the bond market.

Written by Frank Crittin, CIO of MFM

The reduction in tariff tensions with China and Europe, combined with positive corporate results, gave equity markets a boost. In the United States, some equity indices recorded their best May since 1990, with gains exceeding 6%. This rebound was driven by the technology and communications sectors, supported by solid corporate results and a still very positive outlook for artificial intelligence. Nvidia, in particular, continued to shine with impressive growth figures. In contrast, the Swiss market suffered, hampered by its heavy exposure to the healthcare sector in its benchmark index. Indeed, the healthcare sector ended in sharply negative territory following the US administration's numerous pressures on drug manufacturers.

On the bond side, rising interest rates across most regions weighed on the asset class's performance, particularly on long-duration securities. In the United States, the poor reception of a 20-year Treasury bond issue combined with the likely debt explosion pushed 30-year yields above 5%. Conversely, convertible bonds performed well thanks to their low interest rate sensitivity and the good performance of their equity premium exposure, which benefited from the strength of their underlying assets.



Despite the recent rebound in equities, caution remains warranted. The recent de-escalation of trade tensions could quickly reverse if certain negotiations fail. Furthermore, the instability of US political decisions has undermined investor confidence and is expected to continue to weigh on market performance. In terms of allocation, our MFM World Equity Premium indicator has returned to historically low levels. This movement is explained by the combination of rising interest rates and declining earnings yields, linked to the strong performance of equity markets. This indicator measures the expected return gap between equities and bonds. In the current environment, it argues for maintaining a prudent allocation, favoring exposure to interest rate risk (bond premium) and credit risk (credit premium), rather than the equity risk premium, within the framework of a diversified and resilient multi-asset portfolio.

PORTFOLIO MANAGEMENT

WHO SAYS SWISS REAL ESTATE CAN'T BE CUTTING-EDGE?

When data science meets Swiss real estate, the result is a fresh, innovative take on a traditionally conservative asset class.

Written by
Giordano Colombi,
Portfolio Manager MFM

In a world where «innovation» is often reserved for AI and tech startups, the Swiss real estate market might seem like an unlikely candidate. Yet, this is precisely where I've chosen to challenge convention.

At MFM, I've developed an investment strategy for our latest product focused on Swiss real-estate assets that blends the robustness of asset class with the precision of data-driven portfolio management.

The first step is the investable universe choice: I chose the totality of Swiss-domiciled, publicly listed real estate funds - around 80 securities. The real edge lies in our dual-screening methodology for the selection. We combine quantitative models and metrics (TDA clustering, liquidity screens, dividend yields to name some) with qualitative filters like diversification across industry, region building types, tax efficiency and fundamental analysis. These perspectives don't operate in silos, they form a dynamic feedback loop, allowing us to keep our watchlist updated with respect to the current market environment.

Next comes allocation: I've built a Python-based engine around a Risk Parity algorithm that calculates optimal portfolio weights and generates trade instructions automatically. The system ensures diversification, controls turnover, and mitigates concentration risk. Rebalancing is handled systematically at each month's end, maximizing efficiency and minimizing transaction costs.

Beyond its innovative framework, the strategy is calibrated to deliver competitive risk-adjusted returns. It also gives investors access to an asset class - the Swiss real estate - through a liquid and structured approach, that typically has a high entry barrier.

On a personal note, while the implementation was challenging, it's deeply rewarding to see the product live today that brings together MFM's DNA and my own engineering background.

CRACKS IN THE DOLLAR: WHEN THE WORLD'S SAFE HAVEN FALTERS

The dollar's central role in the global economy gives it time... but not immunity.

The US dollar, a traditional safe haven asset in times of instability, has weakened sharply since the beginning of the year. This unexpected decline comes amidst a backdrop of significant political instability. The US government has repeatedly announced tariff increases, sometimes modified or suspended immediately upon their release. These contradictory signals have generated major economic uncertainty, fueling downward pressure on the US currency. Moreover, fears that these protectionist measures will slow down the economy have reinforced expectations of monetary easing by the Federal Reserve. However, a rate cut automatically reduces the dollar's relative attractiveness, as investors seek positions in other currencies offering higher returns. This slide is exacerbated by US fiscal fundamentals that continue to deteriorate. Public debt levels are reaching unprecedented highs, and the new «Big Beautiful Bill" is expected to significantly increase the US deficit. The combination of these factors is gradually eroding international markets' confidence in the United States' ability to repay. Moreover, Moody's recent decision to downgrade the US credit rating from Aaa to Aa1 has reinforced investor distrust.

But beyond these economic considerations, a more structural question emerges. The dollar's position as the world's reserve currency rests primarily on the institutional strength of the United States. This includes, broadly speaking, the independence of its central bank, the rule of law, a free press, and a stable democratic process. These pillars are now being called into question, weakening the perception of the reliability of the American system.

Faced with this development, the Trump administration's position appears ambivalent. The president has regularly suggested that a weaker dollar would be beneficial for the competitiveness of American industry. Stephen Miran, chairman of the White House Council of Economic Advisers, has described the role of global reserve currency as a «burden,» emphasizing that it contributes to a chronic overvaluation of the dollar, which is detrimental to American exporters.

Replacing the dollar as the pillar of the global monetary system seems unlikely in the short term. The approximately $31 trillion in US assets held by foreign investors makes any rapid shift impossible. However, a shift toward a more multipolar world is emerging. The euro, the yuan, or other regional currencies could gradually emerge as alternatives. The BRICS bloc of emerging countries, which includes Brazil, Russia, India, China, and South Africa, is pushing for a move away from the dollar, although progress on this initiative remains limited. The dollar's central role in the global economy gives it time... but not immunity.

A prolonged weakening of the dollar would benefit American exporting companies by making their products more competitive. Symmetrically, it would accelerate the rise in import prices, and therefore inflation. A rise in interest rates could then follow, impacting the cost of mortgages, consumer loans, and especially the burden of the colossal federal debt. The American economy would find itself in a scenario of economic slowdown combined with rising inflation.

Across all our investment strategies, we systematically hedge currency movements. This helps mitigate the volatility generated by exchange rates and «reinvest» this risk in more manageable sources of return. Moreover, the declining greenback reinforces the appeal of low-correlated assets with US assets. Our portfolios, built around diversification and active risk management, are well positioned to navigate a changing monetary environment.

Sources:

«*What a weaker US Dollar Means for the Economy*», Bloomberg, QuickTake, April 2025

«*How a dollar crisis would unfold*», The Economist, April 2025.

MILITARY SPENDING

In the United States, interest payments on public debt exceed military spending. By comparison, in Switzerland, the military budget is six times larger than the interest on the federal government's debt.

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

- The impact of U.S. tariffs, past or future, on the global economy remains largely unpredictable
- In the United States, the economy remains resilient, but political uncertainty is starting to weigh on consumer spending
- China's growth continues to struggle, despite gradual stimulus efforts from Beijing

CORPORATE PROFITS

- The earnings season has been broadly positive, driven by the strong performance of major U.S. tech companies
- However, political uncertainty in the U.S. continues to hold back corporate investment decisions

INFLATION

- In the U.S., economists expect inflation to pick up again due to tariffs, provided the economy remains strong
- In Europe, inflation has reached the ECB's target of 2% year-on-year
- Structural drivers of low inflation, such as productivity gains and demographic trends—remain in place

INTEREST RATE

- U.S. interest rates remain elevated, reflecting a global loss of confidence in U.S. economic policy
- Central bank decisions remain closely tied to macroeconomic data and the evolution of inflation

RADIANT WEATHER

VARIABLE WEATHER

STORMY WEATHER

MONTHLY PERFORMANCE

30 MAY 2025

EQUITIES MARKET (LOCAL CURRENCY)

United States	6.41
World (all countries)	5.93
Japan	5.25
Europe	4.70
Asia (ex-Japan)	4.04
China	3.54
United Kingdom	3.43
Emerging Markets	3.13
Switzerland	1.74

EQUITIES SECTOR (LOCAL CURRENCY)

Information Technologies	10.52
Telecommunication Services	9.01
Industrials	8.23
Consumer Discretionary	7.94
Financials	5.71
Utilities	2.87
Materials	2.65
Energy	1.67
Consumer Staples	1.55
Real Estate	0.88
Health Care	-3.65

OTHERS (USD)

Industrials (CBR)	-0.49
Global	-0.93

FIXED-INCOME (USD HEDGED)

Global Convertibles	2.56
Global High-Yield	1.68
Emerging Market Hard Currency Aggregate	0.49
Swiss Bond Index AAA-BBB (CHF)	0.37
Global Corporate Credit	0.21
Global Aggregate 1-3 Year	0.13
Global Aggregate 5-7 Year	-0.11
Global Inflation-Linked Bonds	-0.22
Global Aggregate	-0.33
Global Treasury	-0.54
Global Aggregate Long Duration	-1.18
US Treasury Long Duration	-2.87

MEET THE TEAM

Jean-Marc Gavillet

Director of Wealth Management

Participating in an exciting entrepreneurial adventure has always been a dream of mine.

I take great satisfaction in fully taking charge of my professional life, developing my vision of the wealth management profession, and building high-quality relationships with my private clients.

It's essential to rely on a high-quality, multidisciplinary team that is flexible and responsive to the challenges of our environment.

Frank Paulet

Chief Operating Officer

At MFM since 2014, I've had the opportunity to take part in exciting projects and challenges.

What I appreciate the most is the chance to collaborate with members from all the company's departments.

I try to find a balance between my need for creativity, discovery, leadership, and rigor.

WealthBriefing SWISS EAM AWARDS 2025
WINNER
Assets Between CHF 500 Million - 1 Billion AuM
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WealthBriefing SWISS EAM AWARDS 2025
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WINNER
Chief Investment Officer (CIO)
Frank Crittin - MFM Mirante Fund Management SA

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