

Julius Bär

ONE-PAGER FOR DONORS 31.01.2020

Market comment

The US, the Euro-area and China account for 56% of the world's GDP (2018). They are the main swing factors of the global economic cycle. Going forward, the ECB and the Fed will wait for tangible evidence of inflationary pressures prior to tightening policy. Up until then, the fiscal outlook is neutral to mildly positive on both sides of the Atlantic. We firmly believe that the Chinese government has effective tools to support its economy in spite of external challenges and the structural transformation away from exported growth towards domestic driven demand, led by rising consumption.

The equity markets had a good start to the new decade, with an increase of almost 2% at its peak. Then came the coronavirus, which had a negative impact not only on humans but also on the stock markets. As a result, China decided to interrupt the closure of production for longer than just the Chinese New Year, which could have negative consequences for both the Chinese and the global economy. Due to the announced outflow of USD 10 Mio. we continued to take profit on equities that had a good run in 2019: we reduced the position in Lonza, Salesforce, Cooper, Idexx Lab, Encompass Health and Servicemaster. On the bond side, we decided to reduce short maturities in order to increase duration. On top, our CIO initiated a "hedge" against the coronavirus by buying long-dated USD high quality bond, so we added two Green bonds: KWF 2029 and EIB 2027.

The fact that the current situation is not conducive to taking significant asset allocation bets one-way or the other does not mean that one should simply passively collect modest investment returns. Structural investment themes expose investors to innovation optionality that should provide them with valuable sources of added returns over time. This year, we would emphasize Cloud Computing, Artificial Intelligence (AI) and Digital Health as particularly attractive. Furthermore, we remain positive on Biotech, even after last quarter's impressive rally due to the rapid expansion of disruptive technologies to life sciences. We remain cautiously optimistic for asset returns in the short-term and remain therefore invested with a preference for quality assets.

Portfolio summary

	Month - January 20	2019
Initial*	104'557'338.49	86'036'201.99
Deposits	0.00	0.00
Withdrawals	-10'000'000.00	0.00
Result (performance)	1'894'855.57	18'521'136.50
Final	96'452'194.06	104'557'338.49

*31.12.2019 for "2019"; 31.01.2020 for "Month"

Allocation per asset class and performance in USD					Benchmark	
Asset class	Market value	%	MTD	YTD	MTD	YTD
Cash and short-term investments	850'620.13	0.88%	-1.87%	-1.87%	0.18%	0.18%
Bonds and similar positions	31'915'782.26	33.09%	1.40%	1.40%	2.29%	2.29%
Equities and similar positions	59'641'010.11	61.83%	2.06%	2.06%	0.01%	0.01%
Alternative Investments	4'044'781.56	4.19%	0.35%	0.35%	0.00%	0.00%
Total	96'452'194.06	100%	1.72%	1.72%	0.76%	0.76%

The sole legally binding version is the official report.

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U.S.A. Consumer Price Index (CPI)

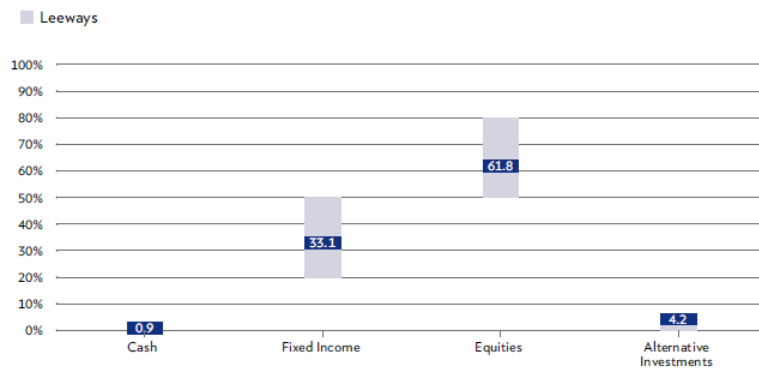
1-month % change (December 19)	0.2%
2019 % change (December 19)	2.3%

*January 2020 CPI data are scheduled to be released on 13.02.2020

Performance

Month (January 20)		Year (2020)	
Nominal	Real	Nominal	Real
1.72%	1.52%	1.72%	-0.58%

Allocation per asset class



Net return YTD - Benchmark and portfolio

