

# Julius Bär

## ONE-PAGER FOR DONORS

30.06.2022

### Market comment

The first half of 2022 has earned its place in the stock market history books with flying colors. We have almost run out of superlatives to describe the historic decline of financial assets over the last six months.

Last June week saw a major rebound in developed market equities. The S&P 500 rose by 6.5%, leaving the index down just about 18% from its peak. At the same time, US 10-year Treasury yields fell back, ending the week at 3.1%. Notably, the bounce in the S&P 500 happened at a time when market breadth was at extreme levels. Investor sentiment, however, remains extremely dire. Rarely has so much pessimism been priced in. Given this starting point, risks are clearly more to the upside than to the downside. An encouraging sign emerged from the US commercial bank's balance sheets, which showed that private-sector credit growth has accelerated of late, now shooting above pre-pandemic trends.

Unfortunately, the second quarter 2022 was just as disappointing as the first since the broad rout in financial markets continued. For the most part, asset prices accelerated their relentless path down amid persistently high inflation and slowing growth expectations, whilst the US Federal Reserve (Fed) delivered a 50 basis point (bp) rate hike in May, followed by an even higher hike, by 75 bps, in June. In June, we made several adjustments. We reduced positions in Microsoft and Darling Ingredients and sold Edwards Lifesciences, as the stock remains expensively valued and could come under further pressure in the current market environment. We reinvested the proceeds in Ashtead, which is helping to create a circular economy by promoting penetration of the rental market. We also bought Ahold, which aims to integrate healthier eating into everyday life, as well as Advanced Drainage Systems, which is an industry leader in water management solutions.

How to navigate the second half of 2022. We think that the current decline will bottom in the second half of this year rather than in 2023. In terms of time and price, we are already more than halfway there. Looking beyond the next few weeks makes more sense because that is investing, not trading. Interest rates have probably finished rising for 2022. Commodities, except for energy, are now down since the beginning of the year. Energy is the last pillar that has not collapsed. Nevertheless, inflation expectations in the US are falling significantly, from 3% for the 10-year horizon at the beginning of May to 2.35% currently. The equity risk premium is attractive and reinforces our view that we are facing a cyclical bear market rather than a secular one. Bear markets, however, are difficult to 'time'. Selling involves a second

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decision to buy back cheaper at a time when the news are gloomy. The most important thing is not to turn a temporary loss into a permanent loss caused either by downward averaging or panic selling. We do not sell investments that we are optimistic about three years out or more. We believe that the primary negative effect of the pandemic monetary and fiscal stimulus is largely over and priced in. There is still the earnings hurdle to overcome. On the macroeconomic level, the economic slowdown will dampen the enthusiasm of central banks in their tightening efforts, and this reduces the risk of a monetary policy error. The groundwork is being laid for a stabilization of the markets for a new cycle in 2023 and beyond.

Portfolio summary		
	Month - June 22	2022
Initial*	108'811'435.86	134'941'803.12
Deposits	0.00	0.00
Withdrawals	0.00	-4'500'000.00
Result (performance)	-6'892'546.44	-28'522'913.70
<b>Final</b>	<b>101'918'889.42</b>	<b>101'918'889.42</b>

\*31.12.2021 for "2022"; 31.05.2022 for "Month"

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Allocation per asset class and performance in USD					Benchmark	
Asset class	Market value	%	MTD	YTD	MTD	YTD
Cash and short-term investments	11'752'485.87	11.53%	1.86%	10.87%	-0.02%	-0.07%
Bonds and similar positions	36'245'865.45	35.56%	-1.29%	-5.74%	-2.73%	-13.88%
Equities and similar positions	51'853'260.84	50.88%	-11.34%	-33.28%	-8.12%	-22.71%
Alternative Investments	2'067'277.26	2.03%	0.22%	0.73%	0.07%	0.43%
<b>Total</b>	<b>101'918'889.42</b>	<b>100%</b>	<b>-6.25%</b>	<b>-21.41%</b>	<b>-5.77%</b>	<b>-18.30%</b>

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

1-month % change (June 22)	1.30%
2022 % change (June 22)	5.25%

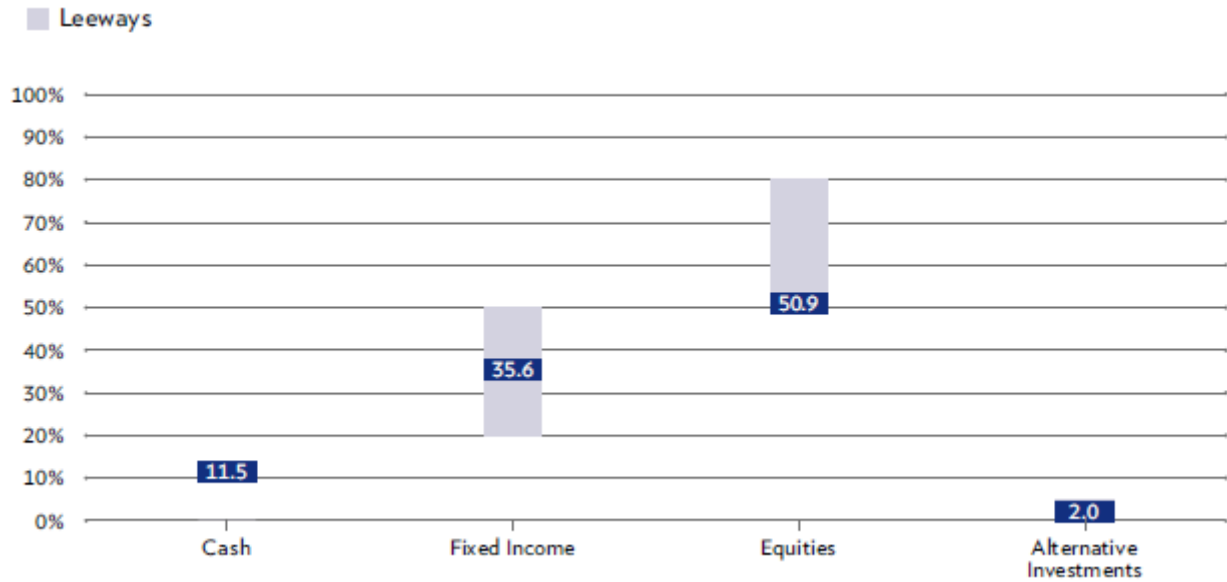
## Performance

Month (June 2022)		Year (2022)	
Nominal	Real	Nominal	Real
-6.25%	-7.55%	-21.41%	-26.66%

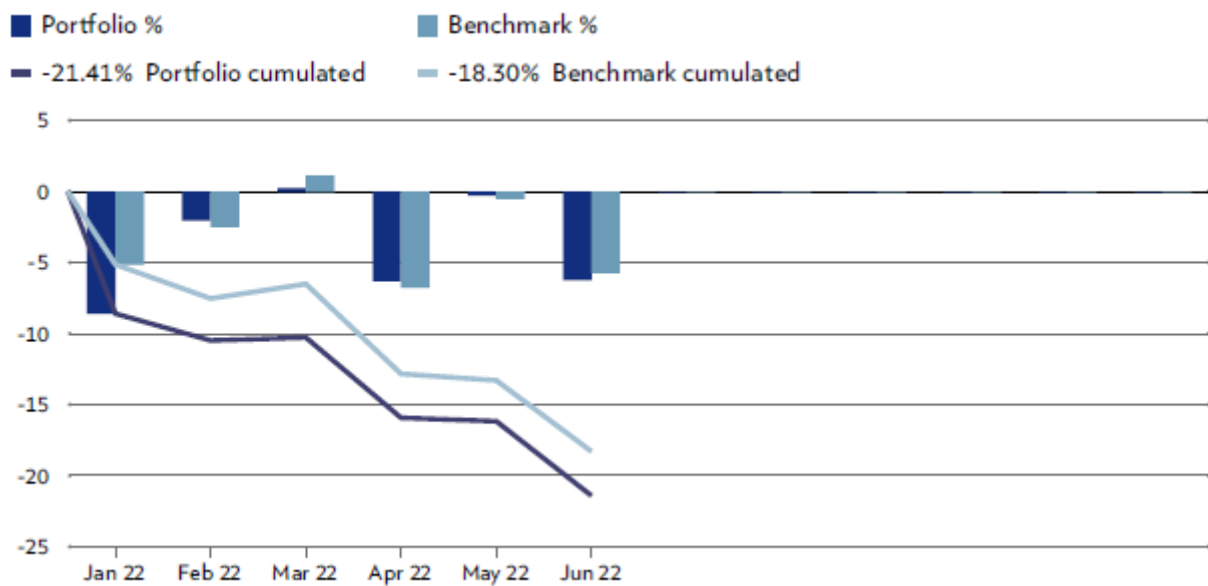
\*assuming CPI data from June 2022

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## Allocation per asset class

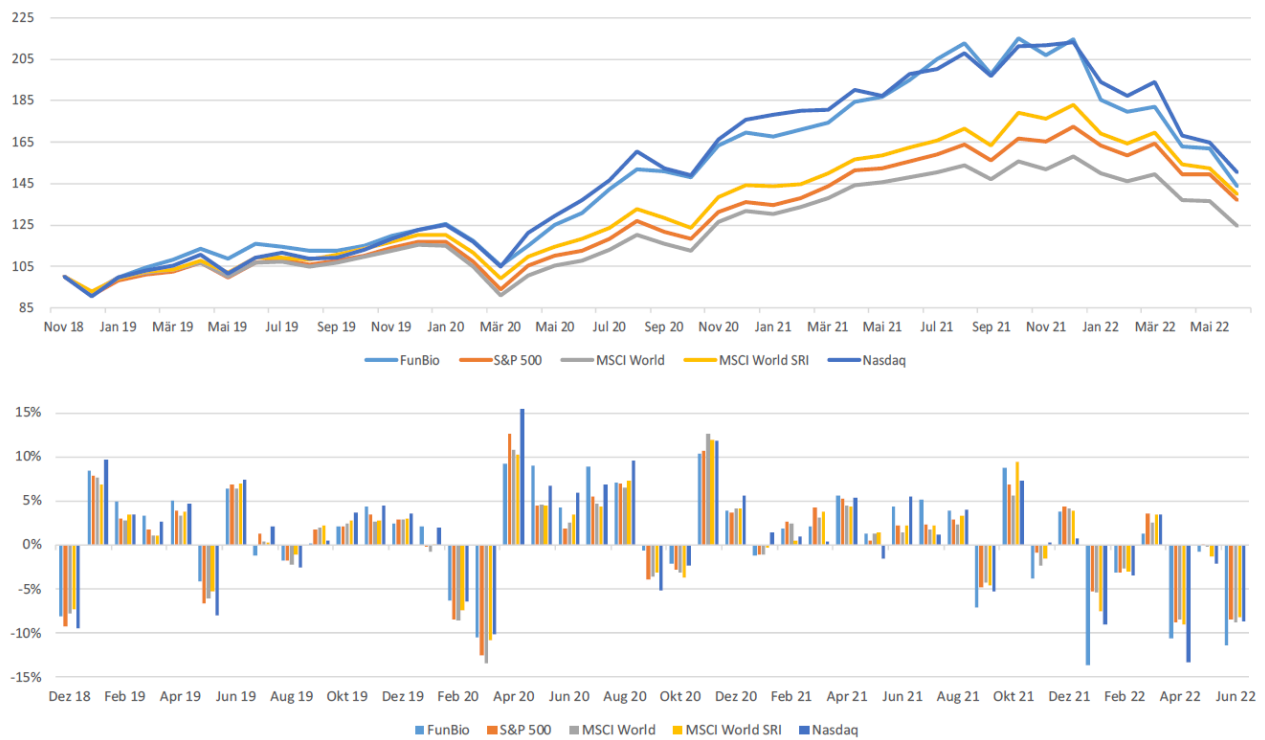


## Monthly gross performance YTD - Benchmark and portfolio



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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	-6.32%	-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	-2.08%	-2.77%	-3.14%	-3.68%	-2.29%
Nov 20	10.38%	10.75%	12.66%	11.94%	11.80%
Dez 20	3.91%	3.71%	4.14%	4.15%	5.65%
Jan 21	-1.17%	-1.11%	-1.05%	-0.24%	1.42%
Feb 21	1.89%	2.61%	2.45%	0.51%	0.93%
Mär 21	2.14%	4.24%	3.11%	3.78%	0.41%
Apr 21	5.61%	5.24%	4.52%	4.35%	5.40%
Mai 21	1.36%	0.55%	1.26%	1.37%	-1.53%
Jun 21	4.34%	2.22%	1.40%	2.19%	5.49%
Jul 21	5.16%	2.27%	1.72%	2.21%	1.16%
Aug 21	3.92%	2.90%	2.35%	3.36%	4.00%
Sep 21	-7.12%	-4.76%	-4.29%	-4.62%	-5.31%
Okt 21	8.73%	6.91%	5.59%	9.51%	7.27%
Nov 21	-3.80%	-0.83%	-2.30%	-1.53%	0.25%
Dez 21	3.80%	4.36%	4.19%	3.94%	0.69%
Jan 22	-13.63%	-5.26%	-5.34%	-7.56%	-8.98%
Feb 22	-3.09%	-3.14%	-2.65%	-3.05%	-3.43%
Mär 22	1.36%	3.58%	2.52%	3.42%	3.41%
Apr 22	-10.57%	-8.80%	-8.43%	-9.00%	-13.26%
Mai 22	-0.69%	0.01%	-0.16%	-1.25%	-2.05%
Jun 22	-11.34%	-8.39%	-8.77%	-8.19%	-8.71%