

Lake Zug with Rigi, Canton Zug (Foto: Andreas Busslinger)

A robust economic cycle

The economic cycle remains robust. But as always, there are challenges that can cause turbulence on the capital markets. At present, price fluctuations in equities and bonds are trending downwards, which is a positive sign. Perhaps investors are taking a temporary break after a months-long bull market. After all, sentiment has improved significantly over the past six months. However, risks are increasing in the USA, where, for example, stubborn inflation data of just over 2% and high valuations are creating a tense situation.

In addition, bond and share prices continue to be negatively correlated. In our portfolios, this has had a favorable effect on returns for equity-heavy portfolios since the beginning of 2024. By contrast, the negative correlation reduced the portfolio risk, particularly in the heavily bond-weighted solutions. This means that we continue

to see low downside risks here. In the equity-related solutions, on the other hand, we are attaching even greater importance to real economic diversification in order to protect the value of the portfolios over the remainder of the year.

In the medium term, the capital market environment for real assets such as equities, infrastructure and private market investments remains positive. The fundamental backdrop remains solid. The economic cycle is improving, particularly in Europe and Asia. In the USA, we are seeing the hoped-for slowdown in the rapid growth of six months ago. But the labor market remains strong. Overall, the economy is probably in the middle of the post-pandemic prolonged cycle, which is accompanied to an unusual extent by expansive fiscal policy and restrictive monetary policy measures.

Exceptionally strong performance in May

The Swiss Market Index (SMI) rose sharply in May and reached a new high for the year. And it started strong in June. The index is currently 5% below its all-time high of 29 December 2021. Taking into account the total return (price performance and dividends), the SMI reached a new all-time high in May and again in early June.

Adjusted for dividends, the total return in May was only negative for Swisscom (-1%) and Lonza (-4%). Despite the increase (+4%), Nestlé remained at an attractively low level for long-term investors. SMI shares such as Roche, Novartis and Partners Group (+5% each), Holcim and Swiss Life (+6% each), Zurich (+7%) and Kühne+Nagel (+9%) saw strong recoveries. Some stocks such as Swiss Re (+15%) and Alcon (+13%) and HBM Healthcare Investments (+12%), as well as our selection of international stocks, provided a pleasing upswing in the equity-heavy portfolios.

In defensive risk class 1 (e. g. Revo1 with a high proportion of bonds at +0.8%), performance has been slightly positive since the beginning of the year. In the “balanced” risk class 3 (e. g. Revo3 with +6.9% and R3 with +7.6% since the beginning of the year), the total return is at a solid level.

The dynamic risk classes 4 and 5 (e. g. Revo4 with +9.2% and Revo5 with +10.8% since the beginning of the year) are even above the expected long-term annual returns after just five months. The performance of dividend solutions reached double digits.

The DecarbRevo strategies also improved strongly in May. This is due to the trend of companies increasingly entering into long-term contracts for renewable energies at the significantly lower price level compared to 2020/21.

Strategies mainly based on individual titles

	Strategy performance*	
	May 2024	YTD 2024
Zugerberg Finanz R1	+1.1%	+0.9%
Zugerberg Finanz R2	+2.1%	+4.2%
Zugerberg Finanz R3	+2.8%	+7.6%
Zugerberg Finanz R4	+3.3%	+9.1%
Zugerberg Finanz R5	+3.4%	+9.3%
Zugerberg Finanz RDividends	+4.2%	+10.6%
Zugerberg Finanz Revo1	+1.2%	+0.8%
Zugerberg Finanz Revo2	+2.3%	+4.3%
Zugerberg Finanz Revo3	+3.1%	+6.9%
Zugerberg Finanz Revo4	+3.5%	+9.2%
Zugerberg Finanz Revo5	+4.1%	+10.8%
Zugerberg Finanz RevoDividends	+4.2%	+10.2%
Zugerberg Finanz DecarbRevo3	+4.3%	+3.8%
Zugerberg Finanz DecarbRevo4	+5.7%	+4.3%
Zugerberg Finanz DecarbRevo5	+6.7%	+4.1%

Zugerberg Finanz Vested benefits

	Strategy performance*	
	May 2024	YTD 2024
Zugerberg Finanz Vested benefits R0.5	+0.3%	-1.1%
Zugerberg Finanz Vested benefits R1	+0.7%	+1.1%
Zugerberg Finanz Vested benefits R2	+1.3%	+3.2%
Zugerberg Finanz Vested benefits R3	+1.9%	+5.7%
Zugerberg Finanz Vested benefits R4	+2.6%	+6.6%

Zugerberg Finanz 3a pension solution

	Strategy performance*	
	May 2024	YTD 2024
Zugerberg Finanz 3a Revo1	+1.2%	+0.8%
Zugerberg Finanz 3a Revo2	+2.3%	+4.3%
Zugerberg Finanz 3a Revo3	+3.1%	+6.9%
Zugerberg Finanz 3a Revo4	+3.5%	+9.2%
Zugerberg Finanz 3a Revo5	+4.1%	+10.8%
Zugerberg Finanz 3a RevoDividends	+4.2%	+10.2%
Zugerberg Finanz 3a DecarbRevo3	+4.3%	+3.8%
Zugerberg Finanz 3a DecarbRevo4	+5.7%	+4.3%
Zugerberg Finanz 3a DecarbRevo5	+6.7%	+4.1%

* The stated performance is net, after deduction of all running costs, excluding contract conclusion costs

Macroeconomics

Significant decline in inflation



Low inflation boosts construction activity (Source: stock.adobe.com)

Inflation has fallen sharply over the past 18 months. The outlook for future inflation trends also remains positive. Disinflationary pressure remains, prompting the first central banks to cut their key interest rates. In Switzerland, the second cut could already take place in June. In the eurozone, the somewhat less restrictive monetary policy course began on June 6.

The sequential figures for core inflation in April were very low in Japan (+0.2%), low in the euro area (+1.6%) and Canada (+1.9%) and moderate in the USA (+2.7%, PCE inflation). Inflation is persistent in some cases, but these are outliers in the downward trend in the industrialized countries.

A number of statistical measures underpin this trend. Disinflation has been stronger in goods than in services, which is largely due to rent inflation and will statistically disappear in the coming quarters.

This is also the critical point of monetary policy. As in Switzerland, in many places abroad rental price inflation is a direct result of monetary policy. If this is restrictive, it has an inflationary, not deflationary, effect in this area, at least temporarily.

The US Federal Reserve (Fed) should therefore switch to a less restrictive monetary policy so that disinflation in housing costs matches that of goods. Goods inflation has practically disappeared.

Ultimately, the view of inflation remains a derivative of macroeconomic development. In the USA, for example, this is developing more strongly than was generally expected at the beginning of the

year. In their sceptical forecast for the US, some assumed a recession in the first half of 2024 with rising unemployment and falling capacity utilization, which would have been accompanied by a series of interest rate cuts. After five months, there is still no sign of this in the robust economy.

Instead, the Atlanta-based economists at the US Federal Reserve (Fed) are forecasting current growth of +1.8% in the second quarter. Employment is on the rise, thanks in part to the rapid integration of immigrants into the labor market and their contribution to stimulating consumption. Unemployment remains at a persistently low level (3.8%) in the first quarter of 2024, signaling economic robustness.

Despite higher interest rates, residential construction is also increasing; only the consumption of durable consumer goods has weakened slightly recently. The fiscal policy stimuli are having a stronger effect than the monetary policy braking maneuvers. This may delay the interest rate reduction cycle, but it will come – especially in the years 2025 / 26. The neutral rates are far lower than today's rates.

The global economy is being supported by strong growth in India, which has comparative advantages due to the high availability of English-speaking, well-educated young talent. Signs that the Chinese economy is stabilizing are further contributing to the shift of the global economic growth pole to the Asian region.

Europe, which is closely linked to Asia through traditionally deep trade relations, is also benefiting from this.

Region	3–6 months	12–24 months	Analysis
Switzerland	↗	↗	GDP growth compared to the previous quarter amounted to an annualized +1.2% in the first quarter of 2024. This was more than expected.
Eurozone, Europe	↗	↗	The post-pandemic differences are large. Between 2019 and 2023, GDP growth in Italy (+3.5% p. a.) was significantly higher than in Germany (+0.7%).
USA	↗	↗	GDP growth weakened in the first quarter of 2024 and is accelerating again in the current second quarter - with falling inflation rates.
Rest of the world	↗	↗	There have been a number of positive macroeconomic surprises from Asia, which has brightened sentiment on the Asian stock markets.

Liquidity, currency

The euro remains on a downward trend



The EUR/CHF exchange rate over the past five years (Source: Bloomberg Finance LP | Graphic: Zugerberg Finanz)

From the Swiss perspective, the euro has appreciated by 5.4% against the franc in the year to date and, at 0.98, is back at the same level as in spring 2023. However, the structural downward trend remains. The economic recovery in the eurozone is certainly helping the currency temporarily. On the other hand, the franc remains relatively weak in the current year after the steep appreciation in the previous year, which is also a consequence of the Swiss National Bank's monetary easing.

In the eurozone, investors have been accumulating "cash" in the form of short-term fixed-term deposits over the last 18 months, attracted by the combination of higher interest income and very low risk.

There is currently almost a trillion euros in European retail deposits that will mature by the end of the year. This huge amount of money needs to be reinvested – but with what return prospects and in which asset class?

The inflation trend in the eurozone remains clearly downward, and interest rates are likely to move in the same direction. It is becoming increasingly unattractive to remain fixed in time deposits. This is because overall inflation is approaching that of Finland (+0.5%) and Italy (+0.8%). The time was ripe for a first interest rate cut on June 6. This sent a strong signal to the trade unions, which have been able to push through higher collectively agreed wages in times of high inflation.

At present, the European Central Bank's (ECB) experimental wage

indicator known as the "wage tracker" suggests that wage pressure in the eurozone is decreasing. With a less restrictive course, the ECB can also confirm the expectation of declining inflation.

Given this mix of macroeconomic data and monetary policy considerations, it is time to shift fixed-term deposits into investments with longer maturities and higher cash flows, which can offer relatively attractive (nominal and real) yields as interest rates fall.

These are, for example, longer-term corporate bonds, which are currently less volatile. In addition, this bond segment in Europe has impressively low default rates, even in a weak economy. If the outlook improves, it should become even more attractive to hold corporate bonds with a historically attractive risk premium in the portfolio.

As interest rates fall, real investments with stable cash flows will also experience higher valuations in the medium term. So far, valuations are still under pressure from high interest rates (and correspondingly high discount rates). The higher potential at lower interest rates typically relates to dividend-bearing shares of high-yielding companies, which is inherently associated with a favorable risk/return ratio.

We also include infrastructure stocks in this category. If a company such as Zurich Airport achieves disproportionately high earnings growth in the coming years, this is even particularly advantageous – especially in comparison with the commercial real estate segment.

Asset class	3–6 months	12–24 months	Analysis
Bank account	↘	↘	Inflation (+1.4% in May yoy) remains within the SNB's target range. This raises hopes that the SNB will cut key rates again on June 25.
Euro / Swiss franc	↔↘	↘	The ECB's future interest rate path is likely to be "gradual", i. e. at a pace of quarterly steps rather than from meeting to meeting.
US dollar / Swiss franc	↔↘	↘	At 0.90, the dollar is currently around 0.9% lower than a year ago. However, this small change was associated with high fluctuations in the meantime.
Euro / US dollar	↗	↗	Despite significantly lower interest rates, the euro gained 3.1% against the dollar last year. New debt in the USA is horrendous.

Bonds

US bond yields remain high



US bond yields almost at a 20-year high (Source: Bloomberg Finance LP | Graphic: Zugerberg Finanz)

The bond market reacted to falling inflation rates in most OECD countries. The exception is the bond market in the USA, where yields appear to have remained at a historically high level for a long time, government bonds are meeting with low demand and a debt crisis is approaching. Yields were almost at a 20-year high of 4.5% at the end of May. In Europe, on the other hand, central banks are heading for falling key interest rates and rising bond prices amid lower inflation rates.

The complexity and diversity of the global bond markets continue to offer interesting opportunities for experienced investors. A balanced bond portfolio diversified across different sectors and regions can currently optimize returns in different economic conditions.

Above all, it is now important to keep an eye on how far inflation data falls on both sides of the Atlantic and what this means for the extremely restrictive monetary policy that has been pursued for more than two years.

We believe that we are currently in a clearly disinflationary and rather underestimated deflationary price phase. In times of rising inflation, inflation-protected securities offer protection at times, but in times of falling inflation, one must take a differentiated view of the securities alternatives.

If GDP growth stabilizes at a moderate level, short-term, high-yield bonds, for example, deliver robust returns. In this market segment, we achieved +4.0% with the “Credit Opportunities Fund” in the current year with corresponding bonds – hedged in Swiss francs,

nota bene.

In recessions, on the other hand, medium to longer-term bonds perform particularly well, as central banks cut key interest rates quickly. The “Zugerberg Income Fund” is committed to this scenario, which has a buffer function in the portfolio during a recessionary phase, but tends to move sideways in economically strong times. The Swiss franc-hedged World Bond Index (-2.4%) and the Swiss Bond Index (-0.6%) have been down noticeably since the beginning of the year.

As economic cycles vary from region to region, global diversification of bond holdings increases the overall return potential. This strategic approach ensures resilience and profitability in a dynamic market environment.

This is particularly evident in the first five months of the current year. In the growing US economy, ten-year government bonds led to a strongly negative yield (-4.1% since the beginning of the year). In contrast, two of our three core bond investments are clearly in positive territory.

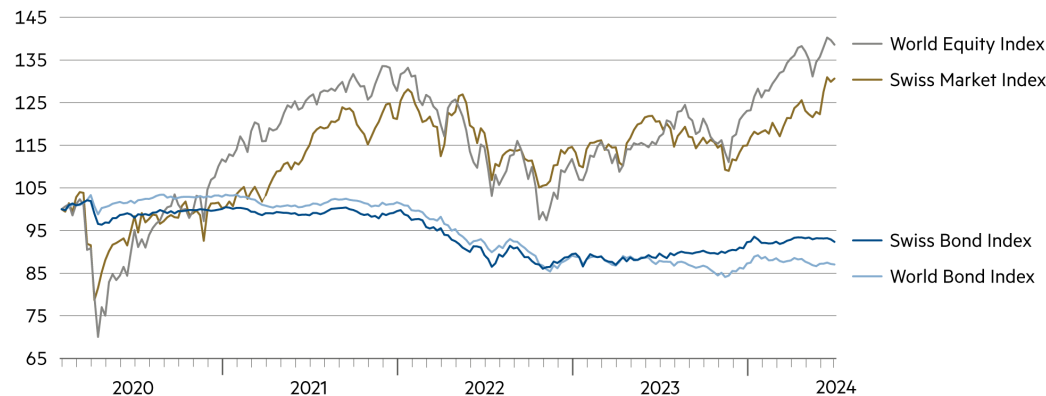
However, we not only look at the bond markets, but also at their mutual relationships with the equity markets. The correlation between bond yields and equities is complex and unstable. In the first two decades of this century, it was generally positive, reversing the “typical” negative pattern.

At present, it remains difficult to estimate whether the correlation would tend to be negative again in the future.

Asset sub-class	3–6 months	12–24 months	Analysis
Government bonds	→↗	↗	The 10-year government bonds in dollars are yielding 4.5% and in euros 2.6% (Germany) to 4.0% (Italy) - in any case lower than in the USA.
Corporate bonds	↗	↗	We see considerable yield potential in corporate bonds with a medium credit rating. Government bonds are more suitable for very cautious investors.
High-yield, hybrid bonds	↗	↗	On a risk-adjusted basis, hybrid bonds remain interesting, also because they often have a solid rating (e. g. in the insurance sector).

Zugerberg Finanz bond solutions

Real assets protect against inflation



Development of the total return of bond and equity markets (Source: Bloomberg Finance LP | Graphic: Zugerberg Finanz)

The biggest wave of inflation in recent decades is now behind us. It was of a temporary nature, but still left its mark on securities. Nominal values such as bonds remain below pre-pandemic levels. The world bond index is more than 11% lower than five years ago. Real assets such as equities, on the other hand, have confirmed their character as effective long-term inflation protection and are around 30% higher than five years ago.

We could not escape these “laws”. Anyone looking for a low-risk portfolio (risk class 1) based on their risk profile will come across a portfolio with a strong bond bias everywhere. Bonds with a high credit rating – regardless of the currency – have proven to be a poor hedge against inflation in the long term. In the short term, however, such portfolios are stable in value. This was demonstrated by the outbreak of the pandemic in March 2020, when pure equity portfolios (risk class 5) recorded significantly higher losses in value. An inflationary environment leads to higher input costs for a company, which may be passed on to higher sales prices in order to maintain margins. Some companies manage this better. These are often innovative market leaders with pricing power.

A large number of companies are not able to fully pass on the additional costs. They have to accept a lower margin. In our portfolio, we focused strongly on market leaders, which led to an attractive return for equity-heavy portfolios despite inflation. In the case of bond-heavy portfolios with their nominal values, neither the

World Bond Index nor the Swiss Bond Index were able to compensate for inflation.

We have been looking at three “regularities” in the relationship between bond yields and equities for some time:

- The drivers of the rise in yields: the difference between real and nominal yields has a major impact in the longer term. However, inflation-driven increases are often easier for equities to cope with, because in reality inflation leads to higher prices, higher sales and ultimately higher profits.
- The timing of the economic cycle: Equities are generally more immune at the beginning of the upswing, when growth is recovering from a low point, even if yields are rising. However, we are not currently in a typical cycle, but in the midst of a post-pandemic exceptional economic cycle, which is being met with proud US equity valuations.
- The valuation of equities: High risk premiums for equities make them less susceptible to a certain rise in yields. The current high valuation of equities, on the other hand, makes them more vulnerable if US key interest rates are not lowered soon. From this perspective, valuations in Europe look much more attractive. In the US, we focus on dominant growth companies with strong balance sheets and high net liquidity, which makes them immune to high bond yields.

	Zugerberg Income Fund	Credit Opportunities Fund
Yield in 2024 (since the beginning of the year)	-1.6%	+4.0%
Yield since the start (annualized)	-9.9% (-1.7%)	+30.2% (+2.3%)
Proportion of months with positive yield	52%	67%
Credit risk premium in basis points (vs. previous month)	107 BP (-3 BP)	496 BP (+14 BP)
Average rating (current)	A-	BB+

You can find more information in the [factsheets](#) on the Zugerberg Income Fund and the Credit Opportunities Fund.

Real estate, infrastructure

Real investments remain interesting



No property bubble in Switzerland (Source: stock.adobe.com)

You could do little wrong with residential property over the past five years. It has proven to be a reliable hedge against inflation. The real value can even increase disproportionately in the coming years, provided mortgage loans are extended in good time at below 1%. The improved financing and investment environment for residential investment properties is also leading to higher prices, while the picture for properties with commercial uses remains broadly diversified.

The good news initially remains the confirmation that real estate ownership has retained its value beyond the wave of inflation. This at least applies to the Swiss real estate market, where prices are showing a moderate upward trend.

The momentum of price increases on the home ownership market slowed temporarily, as the real estate experts at UBS noted for the first quarter of the past year. Accordingly, the so-called “real estate bubble index” continued its decline. We are not in a bubble, but certainly in the middle range.

This cannot be transferred across borders. In Germany, for example, real estate prices are continuing to fall. According to official statistics, property prices have fallen by around 13% since peaking in the second quarter of 2022.

According to residential real estate experts, prices are set to fall

further this year – even more sharply (-2%) than previously assumed, even though rising real wages and falling interest rates on loans are improving the financial leeway of private households.

The latter is also evident in Switzerland. Added to this is the significant net immigration, which is likely to reach just under the 120'000 mark in Switzerland over a 12-month period. This should ensure stable and rising transaction prices, as the semi-annual survey conducted by Fahrländer Partner Raumentwicklung (FPRE) with a total of 872 real estate market experts shows. Higher residential rents are also expected to continue.

According to FPRE, 56% of survey participants expect rents to rise over the next 12 months, 42% expect rents to stagnate and only 2% anticipate lower rents. The performance of apartment buildings has therefore probably also brightened considerably. In autumn 2023, the corresponding index fell to its lowest level since 1996 at -33.7 points. It has since risen again to 22.7 points. The tight supply and the interest rate cut by the SNB are the two decisive factors.

Looking at the eight major regions of Switzerland, the index for apartment buildings is highest in the Lake Geneva, Zurich and Eastern Switzerland regions. The low value in the Basel region is striking. Here, the Housing Protection Act in Basel-Stadt is likely to have led participants in this region to expect hardly any price increases.

Asset sub-class	3–6 months	12–24 months	Analysis
Residential properties CH	↗	↗	The survey-based price expectations index calculated by FPRE for condominiums and single-family homes for the coming 12 months rose.
Office and retail properties CH	→	→	The price expectations index for office rents is slightly higher and there is less pessimism regarding the transaction prices of office and commercial buildings.
Real Estate Fund CH	→	↗	Listed real estate funds rose slightly until the end of May (+2.7%). By contrast, flagships such as SPS (-3.6%) and PSP (-0.4%) are in the red.
Infrastructure Equity / Fund	↗	↗	The interest rate cuts are a blessing for infrastructure stocks. Their valuations are rising due to the falling discount rates.

Equity

Improved outlook

USA	In local currency	PE ratio
Dow Jones	+2.2%	22
S&P 500	+11.0%	25

Europe	In local currency	PE ratio
Euro Stoxx 50	+10.3%	16
Stoxx Europe 600	+8.2%	18
Swiss Market Index	+7.8%	16

Share performance since 1 January 2024 and current price/earnings ratio (Source: Bloomberg Finance LP | Graphic: Zugerberg Finanz)

As we noted a month ago, we did not consider the pessimistic basic attitude to be justified due to its pronounced nature at the end of April. Unsurprisingly, there was a recovery in May and it continued in the first week of June. The outlook for the global economy also improved. Higher real wages, lower inflation and considerable potential in the fast-growing Asian region go hand in hand with a positive outlook.

The continued high demand for cloud services brought Alphabet (+6% last month) and Microsoft (+7%) strong quarterly results. Microsoft reported an increase in revenue (+17%) and operating profit (+23%). Alphabet's growth in revenue (+15%) and operating profit (+46%) was also impressive.

SAP was able to accelerate the growth momentum in its cloud business in the first quarter of 2024 with a 24% increase in revenue. Quarter-on-quarter, the important cloud gross margin improved by 2% to 72%.

However, the prospects of rival Salesforce ultimately caused the share price to slide again towards the end of May, even though SAP is delivering new use cases on a weekly basis with AI collaborations and has a positive outlook for the future.

In the technology world, the dominant report ultimately remained that of industry leader Nvidia (+27%), which once again exceeded expectations. The supply of Nvidia chips (currently the Hopper model "H200") far exceeds demand, especially since data centers need more computing power for their AI applications. Jensen

Huang, CEO of Nvidia, wants to remedy this with the "Blackwell Ultra" chip in 2025 and the "Rubin" chip in 2026.

Nvidia's position is taking on historic dimensions. In 2024, Nvidia accounted for 40% of the year-to-date return of the S&P 500, i.e. all other 499 stocks together contributed the remaining 60%. In addition to the boom in data centers, there are a number of companies that are likely to benefit in the slipstream, so to speak. These include Alphabet, Microsoft and Amazon, which will invest over 100 billion dollars in the cloud this year – in the race for the most powerful AI infrastructure. The major cloud computing operators currently account for 45% of Nvidia's sales.

Chip shares are early cyclicals. If they do well, an upswing in the economy as a whole follows downstream. This should soon include the gaming industry, whose graphics cards are based on Nvidia solutions. Personal computers, laptops and smartphones will also be equipped with AI chip systems in the future, which will bring super-fast computing power into everyday life.

Partners Group is also making an above-average commitment to the expansion of this type of digital infrastructure.

Holcim and Sika are needed in the construction phase. Sika closed the first quarter with sales growth of 14%. In local currency, growth amounted to 20%. For 2024, Sika expects further sales growth and an above-average improvement in profitability due to the ongoing innovations that are driving the industry's transformation towards automation, digitalization and sustainability.

Asset sub-class	3–6 months	12–24 months	Analysis
Equity Switzerland	↗	↗	The Swiss Market Index (+7.8% ytd at the end of May) does not include dividend payments. Nevertheless, it outperforms the index of mid-cap stocks (+4.5%).
Equity Eurozone, Europe	↗	↗	The Euro Stoxx 50 has clearly outperformed the Dow Jones with its 30 historic stocks since the beginning of the year. This could become even more pronounced.
Equity USA	→↗	↗	Apart from the tech stocks, little is really going well in the USA. The Dow Jones (+2.6%) and the Russell 2000 (+2.1%) have been disappointing since the beginning of the year.
Equity Emerging markets	↗	↗	The MSCI Emerging Markets (+2.5%) has not yet broken any strings so far this year. The MSCI India (+9.3%) has stood out from the mediocre.

Alternative investments

Decarbonization is progressing



Power distribution infrastructure is necessary (Source: stock.adobe.com)

Investments in data centers and AI infrastructure will not only require better algorithms and more data. More electricity is also needed, because AI data centers are power guzzlers. Because the major providers are focusing on decarbonized energy, there is likely to be increased demand for renewable energy sources. DecarbRevo strategies will also benefit from this.

Crude oil is losing its decisive role in the 21st century. In terms of competitive strategy, data and the ability to process it at any time are much more important, but they are also likely to change the demand for energy. This is because every search for a data center location will also involve securing a connection to renewable energy sources through stable power grids. Cooling systems powered by renewable energy are also likely to be required.

The current electricity requirements for modern cloud computing are around 10 to 30 times higher than with previous cloud servers. The ecosystem is therefore likely to become a problem for other electricity consumers. This is because the electricity requirements for electromobility, should this become established one day, and for the relocation of industrial production from China back to Europe and the USA will be added to this.

This will undoubtedly make the energy transition more expensive on the consumer side. The switch from abundant but polluting fossil fuels to renewable energy sources in the form of wind and solar power may be one important factor. Another is that the generation

of renewable energy involves huge costs for electricity transmission infrastructure, as the best locations for electricity production are often far away from areas with high electricity demand.

The big players are therefore bypassing the general electricity grid and turning directly to electricity traders and producers to source power through long-term contracts – often at a significant premium to prevailing electricity prices. Amazon recently concluded a 1-gigawatt electricity contract with a 50% mark-up.

The electricity grid operator E.on will drive forward the green transformation by investing heavily in the expansion of the European energy grids. No wind or solar farm makes economic sense if there is no investment in the grid infrastructure at the same time.

Microsoft and Brookfield Renewables have also understood this. In the first global framework agreement of its kind, the Canadian infrastructure operator is aiming to provide more than 10 gigawatts of renewable energy for the software company. This is eight times the size of the largest electricity contract ever signed and is intended to help Microsoft cover 100% of its own global needs with carbon-free energy by 2030.

At the same time, the agreement incentivizes Brookfield, the world's largest infrastructure company, to build a large portfolio of new renewable energy projects, including effective carbon-free power generation technologies, over the coming years.

Asset sub-class	3-6 months	12-24 months	Analysis
Commodities	→	↗	At 74 dollars per barrel (WTI Crude) at the beginning of June, crude oil prices are below the average of the last 12 months. This has a disinflationary effect.
Gold, precious metals	↗	→	Gold prices (+13% since the beginning of the year) are showing their golden side. Silver prices (+28%) are almost more surprising.
Insurance Linked Securities	↗	↗	According to meteorological factors, the frequency of windstorms could lead to a new record this year.
Private equity	↗	↗	The industry's leading global trade fair showed some signs of life in Berlin. Impressive IPOs such as Galderma on the Swiss SIX are likely to increase.

Market data

Asset class	Price (in local currency)			Monthly / YTD / Annual performance (in CHF)			
		31.05.2024	05/2024	2024 YTD	2023	2022	2021
Equity							
SMI	CHF	12'000.9	+6.6%	+7.7%	+3.8%	-16.7%	+20.3%
SPI	CHF	15'992.3	+6.1%	+9.8%	+6.1%	-16.5%	+23.4%
DAX	EUR	18'497.9	+3.1%	+16.5%	+13.1%	-16.3%	+10.4%
CAC 40	EUR	7'992.9	+0.1%	+11.8%	+9.6%	-13.9%	+23.6%
FTSE MIB	EUR	34'492.4	+2.2%	+19.9%	+20.4%	-17.3%	+17.3%
FTSE 100	GBP	8'275.4	+1.8%	+14.9%	-0.3%	-8.8%	+16.7%
EuroStoxx50	EUR	4'983.7	+1.2%	+16.3%	+12.1%	-16.0%	+16.0%
Dow Jones	USD	38'686.3	+0.7%	+10.5%	+3.5%	-7.7%	+22.2%
S&P 500	USD	5'277.5	+3.2%	+19.1%	+13.1%	-18.5%	+30.6%
Nasdaq Composite	USD	16'735.0	+5.2%	+20.0%	+30.6%	-32.3%	+25.0%
Nikkei 225	JPY	38'487.9	-1.2%	+10.9%	+8.6%	-19.7%	-2.6%
Sensex	INR	73'961.3	-2.2%	+9.9%	+7.4%	-4.8%	+23.2%
MSCI World	USD	3'445.2	+2.6%	+17.0%	+10.8%	-18.5%	+23.7%
MSCI EM	USD	1'049.0	-1.3%	+10.3%	-2.6%	-21.5%	-1.8%
Bonds (mixed)							
		31.05.2024	05/2024	2024 YTD	2023	2022	2021
Glob Dev Sov (Hedged CHF)	CHF	151.2	+0.1%	-2.7%	+2.2%	-13.2%	-3.0%
Glob IG Corp (Hedged CHF)	CHF	180.5	+1.0%	-2.1%	+4.2%	-16.7%	-2.0%
Glob HY Corp (Hedged CHF)	CHF	344.6	+0.9%	+1.5%	+8.7%	-13.6%	+1.4%
USD EM Corp (Hedged CHF)	CHF	265.7	+1.2%	+0.1%	+4.5%	-18.2%	-2.7%
Government bonds							
		31.05.2024	05/2024	2024 YTD	2023	2022	2021
SBI Dom Gov	CHF	175.5	-1.7%	-2.3%	+12.5%	-17.0%	-4.2%
US Treasury (Hedged CHF)	CHF	136.7	+1.1%	-3.6%	-0.5%	-15.0%	-3.5%
Eurozone Sov (Hedged CHF)	CHF	175.8	-0.3%	-3.2%	+4.8%	-18.9%	-3.7%
Corporate bonds							
		31.05.2024	05/2024	2024 YTD	2023	2022	2021
CHF IG Corp (AAA-BBB)	CHF	181.9	-0.6%	+0.1%	+5.7%	-7.5%	-0.5%
USD IG Corp (Hedged CHF)	CHF	183.1	+1.5%	-2.8%	+3.5%	-18.5%	-2.3%
USD HY Corp (Hedged CHF)	CHF	586.1	+0.7%	-0.1%	+8.5%	-13.7%	+4.1%
EUR IG Corp (Hedged CHF)	CHF	162.7	+0.0%	-1.2%	+5.9%	-14.1%	-1.2%
EUR HY Corp (Hedged CHF)	CHF	291.2	+0.8%	+1.4%	+9.8%	-10.9%	+3.2%
Alternative investments							
		31.05.2024	05/2024	2024 YTD	2023	2022	2021
Gold Spot CHF/kg	CHF	67'513.5	-0.1%	+19.9%	+0.8%	+1.0%	-0.6%
Commodity Index	USD	103.0	-0.3%	+12.4%	-20.4%	+15.1%	+30.8%
SXI SwissRealEstateFunds TR	CHF	2'362.0	-0.6%	+0.9%	+5.4%	-17.3%	+7.6%
Currencies							
		31.05.2024	05/2024	2024 YTD	2023	2022	2021
US dollar / Swiss franc	CHF	0.9023	-1.9%	+7.2%	-9.0%	+1.3%	+3.1%
Euro / Swiss franc	CHF	0.9789	-0.2%	+5.4%	-6.1%	-4.6%	-4.0%
100 Japanese yen / Swiss franc	CHF	0.5734	-1.5%	-3.9%	-15.4%	-11.0%	-7.5%
British pound / Swiss franc	CHF	1.1505	+0.2%	+7.4%	-4.2%	-9.3%	+1.9%

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