

Julius Bär

ONE-PAGER FOR DONORS
31.08.2022

Market comment

Investors were eagerly awaiting the traditional meeting of central bankers in Jackson Hole, hoping for a confirmation of a more cautious approach in the continuation of the monetary tightening cycle initiated since the beginning of the year in the United States and Europe, or even confirmation of a pivot in Washington. Their expectations were dashed. Central banks did not pivot tactically, they swung structurally. The turnaround is brutal, to say the least. The era of an abundant supply of cheap labor, energy, and manufactured goods in Asia are over. Previously, central banks had to ensure that demand did not collapse in the face of external shocks or excessive monetary tightening leading to a sharp decline in the value of financial and real assets. From now on, they must recalibrate final demand to realign it with the supply constraints resulting from the new geopolitical situation. The context described above has plunged us into a bear market of an unprecedented nature. As we pointed out at the end of the first half of the year, US equities fell by more than 20% over six months without a decline in corporate earnings. This has never happened before. All bear markets result from the combined effect of a decline in valuations and a decline in earnings. After the second-quarter earnings season, earnings expectations for the current year are still more or less unchanged. Until real earnings fall, the current bear market is unprecedented, driven entirely by valuation multiple compression.

Also, in the month of August we refrained from doing any transactions on the equity side as we were still awaiting the second-quarter results from some companies and their respective full year guidance. From the portfolio companies that reported in July and August, 84% had a beat in expectation, 10% were in-line with expectations and only 6% were announcing a rather weaker than expected result or outlook. Certainly, given the uncertainties, companies are guiding cautiously, but profits are showing resilience. Since the pandemic, the increased uncertainty has resulted in a large reduction in the number of companies that are prepared to issue forward guidance, with the result that many research analysts themselves have also been much more cautious in their growth expectations. However, with the second quarter's earnings season now complete, it was encouraging that growth turned out to be significantly better than had been feared.

The sole legally binding version is the official report.

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The transmission of the current monetary tightening in the financial markets and especially in the economy does not follow the same logic as before. The monetary dynamics are different. The deflationary asymmetry is no longer in effect. The tightening is not causing any signs of systemic risk. In conclusion, we should not reason in a binary way – i.e., risk-on versus risk-off, and expansion versus recession. This is not the time to take big sectoral or factorial wagers, but rather to reflect calmly on the potential consequences of the new situation. This reflection should be done while relying on a well-constructed portfolio in terms of di-versification, favoring real assets over nominal as-sets, and maintaining a slightly defensive bias until the Fed has completed the normalization of the cost of capital.

Portfolio summary

	Month - August 22	2022
Initial*	107'701'831.93	134'941'803.12
Deposits	0.00	0.00
Withdrawals	0.00	-6'000'000.00
Result (performance)	-4'966'965.63	-26'206'936.82
Final	102'734'866.30	102'734'866.30

*31.12.2021 for "2022"; 31.07.2022 for "Month"

Asset class	Allocation per asset class and performance in USD				Benchmark	
	Market value	%	MTD	YTD	MTD	YTD
Cash and short-term investments	11'202'603.51	10.90%	3.70%	18.18%	0.18%	0.18%
Bonds and similar positions	36'027'522.99	35.07%	-1.74%	-5.85%	-3.50%	-13.89%
Equities and similar positions	53'430'554.87	52.01%	-8.13%	-31.19%	-5.19%	-20.61%
Alternative Investments	2'074'184.93	2.02%	0.28%	1.07%	0.26%	0.82%
Total	102'734'866.30	100%	-4.61%	-19.62%	-4.25%	-16.91%

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

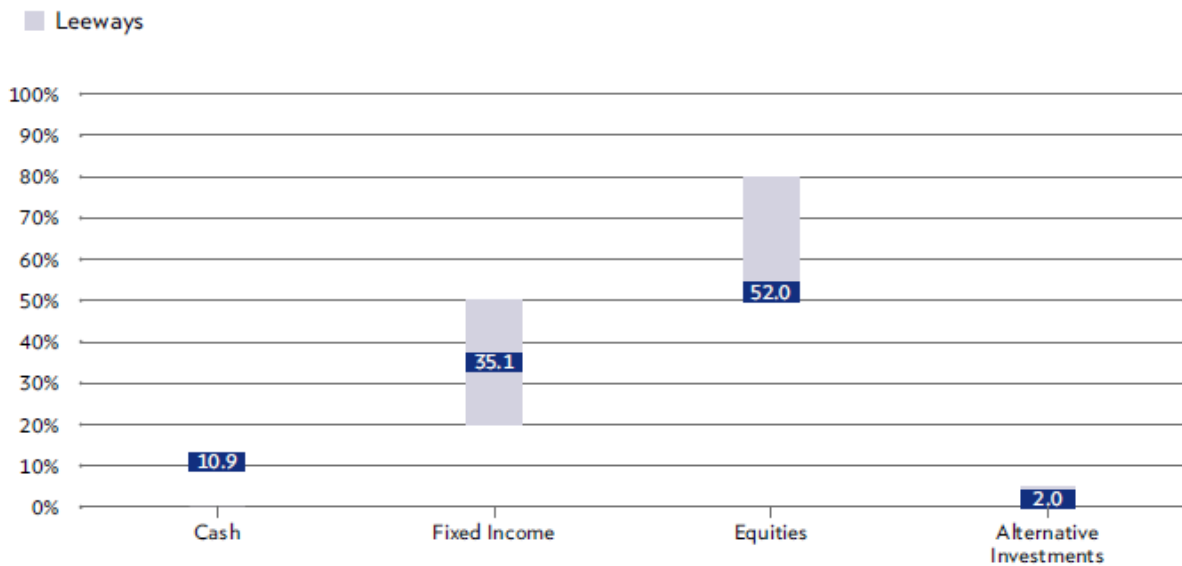
1-month % change (August 22)	0.10%
2022 % change (August22)	5.35%

Performance

Month (August 2022)		Year (2022)	
Nominal	Real	Nominal	Real
-4.61%	-4.71%	-19.62%	-24.97%

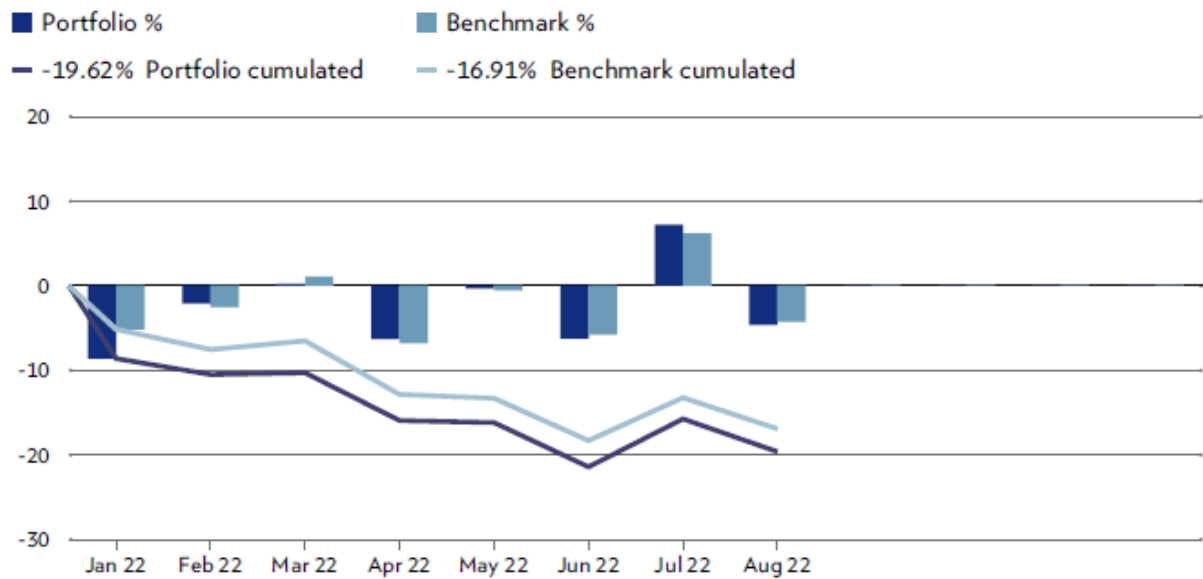
**assuming CPI data from August 2022*

Allocation per asset class

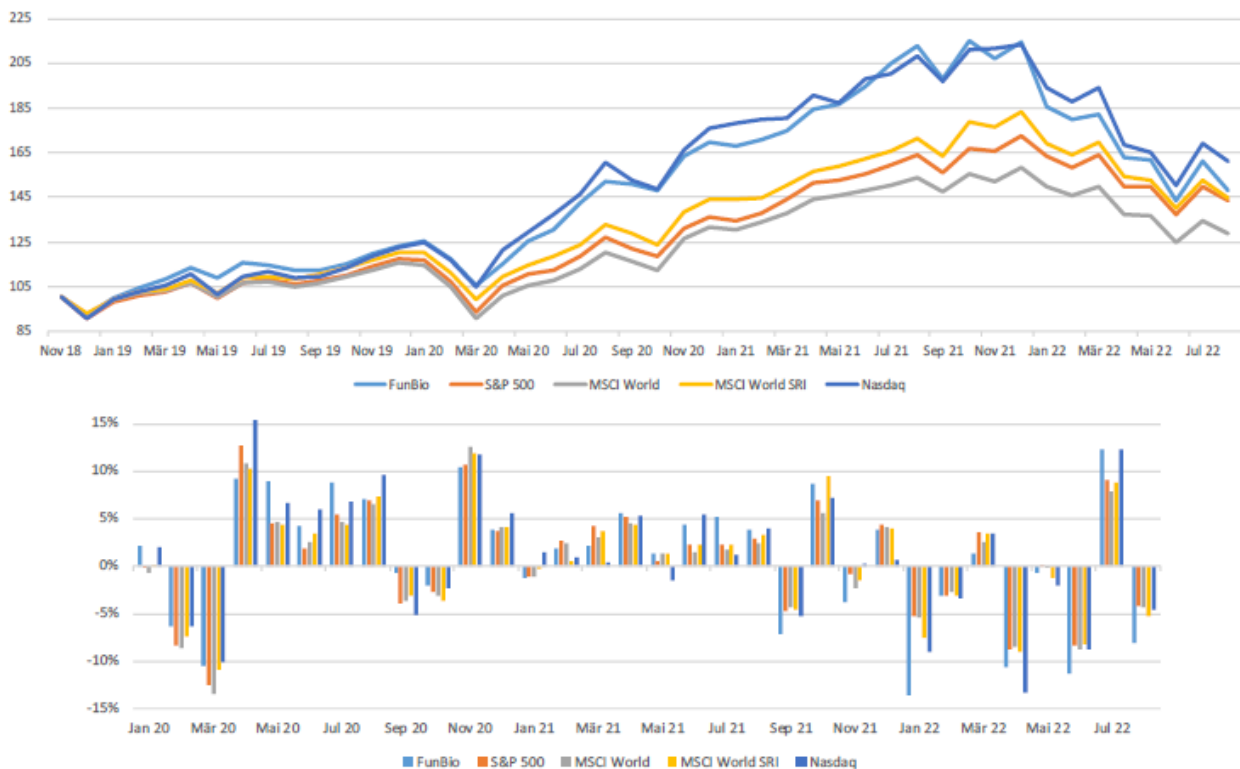


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Monthly gross performance YTD - Benchmark and portfolio



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%

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Date	FunBio	S&P 500	MSCI World	MSCI World SRI	Nasdaq
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%
Jul 22	12.26%	9.11%	7.86%	8.83%	12.35%
Aug 22	-8.10%	-4.24%	-4.33%	-5.23%	-4.64%