"Zug Magic" water show at the Vorstadtquai in Zug (Photo: Andreas Busslinger)

The reporting season is off to a good start

Many are impressed by the economic development and the good reporting season. It remains unclear whether the recession risks in the USA have simply been postponed or whether we can expect a gradual, soft landing. A good consumption climate continues to prevail, far beyond the USA. In the industrial environment, the economic outlook remains more difficult; at the same time, the deflationary tendency is the strongest in this sector. Producer prices have already fallen significantly in the USA (-3.1%) and China (-5.4%). On the other hand, things are looking good for the service sector, where the purchasing manager indices are clearly in the economic acceleration zone, and skilled labor is in demand worldwide. The eurozone grew by +1.2% on an annualized basis in the second quarter.

Geopolitically, the repeated summit meetings between China and the USA have stabilized the risk profile at least somewhat. The export controls on rare metals such as germanium and gallium decided on in the trade dispute with the USA could easily be expanded. Both sides recently flexed their muscles and there remains a fundamental potential for escalation. Despite the difficult relationship between the two superpowers, the US Secretary of the Treasury Janet Yellen obtained a positive outcome from her recent visit to China. China was also cautiously optimistic – and hopes for an end to the export restrictions.

In July, equity prices in the USA rose by around 3.1% and the dollar fell by 2.7%. Thus, the indices (Dow Jones, S&P 500, and Nasdaq) in Swiss francs remained essentially stable. The comments from representatives of the US Federal Reserve (the Fed) were well received, leading to the conclusion that the key rate hike cycle in the USA has come to an end. The yield on two-year US Treasuries is 4.9% (0.5% higher than at the beginning of the year), while that on ten-year US Treasuries is 4.0% (0.1% higher).

Our strategies increased in July

We believe that the expected mix of cooling inflation and moderate growth in the USA and Europe, as well as the accelerating growth in emerging economies in Asia, should continue to be favorable for risky investments and foster lower volatility.

In July, US Treasuries, hedged in Swiss francs, continued to offer no earnings. The index has been at -1.4% since the beginning of the year. The Swiss Bond Index remained essentially stable in July (+0.2%). The Swiss Market Index (SMI) also barely moved (+0.26%), but thanks to our selection, our portfolio yields exhibited pleasing developments in July.

We will continue to keep the equity ratio neutral. Balanced portfolios have been performing significantly above target returns since the beginning of the year (e. g., Revo2 +7.4%, Revo3 +8.9%). Portfolios with a higher share of tangible assets (equity, real estate, infrastructure, and private market investments) have performed even better (e. g., Revo4 +10.1%, Revo5 +11.7%). Dividend-focused solutions once again increased significantly and are also yielding strong positive returns (e. g., RevoDividends +12.7% since the beginning of the year).

When it comes to exchange rates, the picture changed dramatically in July. The dollar suffered massive losses and traded at 0.87 against the Swiss franc on 31 July (-2.7% in one month, -5.7% since the beginning of the year). The euro also lost value in July (-1.9%) and recently traded at just below 0.96, significantly lower than at the beginning of the year (-3.1% in 2023).

Strategies mainly based on individual titles	Strategy performance*	
	July 2023	YTD 2023
Zugerberg Finanz R1	+0.7% ↗	+3.6% ↗
Zugerberg Finanz R2	+1.0% ↗	+6.4% ↗
Zugerberg Finanz R3	+0.8% ↗	+7.8% ↗
Zugerberg Finanz R4	+1.0% ↗	+9.6% ↗
Zugerberg Finanz R5	+1.0% ↗	+8.0% ↗
Zugerberg Finanz RDividends	+0.1% ↗	+11.0% ↗
Zugerberg Finanz Revo1	+1.3% ↗	+4.2% ↗
Zugerberg Finanz Revo2	+1.3% ↗	+7.4% ↗
Zugerberg Finanz Revo3	+1.2% ↗	+8.9% ↗
Zugerberg Finanz Revo4	+1.1% ↗	+10.1% ↗
Zugerberg Finanz Revo5	+1.3% ↗	+11.7% ↗
Zugerberg Finanz RevoDividends	+0.6% ↗	+12.7% ↗
Zugerberg Finanz DecarbRevo3	–0.5% ↘	+0.6% ↗
Zugerberg Finanz DecarbRevo4	–0.9% ↘	+0.2% ↗
Zugerberg Finanz DecarbRevo5	–1.4% ↘	+0.1% ↗

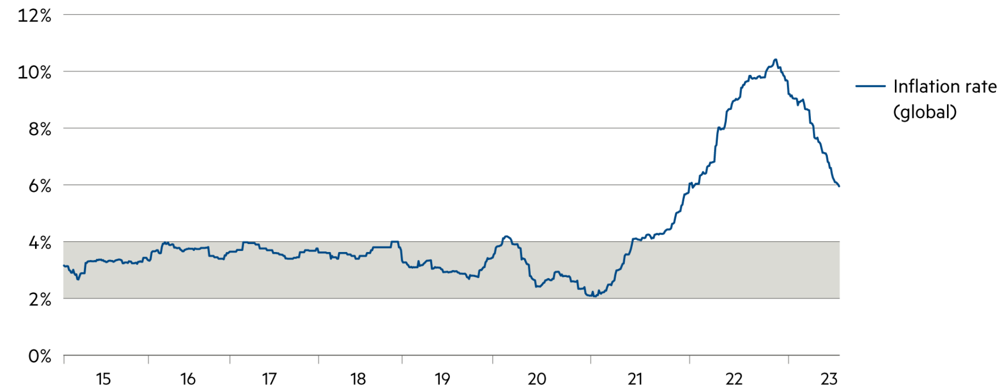
Zugerberg Finanz Vested benefits	Strategy performance*	
	July 2023	YTD 2023
Zugerberg Finanz Vested benefits R0.5	+0.6% ↗	+1.5% ↗
Zugerberg Finanz Vested benefits R1	+0.7% ↗	+2.9% ↗
Zugerberg Finanz Vested benefits R2	+0.8% ↗	+4.6% ↗
Zugerberg Finanz Vested benefits R3	+0.7% ↗	+5.6% ↗
Zugerberg Finanz Vested benefits R4	+0.8% ↗	+7.0% ↗

Zugerberg Finanz 3a pension solution	Strategy performance*	
	July 2023	YTD 2023
Zugerberg Finanz 3a Revo1	+1.3% ↗	+4.2% ↗
Zugerberg Finanz 3a Revo2	+1.3% ↗	+7.4% ↗
Zugerberg Finanz 3a Revo3	+1.2% ↗	+8.9% ↗
Zugerberg Finanz 3a Revo4	+1.1% ↗	+10.1% ↗
Zugerberg Finanz 3a Revo5	+1.3% ↗	+11.7% ↗
Zugerberg Finanz 3a RevoDividends	+0.6% ↗	+12.7% ↗
Zugerberg Finanz 3a DecarbRevo3	–0.5% ↘	+0.6% ↗
Zugerberg Finanz 3a DecarbRevo4	–0.9% ↘	+0.2% ↗
Zugerberg Finanz 3a DecarbRevo5	–1.4% ↘	+0.1% ↗

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

Macroeconomics

Consumption is stabilizing the economy



The global inflation rate in % from 01/2015 to 07/2023 (Source: CPI inflation rate calculated by Bloomberg | Graphic: Zugerberg Finanz)

Consumers continue to benefit from a tight labor market in all economies. Household budgets also generally remain sound. In the eurozone, the UK, and Canada, the savings rate still remains above pre-pandemic levels. Consumer confidence has improved noticeably in the USA and stabilized in Europe. Globally, the inflation rate is on the decline (5.95% at the end of July).

The greatest economic risk comes from the USA; the risk is not primarily of a downwards turn, but rather of a surprising further macroeconomic upturn. The latest inflation figures took a surprisingly downwards turn and thus boosted real growth. There are now numerous indicators that give reason to expect a further recovery and postpone the risk of recession until well into 2024 (including recently growing real incomes, rising house prices, CPI inflation of only 3.0%, and the ISM Services Index at 53.9 points). The labor market remains robust, and construction of factories has risen more sharply than at any time in the past 20 years. After a pause, a strong economy could tempt the Federal Reserve (Fed) to continue raising key interest rates instead of patiently waiting for the extremely restrictive steps taken so far to take effect.

Strong growth rates are also on the horizon in emerging markets, far beyond just China and India. Real growth in emerging economies in Asia, home to almost 50% of the world's population, is over 5% this year, and will probably reach that level in the coming year as well. This drives the global economy forward and also helps the European economy. In Europe, the growth outlook remains clouded, but there are nonetheless also cautiously optimistic prospects. The order situation in industry (e. g., Germany) and industrial output (e. g., France) have increased significantly in the last two months. Retailers are complaining about a noticeably subdued consumer mood, which is linked to price increases. Looking forwards, however, moderate wage increases are on the horizon, while prices are barely increasing any more. On the contrary, there are price reductions, except perhaps in the booming service sector. Since consumption shifts from northern Europe to the touristic south in the summer, growth in the third quarter is also higher there.

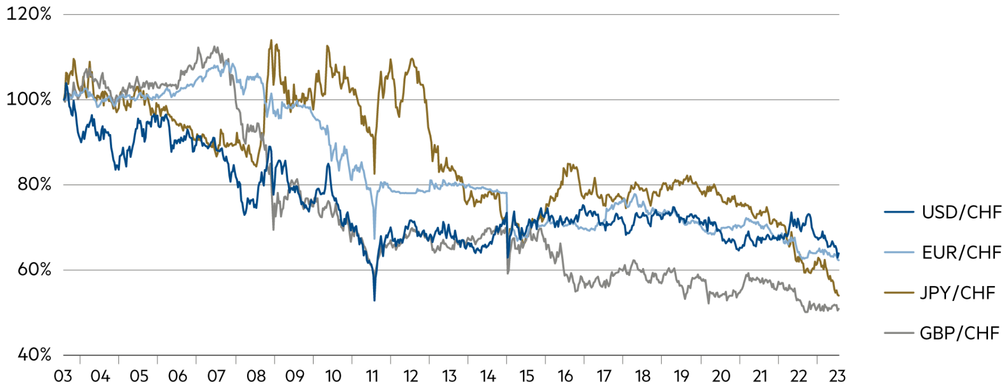
According to the head of the French central bank, François Villeroy de Galhau, the ECB has almost reached its interest rate peak. "We expect inflation to return to 2% in 2025. That's what I'm committing to today," said the member of the ECB's Governing Council recently. Inflation is expected to decline to an average of 2.5% in 2024. This will bring the ECB ever closer to the goal of its tightening course. Once interest rates have peaked, the key interest rates will have to stay at that level for a while. In the fight against inflation, the ECB had raised rates for the ninth time in a row at the end of July.

Globally, the country-weighted inflation rate is moving back into the long-term range, which is between 2% and 4%. The lowest inflation expectations are in the eurozone and in Switzerland.

Region	3–6 months	12–24 months	Analysis
Switzerland	→↗	↗	Like many industrialized countries, Switzerland recorded subdued economic growth in the first half of 2023, which is likely to continue in the third quarter.
Eurozone, Europe	→↗	↗	The latest ECB projections for real GDP remain unchanged at +1.5% (2024) and +1.6% (2025) at inflation rates of +3.0% (2024) and +2.2% (2025).
USA	→↗	↗	The Fed expects real GDP growth of +1.1% (2024) and +1.8% (2025) – with falling inflation rates of 2.6% (2024) and 2.2% (2025).
Rest of the world	↗	↗	Mexico is growing faster than the USA. The situation is similar with regards to China: the economies of Vietnam, the Philippines, Indonesia, and India are growing faster.

Liquidity, currency

The devaluation of "strong" currencies



Price trend (% change) of the four most important currencies in relation to the Swiss franc from 08/2003-07/2023 (Source: Bloomberg Finance LP | Graphic: Zugerberg Finanz)

In the eyes of many global investors, the dollar and the euro are seen as strong currencies. But they have undergone massive devaluation over the last 20 years. The Japanese yen and the British pound, however, have depreciated even more. Currency remains the key dilemma for investors in Swiss francs. Although foreign equities and bonds diversify the portfolio, hedging the associated currency risks claims a considerable portion of the total returns.

The prospect of a 5.4% return is tempting. This is the current redemption yield of twelve-month US government bills, which mature in one year in dollars. However, the current 3.8% hedging costs per year eat away at the net return significantly. And that's before taxes; an interest income of 5.4% leads to an additional burden of 1.6% at a 30% marginal tax rate for a private individual: thus, the net return after taxes melts away to 0.0%.

20 years ago, one dollar was worth 1.37 Swiss francs; today it is worth 0.87 francs (-36%). At that time, one euro cost 1.54 – currently it costs 0.96 (-38%). The two currencies have thus devalued at an almost identical rate. The devaluation of the British pound (-49%) and the Japanese yen (-46%) has been significantly higher.

Devaluations will also occur in the future. The Swiss franc remains the hardest currency. Neither currencies from commodity-producing countries (Canada, Australia, and Norway) nor those from fast-growing emerging economies (China and India) can achieve the same stability and acceptance.

That is why it is also important to put the great dollar returns into perspective. For example, it is often argued that the broad S&P500 index has performed extremely well. For the last 20 years, it has achieved a total increase of +363% or +7.9% annually (in dollars). The result in Swiss francs looks somewhat more sober: equity prices rose by +193% or +5.5% annually. The dividend yield is practically negligible for US equities – and even apart from that, the withholding tax deductions are not investor-friendly. The 20-year result of the Swiss Market Index is thus all the more impressive at +7.1% annually. The index of Swiss SME equities has even increased by +10.0% annually. If you want to outperform this yield in the long term, you have to invest in the Indian equity market. The Sensex rose from around 3'900 to 66'527 (+1,643%; +11.3% annually in Swiss francs).

Investments in companies that are involved in global development remain promising in any case. A company such as Nestlé only achieves 2% of its turnover in Switzerland. Slightly more than half is achieved in Western industrialized countries and just under half in emerging nations. The diversity of currencies that such a group requires to conduct its day-to-day business (purchasing, production, and distribution), is enormous, as is that generated in sales. Any hedging transactions, including in order to avoid major fluctuations in earnings in the reported currency, are carried out by the Treasury department in Vevey. Over the last 20 years, the price rose by around 290%, resulting in an annual return of around 10% in Swiss francs, taking the dividends into account.

Asset class	3–6 months	12–24 months	Analysis
Bank account	→↗	→	A lot of consideration should be given to deciding whether to invest in illiquid savings accounts, low-yield medium-term bonds, or liquid securities investments.
Euro / Swiss franc	→	→	Exchange-traded inflation expectations in the eurozone (2y2y) were hovering around 2.86% at the end of July - and have been virtually stable for more than ten months.
US dollar / Swiss franc	→↘	↘	The devaluation pressure remains, although the dollar has lost almost 6% since the beginning of the year, around half (-2.7%) of which was lost in July alone.
Euro / US dollar	→↗	↗	The euro gained just under one percent in the volatile month of July and ended the month at a price of 1.10 (+2.7% since the beginning of the year).

Bonds

Bonds are making a positive contribution

The Swiss National Bank (SNB) in Zurich (Photo: Maurice Pedergnana)

Bonds have been a particularly difficult asset class in recent years. Initially, a significant portion was associated with a negative redemption yield. Then came shocking key interest rate hikes, causing bond indices worldwide to plummet. But now the interest rate hike cycle is for the most part behind us, which is why bonds are likely to make a positive contribution to portfolio yields again in the future.

Interest rates have for all intents and purposes peaked following the latest key interest rate hikes. No further increases are expected in the USA. On the contrary, the ongoing deflationary momentum is so strong that four to five key interest rate cuts (from the current 5.3% to 4.2%) are expected by the end of 2024.

In Switzerland, we are still a long way away from a turnaround in interest rates. The SNB could raise the key interest rate by a further 25 basis points to 2.0% on 21 September. Currently, the probability of this increase is 30%. The SNB is well aware that it is itself indirectly fueling inflation through rent increases. Without this aspect, inflation in Switzerland would soon fall back to one percent and we would be comfortably within the price stability zone. There is no sharp rise in inflation on the horizon, but rather a deflationary scenario that the SNB has so far paid little attention to.

Structural inflation risks are still not a likely prospect in Switzerland. The second-round effects remain low, and the strong Swiss franc (+3.1% vs. the euro and +5.7% vs. the dollar since the beginning of the year) ensures a deflationary price development for imported goods. In addition, it makes industrial export dynamics tougher and makes tourism in Switzerland more expensive. Pronounced momentum from the economies surrounding Switzerland is not to be expected in the coming months. We therefore expect modest real growth and declining inflation for the remainder of the year.

From the perspective of bond investors, however, there is nonetheless still some good news, as the likelihood of a recession remains low. The interesting thing about peaking interest rates is that investors will then begin to think about interest rate cuts in the coming quarters and years. This should lower the returns on long-term bonds and increase their prices.

In a longer-term view, a trend in inflation rates in the range of 0.7% to 1.5% can be seen in Switzerland. In the longer term, this could be accompanied by key interest rates in the order of 1.0% and longer-term mortgage loans at rates of 2.0% to 2.2%.

That is why we believe that the real estate market in Switzerland is hardly going off the rails. The growth in the prices of single-family homes and condominiums is likely to slow down somewhat due to the slightly more restrictive financing conditions. However, mortgage growth is expected to continue and construction activity is likely to pick up again. The vulnerabilities in the mortgage and real estate markets are probably overestimated and the resilience underestimated.

Asset sub-class	3–6 months	12–24 months	Analysis
Government bonds	→	→↘	The inverted yield curve persists in Switzerland. The Swiss federal bonds yield 1.04% (2 years) in the short term and 0.98% (10 years) and 0.92% (30 years) in the long-term.
Corporate bonds	↗	↗	Since the likelihood of a recession is set to decrease, the total returns on corporate bonds are likely to exceed those of government bonds in the medium term.
High-yield, hybrid bonds	↗	↗	The lower the likelihood of a recession, the more attractive high-yield bonds are likely to be. Hybrid bonds will offer high returns in the future.

Zugerberg Finanz bond solutions

Strengthening promising corporate bonds

MSC Euribia – the most energy-efficient cruise ship in the industry (Image source: mscpressarea.com)

We are continuing to strengthen promising bonds in our two bond portfolios. Funds that flow back into the portfolios from interest and repayments tend to be used in higher rating categories and in longer-term bonds. Smaller but important steps have been taken in this direction in both the Zugerberg Income Fund (ZIF: +0.6% in July) and the Credit Opportunities Fund (COF: +0.5%).

There were several repayments last month, including the 3% Swiss franc bond repaid by MSC Cruises. The Geneva-based cruise company went through an exceptionally tough period during in the pandemic. We kept the bonds until the end because we saw the medium- and long-term potential. MSC Cruises is taking an important step towards making its operations climate-neutral by 2050 with its new flagship. The newest ships are powered by bio-liquefied natural gas and have advanced wastewater treatment systems and an innovative recycling system. The fourth-largest company in this industry in the world has an excellent future ahead of it, in part thanks to state-of-the-art terminals such as in Port Miami, Florida, and an attractive price/performance ratio. However, it now has sufficient capital that it no longer makes use of the capital market.

In the COF, we invested the money in the Geneva-based "Matterhorn Telecom", the holding company of Salt, among others. The rating agency Fitch has awarded the bond in excess of CHF 100 million a senior secured rating of "BB+" for a term of five years. The rating reflects Salt's 16% to 17% market share in the structurally stable Swiss mobile communications market, which determines most of the cash flow. Thanks to strong implementation and a lean cost structure, the company is able to achieve one of the highest EBITDA margins in this industry at 43.5%. Salt has a good chance of increasing its revenues and improving the diversity of its cash flow by expanding its fiber broadband business over the next four to five years. The company has an attractive agreement with multiple fiber optic cable suppliers that enables nearly owner-independent profitability and performance-based investments, which reduce investment risks and accelerate time to market.

In the COF, additional risk-reducing transactions were made in the northern European region. We increased long-term, subordinated bonds from Swiss Re, UBS, and Rabobank, among others. All three companies have a very good rating.

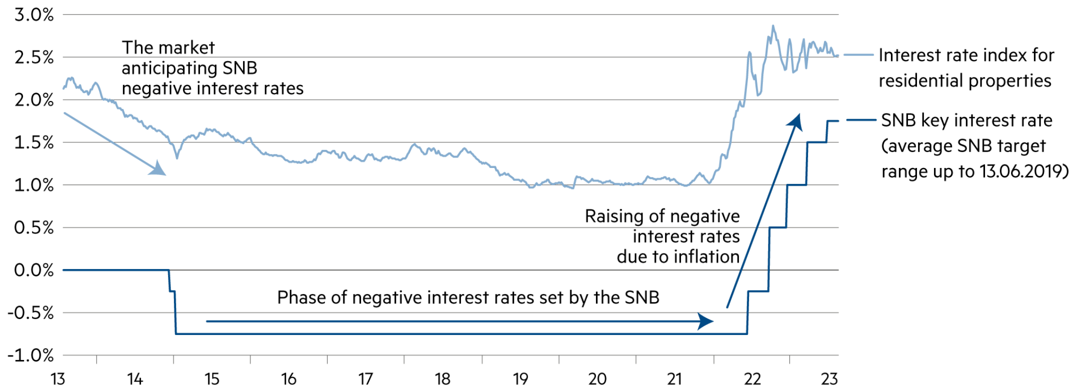
A large number of transactions were made in the ZIF again in July. We preferentially bought bonds with a long remaining term to maturity, e. g., a dollar bond from the British-Swedish pharmaceutical company AstraZeneca, which matures in 2031. AstraZeneca was able to pleasantly surprise analysts with a strong half-yearly report and an attractive pipeline.

	Zugerberg Income Fund	Credit Opportunities Fund
Yield in 2023 (since the beginning of the year)	+2.4%	0.3%
Yield since the start (annualized)	-11.6% (-2.4%)	+20.2% (+1.8%)
Proportion of months with positive yield	58%	68%
Credit risk premium in basis points (vs. previous month)	244 BP (-26 BP)	703 BP (-45 BP)
Average rating (current)	BBB	BB

You can find more information in the factsheets on the Zugerberg Income Fund and the Credit Opportunities Fund.

Real estate, infrastructure

Sideways movement in mortgage rates



Development of the Swiss interest rate index for residential properties from 01.08.2013 to 31.07.2023 (Source: Hypotheke.ch, interest rate development of mortgage loans for permanently owner-occupied residential properties | Graphic: Zugerberg Finanz)

A sideways range of 2.4% to 2.7% for Swiss mortgage loans for owner-occupied residential properties has emerged on the market. This is significantly higher than the average 1.0% loan interest burden in the years 2019 to 2021, when both the National Bank and the commercial banks imposed a negative interest phase. At present, it is hard to predict the extent to which the reference interest rate will be increased, ultimately increasing the level of rental income in Switzerland.

The quoted rents published in adverts remained virtually unchanged in July. However, rent increases of up to 6% are looming in the coming months. There has already been a significant increase in quoted rents within the course of a year. Despite rising financing costs, however, stabilization can be seen in the prices of listed condominiums, while prices for single-family homes have fallen somewhat and prices for multi-family homes have fallen significantly, but not by double digits. This is shown by a combination of the quarterly analyses by FPRE Fahrländer Partners with their evidence-based indicators and the monthly Swiss Real Estate Offer Index, which is published in collaboration with the real estate investment advisory company IAZI.

Since many multi-family homes were bought at extremely tight net initial yields in order to avoid negative interest rates on the bank accounts, some private individuals could now be in difficulties – especially if they were only just financed with equity capital. According to the Swiss Federal Statistical Office, private individuals own more than half (56%) of all multi-family homes. Institutional investors are less at risk or barely at risk at all. They are known as patient, long-term investors and ultimately still achieve a return that is solidly above the required technical interest rate of the pension funds.

Since the SNB's first key interest rate hike a year ago, the yield curve of mortgage lending rates has flattened significantly. While terms under ten years have become massively more expensive in some cases, eleven-year mortgages are still as expensive today as before the interest rate increases, meaning that mortgage loans with terms of 11 years or longer have become cheaper despite the interest rate increases.

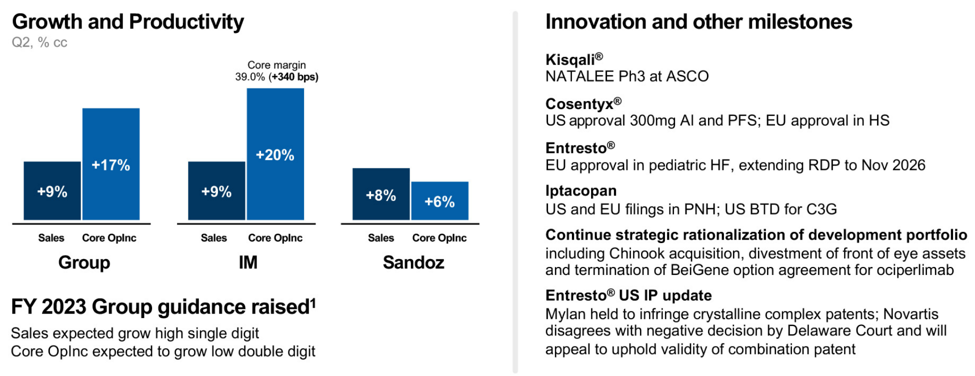
That may come as a surprise. This can be explained by the fact that mortgage lenders mostly assume that interest rates will fall in the medium term. The ten-year federal benchmark bond has a yield of just 0.9%. This allows a lender to achieve an excess return of 1.6% or more on a long-term loan. These are unusually high margins.

Short-term interest rates are controlled directly by the SNB and are becoming more expensive, while long-term interest rates are driven by the "free market". This constellation of circumstances facilitates the emergence of what is known as an inverted yield curve. For individual providers – such as Swiss Life – the yield curve for published mortgage rates is already inverted. This could be further aggravated by a restrictive monetary policy review by the SNB in September.

Asset sub-class	3–6 months	12–24 months	Analysis
Residential properties CH	→	→↗	SARON mortgages have become more expensive, while longer-term fixed-rate mortgages showed a lower burden in the fourth quarter.
Office and retail properties CH	→↘	→	According to Swiss Prime Site, there is currently structural excess demand in the commercial sector in Switzerland, which has a stabilizing effect.
Real Estate Fund CH	→	→↗	The stable development (SWIIT -0.2% since the beginning of the year) shows that the demand for office space in very good locations has also increased again.
Infrastructure Equity / Fund	↗	↗	The strong total returns on infrastructure also continued in the volatile month of July, e.g., Zurich Airport (+31.5%) and BKW (+26.5%), as well as Veolia Environnement (+28.3%).

Equity

Good news from the half-yearly reports



The Novartis Group is in good shape (Source: Novartis Q2 2023 Results, Investor presentation, page 4)

The SMI continues to mainly move sideways. However, with a performance of +5.4% since the beginning of the year, it is meeting expectations. Of its three heavyweights, only Novartis has good momentum. Nestlé equity has been stagnating for four years now, and Roche has been increasingly undergoing price target reductions recently. This makes those companies that are in good shape stand out all the more.

The half-yearly reports confirmed the trend that some companies in the SMI are currently in excellent shape and were able to achieve strong total returns in the first seven months of this year. It is mainly thanks to these stocks that we have been able to significantly outperform the SMI so far:

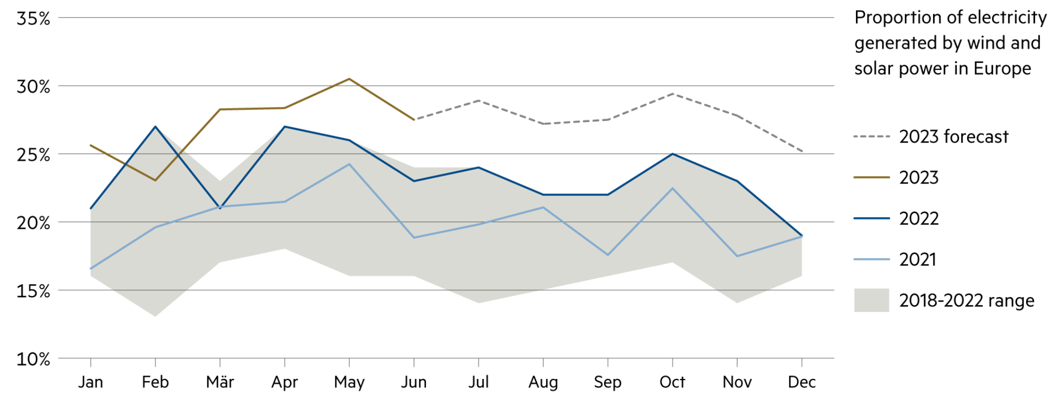
Kühne+Nagel (+33.4%): the newcomer to the SMI is just beginning to adapt to the "Roadmap 2026". The stock has achieved the best year-to-date performance in the SMI. Despite the weakened global economic momentum, the EBIT of the world's leading sea and air freight forwarder was significantly above expectations in the second quarter.
Holcim (+32%): the building materials group is trading at a moderate price/profit ratio of 12 and its rapid transformation thanks to robust growth through acquisition gives reason to be enthusiastic. Its margins have improved impressively in Europe (to 20.6%) and North America (to 25.6%). The organic growth in the current year (North America ca. 8%, Europe 10%, Latin America 11%, and Asia 9%) is also impressive.
Partners Group (+25.1%): after the "business update" for the first half of the year, the share price rose noticeably. Fundraising is likely to accelerate even more in the second half of the year, so that the guidance for the whole year could be confirmed. The traditional focus in the area of "middle market buyouts" continues to perform soundly and is not affected much by the generally higher financing costs. No substantial valuation adjustments were required. A new focus area is the 45 biogas and biomethane plants to support alternative fuels for the European energy transition.
Sika (+23.7%): the construction chemicals group has just expanded its production capacities for macrofibres in the USA, positioning itself even more firmly as an innovative full-service provider for sustainable construction projects. The construction of new sustainable, industrial manufacturing plants with gigafactories and data centers is booming in the USA, and thus so is the demand for microfibers for the production of abrasion-resistant base plates and industrial floors.
Swiss Life (+22.3%): the total return is almost twice as high as for Swiss Re (+11.9%) and well above that of Zurich Insurance (0.4%). The asset management business handling real estate and infrastructure investments for third parties is also on an impressive growth course.
Novartis (+13.6%): the return far exceeds that of Roche (-3.5%), as well as that of Lonza (+12.2%). Focusing is starting to pay off. Growth and productivity are right on course. We are accordingly confident about the outlook for the coming years.

We will discuss our selection outside Switzerland another time.

Asset sub-class	3–6 months	12–24 months	Analysis
Equity Switzerland	→↗	↗	The SMI gained 0.26% in July. Partners Group was the strongest (+16.2%), while Richemont (-7.5%), Lonza (-5.3%), Roche, Zurich, ABB, and Nestle (-1% each) were at the lower end.
Equity Eurozone, Europe	→↗	↗	In July, an impressive half-yearly report ensured a strong return for Saint-Gobain's building materials supplier (+10.3%). Other titles stagnated.
Equity USA	→↗	↗	Alphabet/Google (+10%), KKR (+6%), and ThermoFisher Scientific (+5%) all performed well in July.
Equity Emerging markets	→↗	↗	The broad MSCI Emerging Markets index has lost 3.7% in the last 5 years (in dollars; in Swiss francs this figure was -15.4%). Here, careful selection is definitely worth the while.

Alternative investments

Energy risks are decreasing in Europe



Monthly wind and solar share of European electricity production (Source: Ember, estimate for July to December 2023 | Graphic: Zugerberg Finanz)

Wind power and solar energy are playing an increasingly important role in electricity generation in Europe. In May, the contribution of wind & solar energy to electricity generation was a record 30.7%. New records are thought to have been set in the months of June and July. Gas (14.7%) and coal (10.3%) now play only a minor role. Hydropower (14.5%) and gas (14.7%) can also be counted on in winter. Gas fill levels are already above 86% and long-term supply contracts have been concluded.

Europe's excellent starting position can also be attributed to the energy price shock from the beginning of the war in Ukraine. Of course, this is not an invitation to squander electricity. However, the EU is noticeably approaching the goal set by the International Energy Agency, according to which it must achieve a 50% share of electricity generated from wind and solar energy by 2030 in order to achieve its long-term climate target. In conjunction with hydropower, two-thirds of Europe's electricity will then be generated from renewable energy sources.

Currently, the EU is well on its way to reaching this milestone ahead of schedule. The energy risks have decreased massively, thanks to state-of-the-art wind turbines, which Weltwoche recently humorously described as the "cathedral spires of the climate religion". There is still a lack of permits, even in Switzerland.

The share of wind and solar energy has increased to 27.1% this year (vs. 22.3% in 2022). The USA and China are still a long way away from such figures. In both countries, the proportion of electricity generated by wind and solar energy (18%) is significantly lower.

In the USA, gas is the primary source of electricity (approx. 40% share). As in the EU, nuclear energy (ca. 19% vs. 22% in the EU) also plays a more significant role than in China (ca. 5%), where coal in particular is used to generate electricity (60%). This means that in terms of carbon dioxide emissions, the electricity mix in China is by far the worst.

What Europe lacks is an efficient power grid spanning the whole region. During the current summer months, 100% of electricity in Portugal and Spain is in part already generated from renewable energy sources in places. However, there is a lack of storage capacity and line capacity to feed the excess electricity into the French network. Instead, wind farms – including in the North Sea, incidentally – must be temporarily taken out of operation.

European wholesale gas prices were last at €26.7 per MWh at the end of July (-61% since the beginning of the year). Gas storage in the EU has continued to rise and is already at 86.2% of capacity (compared to 56% in the same period last year).

Following Saudi Arabia's surprising decision to unilaterally cut output by about one million barrels a day and the good economic outlook, oil prices rose between 13% (WTI variety) and 16% (Brent variety) in July. The S&P Global Clean Energy Index (-0.6% in July), on the other hand, reflected the lower prices for renewable energies and the weakness of wind power equipment suppliers, which are unable to deliver due to a lack of permits.

Asset sub-class	3–6 months	12–24 months	Analysis
Commodities	→	↗	The Bloomberg Commodity TR Index (in dollars) rose by 6% in July and is only 2% lower than at the beginning of the year.
Gold, precious metals	→	→	The price of gold fell slightly in July to 1,713 Swiss francs per ounce (-0.35%). The price of silver (21.6 Swiss francs; +5.8%) increased thanks to stronger demand due to economic trends.
Insurance Linked Securities	↗	↗	Subordinated insurance bonds, hedged in Swiss francs, have exceptionally good prospects after interest rates have peaked.
Private equity	→	↗	Our selection in the area of "Listed Private Equity" continues to prove itself. The fund continued to grow in July (+4%). The result has been an increase of 13% since the beginning of the year.

Market data

Asset class		Price (in local currency)			Annual performance (in CHF)		
Equity		**31.07.2023**	**07/2023**	**2023 YTD**	**2022**	**2021**	**2020**
SMI	CHF	11'309.3	+0.3%	+5.4%	−16.7%	+20.3%	+0.8%
SPI	CHF	14'927.1	+0.4%	+8.7%	−16.5%	+23.4%	+3.8%
DAX	EUR	16'446.8	−0.2%	+14.5%	−16.3%	+10.4%	+3.5%
CAC 40	EUR	7'497.8	−0.7%	+12.3%	−13.9%	+23.6%	−7.4%
FTSE MIB	EUR	29'644.7	+2.9%	+21.2%	−17.3%	+17.3%	−5.4%
FTSE 100	GBP	7'699.4	+0.5%	+3.6%	−8.8%	+16.7%	−19.2%
EuroStoxx50	EUR	4'471.3	−0.4%	+14.2%	−16.0%	+16.0%	−5.4%
Dow Jones	USD	35'559.5	+0.4%	+1.2%	−7.7%	+22.2%	−1.8%
S&P 500	USD	4'589.0	+0.2%	+12.7%	−18.5%	+30.6%	+6.5%
Nasdaq Composite	USD	14'346.0	+1.1%	+29.3%	−32.3%	+25.0%	+31.6%
Nikkei 225	JPY	33'172.2	−1.4%	+10.5%	−19.7%	−2.6%	+11.6%
Sensex	INR	66'527.7	−0.4%	+3.7%	−4.8%	+23.2%	+3.4%
MSCI World	USD	3'064.3	+0.4%	+11.0%	−18.5%	+23.7%	+4.5%
MSCI EM	USD	1'046.9	+2.8%	+3.2%	−21.5%	−1.8%	+6.1%
Bonds (mixed)		**31.07.2023**	**07/2023**	**2023 YTD**	**2022**	**2021**	**2020**
Glob Dev Sov (Hedged CHF)	CHF	152.7	−0.5%	+0.4%	−13.2%	−3.0%	+3.5%
Glob IG Corp (Hedged CHF)	CHF	179.0	+0.3%	+1.2%	−16.7%	−2.0%	+6.4%
Glob HY Corp (Hedged CHF)	CHF	325.4	+1.4%	+4.2%	−13.6%	+1.4%	+3.7%
USD EM Corp (Hedged CHF)	CHF	259.3	+0.9%	+2.1%	−18.2%	−2.7%	+4.3%
Government bonds		**31.07.2023**	**07/2023**	**2023 YTD**	**2022**	**2021**	**2020**
SBI Dom Gov	CHF	171.8	−0.3%	+7.7%	−17.0%	−4.2%	+2.1%
US Treasury (Hedged CHF)	CHF	140.6	−0.6%	−1.3%	−15.0%	−3.5%	+6.3%
Eurozone Sov (Hedged CHF)	CHF	175.5	−0.3%	+1.3%	−18.9%	−3.7%	+4.6%
Corporate bonds		**31.07.2023**	**07/2023**	**2023 YTD**	**2022**	**2021**	**2020**
CHF IG Corp (AAA-BBB)	CHF	176.2	+0.5%	+2.5%	−7.5%	−0.5%	+0.5%
USD IG Corp (Hedged CHF)	CHF	183.8	+0.1%	+0.9%	−18.5%	−2.3%	+8.0%
USD HY Corp (Hedged CHF)	CHF	563.3	+1.1%	+4.2%	−13.7%	+4.1%	+5.1%
EUR IG Corp (Hedged CHF)	CHF	158.8	+0.9%	+2.1%	−14.1%	−1.2%	+2.4%
EUR HY Corp (Hedged CHF)	CHF	273.2	+1.0%	+4.5%	−10.9%	+3.2%	+2.1%
Alternative investments		**31.07.2023**	**07/2023**	**2023 YTD**	**2022**	**2021**	**2020**
Gold Spot CHF/kg	CHF	55'084.7	−0.3%	−0.5%	+1.0%	−0.6%	+14.6%
Commodity Index	USD	107.3	+2.8%	−10.3%	+15.1%	+30.8%	−11.6%
SXI SwissRealEstateFunds TR	CHF	2'222.0	−1.1%	+0.1%	−17.3%	+7.6%	+13.0%
Currencies		**31.07.2023**	**07/2023**	**2023 YTD**	**2022**	**2021**	**2020**
US dollar / Swiss franc	CHF	0.8719	−2.6%	−5.7%	+1.3%	+3.1%	−8.4%
Euro / Swiss franc	CHF	0.9588	−1.9%	−3.1%	−4.6%	−4.0%	−0.4%
100 Japanese yen / Swiss franc	CHF	0.6124	−1.3%	−13.2%	−11.0%	−7.5%	−3.8%
British pound / Swiss franc	CHF	1.1191	−1.6%	+0.0%	−9.3%	+1.9%	−5.7%