

Julius Bär

ONE-PAGER FOR DONORS
31.12.2022

Market comment

2022 was a year of huge macroeconomic surprises and overall unidirectional markets, including steadily higher interest rates and a steadily rising US dollar. The consequence was the worst combined decline in bonds and equities on record. Equity markets across the globe came under immense pressure in 2022, driven by a sharp tightening in liquidity conditions as a response to sky-high inflation rates and geopolitical jitters. What made this sell-off so unique is that it was almost entirely driven by 'multiple deratings', i.e. declining valuations. The end of financial repression and the associated rise in bond yields has been painful, especially for highly valued segments of the equity markets. Market expectations proved spectacularly wrong this year. They move sharply when outcomes deviate massively from ex ante implied economic and financial expectations. In 2022, even the US Federal Reserve (Fed) missed the outlook for interest rates by a record margin, as US gross domestic product (GDP) growth proved far more resilient than expected and inflation therefore turned out to be very sticky. Admittedly, the start of the war in Ukraine exacerbated the inflation spike, but even without this war, Western central banks would be fighting inflation for the first time in a generation.

Related to portfolio action, we switched out of ST Microelectronics into Infineon early December. We decided to switch STMicro into Infineon Technologies because we see a more favourable product mix at Infineon going forward. Infineon as the leading manufacturer of power semiconductor components and modules globally and with its business mix should profit more from growing use of power semiconductors for electro-mobility, renewable energy production and efficient energy management. Mid-December we bought Merck KGaA. Merck KGaA is a global pharmaceutical and chemicals company. Merck has utilized its presence in the emerging markets with its strong access initiatives that improve the availability and affordability of medicines in the underserved developing countries. Merck is well-positioned to capture the market in the developing countries as it has undertaken initiatives to strengthen local health care systems, including capacity building and supply chain programs, as well as initiatives to improve access to medicines. Further we started to extend the bond-duration by adding a mid-term US Treasury bond.

If anything, 2022 has reminded us that forecasting the future is difficult, especially in the short run. In the wake of the strongest and fastest US monetary-tightening cycle in decades, many market pundits predict a recession in the US in 2023. Currently,

The sole legally binding version is the official report.

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markets are in fact discounting a soft-landing scenario. The anticipation of interest-rate cuts, as early as the end of 2023, points in this direction. In our view, the main policy-mistake risk from now on does not involve interest-rate hikes but rather a reduction of the Fed's balance sheet. We expect positive nominal and inflation-adjusted bond returns in US dollars in 2023. Equities are priced at average long-term valuation levels. They are still exposed to downwards earnings revisions, but equity investors will participate in the companies' ability to raise prices and capitalize on a higher nominal GDP growth path. Equities will thus constitute a good source of medium-term wealth preservation and creation in the new investment regime.

Portfolio summary

	Month - December 22	2022
Initial*	100'156'726.63	134'940'886.46
Deposits	0.00	0.00
Withdrawals	0.00	-10'500'000.00
Result (performance)	-2'086'903.35	-26'371'063.18
Final	98'069'823.28	98'069'823.28

*31.12.2021 for "2022"; 30.11.2022 for "Month"

Asset class	Allocation per asset class and performance in USD				Benchmark	
	Market value	%	MTD	YTD	MTD	YTD
Cash and short-term investments	4'245'746.56	4.33%	-6.91%	3.99%	0.31%	1.07%
Bonds and similar positions	36'305'557.75	37.02%	0.37%	-6.72%	-1.29%	-16.02%
Equities and similar positions	55'416'031.38	56.51%	-2.83%	-30.18%	-4.62%	-21.53%
Alternative Investments	2'102'487.59	2.14%	0.49%	2.45%	0.00%	1.68%
Total	98'069'823.28	100%	-2.01%	-19.57%	-3.19%	-18.02%

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

1-month % change (December 22)	-0.10%
2022 % change (December 22)	6.15%

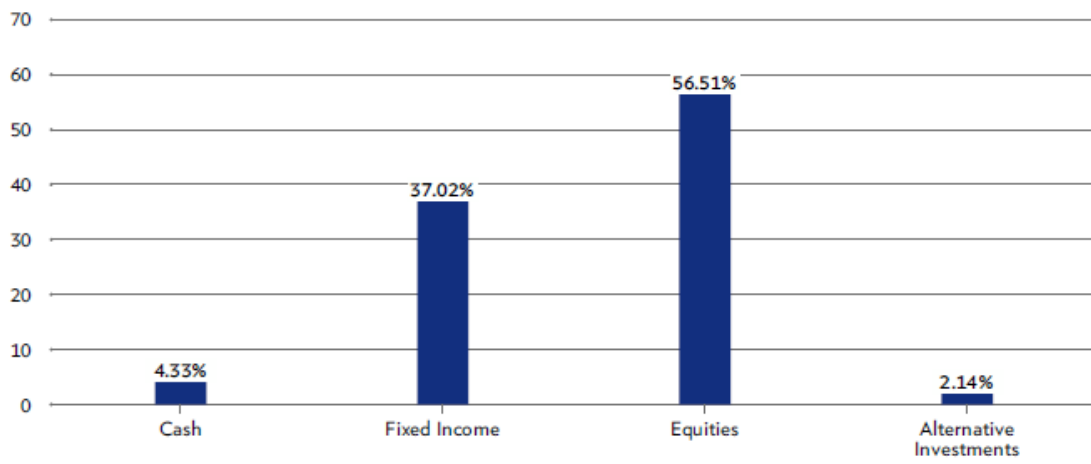
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Performance

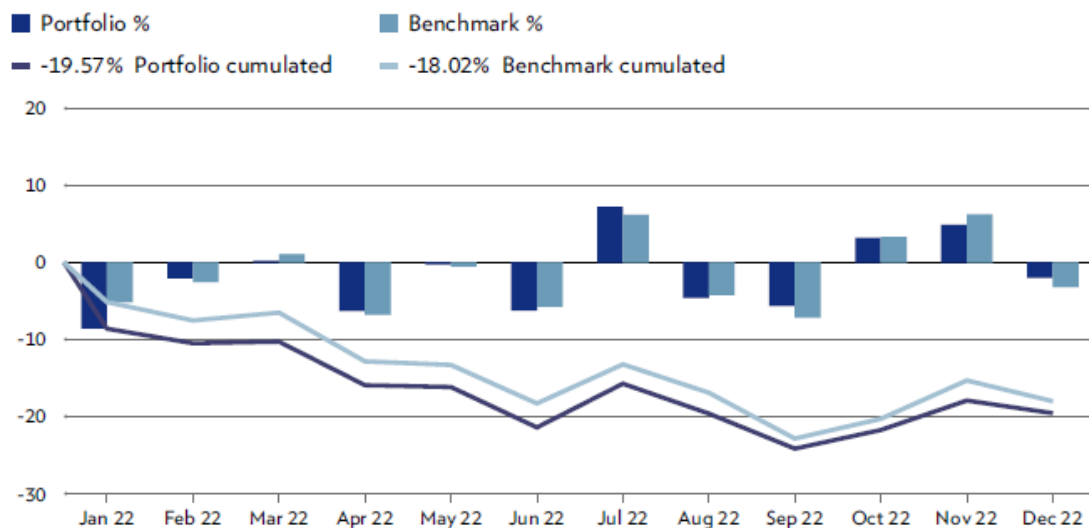
Month (December 2022)		Year (2022)	
Nominal	Real	Nominal	Real
-2.01%	-1.91%	-19.57%	-25.72%

*assuming CPI data from December 2022

Allocation per asset class

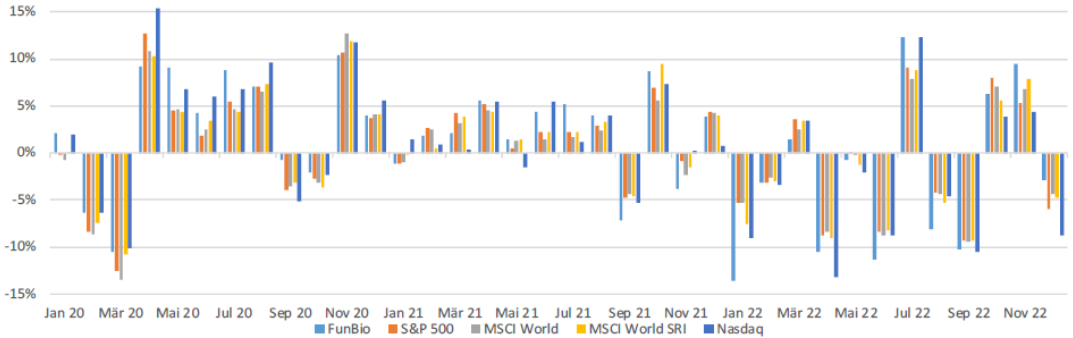
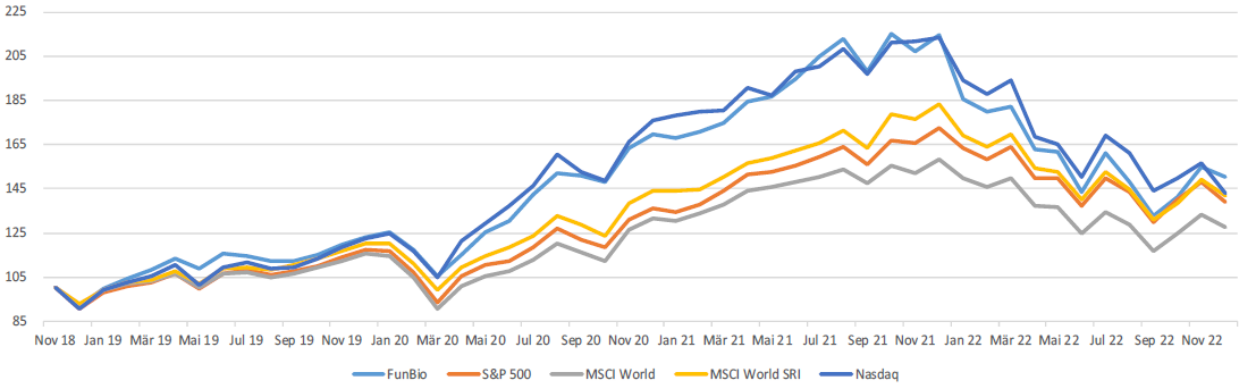


Monthly gross performance YTD - Benchmark and portfolio



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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%

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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%
Sep 22	-10.28%	-9.34%	-9.46%	-9.33%	-10.50%
Okt 22	6.27%	7.99%	7.11%	5.53%	3.90%
Nov 22	9.52%	5.38%	6.80%	7.84%	4.37%
Dez 22	-2.83%	-5.90%	-4.34%	-4.78%	-8.73%