

# Julius Bär

## ONE-PAGER FOR DONORS 31.05.2021

### Market comment

The debate over the nature of the recent acceleration of inflation in the United States shows no sign of abating. Inflation is essentially and solely a monetary problem under the condition that monetary policy is transmitted by credit to the private sector via the banking system. The most important mission of central banks is to avoid the volatility and financial instability that throws the real economy into disarray. In this quest for stability, central banks have the delicate task of avoiding valuation bubbles that inherently bring instability. Paradoxically, the market suddenly seems to be taking a more cautious stance on the risks of persistently higher inflation. Ten-year US Treasury rates have fallen back below 1.6%, and inflation expectations are stabilizing at 2.3% over five years. In the equity markets, there is no longer a clear leadership between potential beneficiaries and victims of higher inflation, as rotations become faster and more directionless.

In May we slightly underperformed the benchmark due to the ongoing volatility in the market based on the inflation fears. Companies that are/were affected by this volatility are/were mainly those with rather high valuations, but also those with large growth potential, which continue to represent major opportunities in the longer term. The only transaction during May was the sale of Hologic, a US based medical technology and diagnostics company. It reported a much steeper fall in Covid-19 diagnostics testing than expected. While we had factored in a slowdown of Covid testing into our investment analysis, we had not anticipated the extent or rapidity of the fall in testing trends, a testament to the successful vaccination program being undertaken in the US. With the disappointing forward looking revenue guidance, we decided to exit the position.

Our view remains unchanged. However, inflation may indeed be coming back stronger and more durable than expected, although pre-emptive tightening of monetary policy is only of limited use. At best, it helps prevent the inflation of a financial and/or real estate bubble, and at worst, it nips the recovery in the bud by a concentrated and delayed negative wealth effect when the markets fall significantly. Economists explain that consumers tend to overweight recent price changes in frequently purchased goods, such as petrol, to form long-term expectations. This creates a mechanism by which seemingly transitory movements such as higher energy prices can be embedded in higher inflation expectations. In other words, TIPS need a further increase in petrol prices to perform, which is not our base case. Second, we expect the supply of goods and services to match higher demand over time, which is bad news for inflation but good news for the corporate sector. Higher output and ultimately higher profits herald better credit metrics, lower default rates, and more upgrades. From an investor's perspective, it seems appropriate to adopt the Fed's strategy: Disregard the job and wage numbers and stay on course.

*The sole legally binding version is the official report.*

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## Portfolio summary

	Month - May 21	2021
Initial*	117'587'357.02	117'447'258.83
Deposits	0.00	0.00
Withdrawals	0.00	0.00
Result (performance)	1'385'534.88	1'525'633.07
<b>Final</b>	<b>124'280'697.67</b>	<b>124'280'697.67</b>

\*31.12.2020 for "2021"; 30.04.2021 for "Month"

## Allocation per asset class and performance in USD

Asset class	Allocation per asset class and performance in USD				Benchmark	
	Market value	%	MTD	YTD	MTD	YTD
Cash and short-term investments	10'100'750.07	8.13%	-0.28%	0.42%	0.01%	0.05%
Bonds and similar positions	36'543'278.83	29.40%	0.41%	-0.90%	0.52%	-2.71%
Equities and similar positions	75'612'215.07	60.84%	1.36%	10.10%	1.46%	10.69%
Alternative Investments	2'024'453.70	1.63%	0.25%	0.93%	0.10%	0.47%
<b>Total</b>	<b>124'280'697.67</b>	<b>100%</b>	<b>0.92%</b>	<b>5.90%</b>	<b>1.05%</b>	<b>5.40%</b>

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

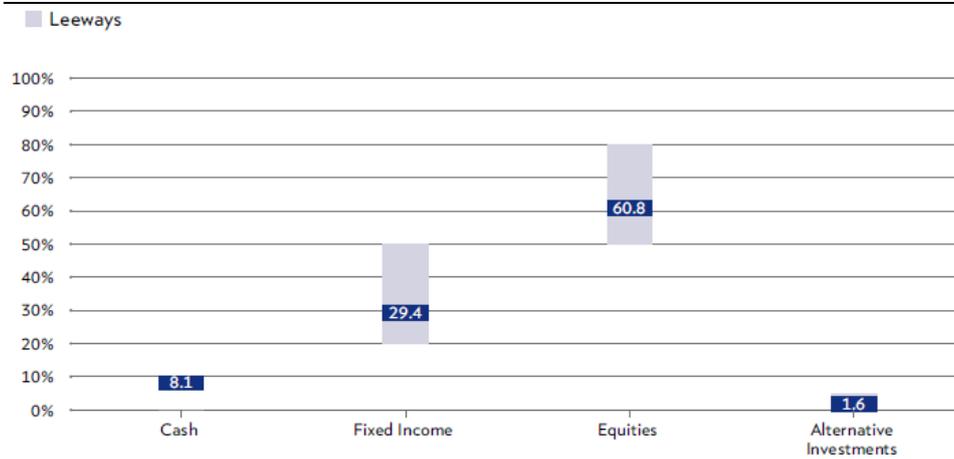
1-month % change (May 21)	0.64%
2021 % change (May 21)	2.67%

## Performance

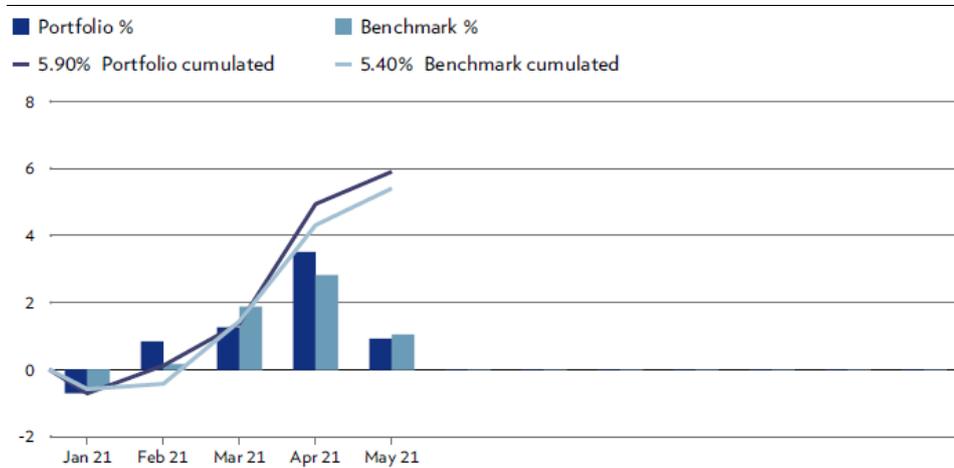
Month (May 21)		Year (2021)	
Nominal	Real	Nominal	Real
0.92%	0.28%	5.90%	3.23%

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## Allocation per asset class

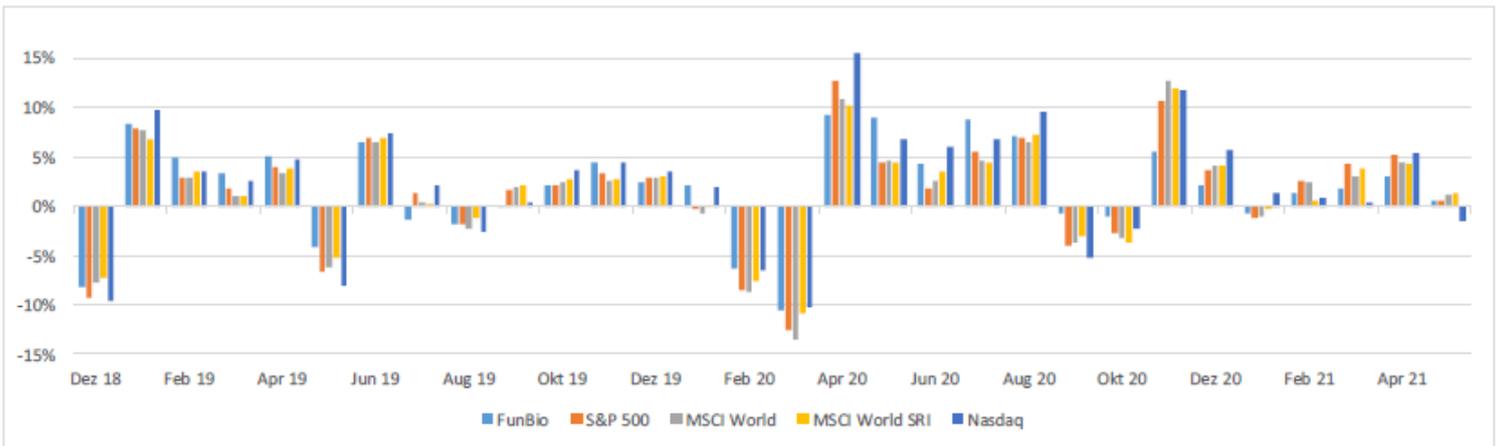
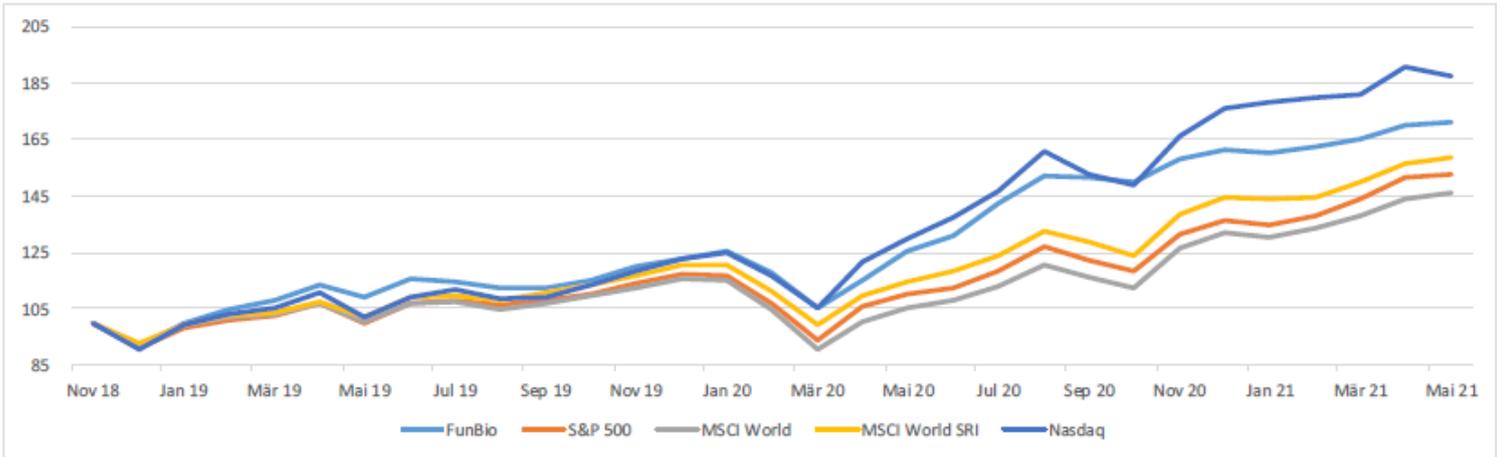


## Monthly gross performance YTD - Benchmark and portfolio



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## Development of equity - comparison with equity indices



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Date	FunBio	S&P 500	MSCI World	MSCI World SRI	Nasdaq
Dez 18	-8.15%	-9.18%	-7.71%	-7.28%	-9.48%
Jan 19	8.41%	7.87%	7.68%	6.86%	9.74%
Feb 19	4.94%	2.97%	2.83%	3.46%	3.44%
Mär 19	3.35%	1.79%	1.05%	1.09%	2.61%
Apr 19	5.08%	3.93%	3.37%	3.82%	4.74%
Mai 19	-4.10%	-6.58%	-6.08%	-5.24%	-7.93%
Jun 19	6.42%	6.89%	6.46%	6.99%	7.42%
Jul 19	-1.23%	1.31%	0.42%	0.28%	2.11%
Aug 19	-1.79%	-1.81%	-2.24%	-1.08%	-2.60%
Sep 19	0.13%	1.72%	1.94%	2.16%	0.46%
Okt 19	2.06%	2.04%	2.45%	2.77%	3.66%
Nov 19	4.41%	3.40%	2.63%	2.79%	4.50%
Dez 19	2.46%	2.86%	2.89%	3.04%	3.54%
Jan 20	2.06%	-0.16%	-0.68%	0.02%	1.99%
Feb 20	-6.23%	-8.41%	-8.59%	-7.46%	-6.38%
Mär 20	-10.48%	-12.51%	-13.47%	-10.84%	-10.12%
Apr 20	9.27%	12.68%	10.80%	10.26%	15.45%
Mai 20	9.02%	4.53%	4.63%	4.43%	6.75%
Jun 20	4.24%	1.84%	2.51%	3.47%	5.99%
Jul 20	8.85%	5.51%	4.69%	4.41%	6.82%
Aug 20	7.05%	7.01%	6.53%	7.30%	9.59%
Sep 20	-0.67%	-3.92%	-3.59%	-3.09%	-5.16%
Okt 20	-1.03%	-2.77%	-3.14%	-3.68%	-2.29%
Nov 20	5.48%	10.75%	12.66%	11.94%	11.80%
Dez 20	2.08%	3.71%	4.14%	4.15%	5.65%
Jan 21	-0.63%	-1.11%	-1.05%	-0.24%	1.42%
Feb 21	1.31%	2.61%	2.45%	0.51%	0.93%
Mär 21	1.76%	4.24%	3.11%	3.78%	0.41%
Apr 21	3.03%	5.24%	4.52%	4.35%	5.40%
Mai 21	0.60%	0.55%	1.26%	1.37%	-1.53%