



GADD SMP FUND

Monthly Report

July 2024

NAV CHF 2'305.28*

Inception date 05.04.2011 = CHF 1'000

* at 31.07.2024

	Jan.	Feb.	Mars	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Year
2015	0.8%	4.4%	-0.4%	1.9%	-0.7%	-4.4%	0.7%	-2.5%	-0.5%	4.0%	1.0%	1.4%	5.3%
2016	-4.9%	1.3%	2.0%	3.4%	3.6%	-5.0%	3.2%	2.4%	2.1%	0.1%	-2.4%	2.3%	7.7%
2017	0.8%	2.8%	-2.9%	3.8%	1.2%	0.0%	-3.0%	-1.5%	3.6%	1.5%	-1.4%	-1.2%	3.5%
2018	1.5%	1.0%	-3.0%	2.7%	0.9%	-0.8%	0.6%	3.3%	-0.9%	-5.6%	-2.0%	-2.9%	-5.5%
2019	5.7%	4.6%	-0.1%	4.2%	-0.0%	1.0%	0.1%	-1.7%	0.5%	0.1%	3.1%	1.8%	20.8%
2020	1.5%	-4.7%	-15.9%	8.9%	4.3%	1.1%	3.1%	3.9%	2.7%	-3.5%	5.1%	3.3%	7.6%
2021	0.0%	3.1%	2.8%	3.8%	7.2%	0.0%	4.6%	1.3%	-1.1%	5.9%	1.6%	3.8%	37.7%
2022	-7.1%	-1.8%	5.3%	-1.6%	0.8%	-9.4%	7.2%	-4.6%	-3.1%	4.4%	3.1%	0.3%	-7.6%
2023	3.2%	-1.5%	-1.6%	-0.5%	-3.3%	1.8%	2.0%	-3.0%	-2.3%	-1.3%	2.3%	5.0%	0.7%
2024	-0.3%	1.4%	5.4%	1.8%	1.3%	-0.9%	4.3%						13.6%

Market Comment

July was not a quiet holiday month for the fund. Significant events, including elections in England and France, assassination attempts on presidential candidate Donald Trump, President Biden's withdrawal from the presidential campaign, military escalation in the Middle East, and recession concerns, all commanded our attention. We also experienced new stock market records followed by a pullback. Volatility typically rises when professional players are absent, and this year was no exception. Fortunately, the fund navigated this stormy environment effectively.

Following President Biden's weak performance in the debate against Donald Trump and his confusion of Volodymyr Zelenskyy with Vladimir Putin during a speech at the NATO summit, pressure mounted. Biden announced he is suspending his election campaign for the good of the Democrats and the United States, expressing full support for Kamala Harris. Recently, Kamala Harris secured a majority of delegates' votes and is poised to be formally nominated as the Democrats' candidate in the presidential election this fall. However, the party convention from August 19–22 will be decisive. Harris has the opportunity to become the first Black and South Asian woman to run for president for one of the major parties in the United States. A televised debate between Trump and Harris, certain to attract attention, is scheduled for September 4.

The latest U.S. economic statistics have heightened fears of a looming recession. Unemployment rose sharply, marking the largest increase since last August, and the ISM Manufacturing Index fell to 46.8%, signalling an economic slowdown. These developments raised concerns and pushed the 10-year Treasury yield below 4%.

Federal Reserve Chairman Jerome Powell recently announced that key interest rates will remain unchanged, but a

potential cut could happen soon, contrary to market expectations. Investors fear that the Fed has misjudged the situation and fallen behind. Consequently, the market is now more convinced that there will be an interest rate cut in September, followed by two more cuts before the end of the year.

Index	31.12.23	31.07.24	YTD
MSCI World (USD)	3'169.18	3'571.58	12.7%
STOXX50 (EUR)	4'521.65	4'872.94	7.8%
S&P 500 (USD)	4'769.83	5'522.3	15.8%
Nasdaq Comp (USD)	15'011.35	17'599.4	17.2%
Dax (EUR)	16'751.64	18'508.65	10.5%
SMI (CHF)	11'137.79	12'317.44	10.6%
OMX30 (SEK)	2'398.17	2'609.33	8.8%
MSCI Russia (USD)	0	0	
MSCI China (USD)	55.47	56.09	1.1%
NIKKEI (YEN)	33'464.17	39'101.82	16.8%
Swe. Gov Bond. 10 y	2.05%	2.03%	

In the latest monetary policy protocol, the Riksbank indicated that it might lower the interest rate more than previously announced. This is reasonable given that inflation is approaching the target and the Swedish economy is weak, with the labor market deteriorating. A rate cut in August now seems very likely, and our assessment is that further cuts will follow at all remaining meetings this year. This would mean a key interest rate of 2.75% by year-end.

There were no surprises from the European Central Bank (ECB). The deposit rate remained unchanged at 3.75%, after being reduced from 4% in June. President Lagarde reiterated that the central bank is data-dependent and not tied to a specific interest rate path. The market is pricing in a roughly 80% probability of a cut in September and almost two cuts before the end of the year.

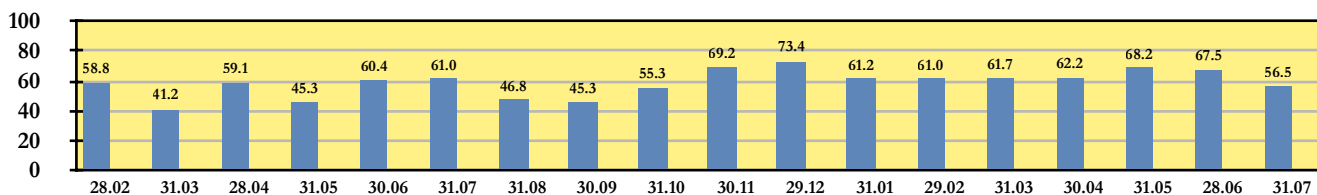
Tensions between Israel, Palestine, and Iran have increased significantly. Hamas leader Ismail Haniyeh was killed in Tehran on July 31 by an explosive device smuggled into his guest house, an attack believed to have been carried out by Israel. Iran's Revolutionary Guards have vowed fierce retaliation, and Hezbollah is expected to escalate its attacks on Israel. Meanwhile, Israeli airstrikes continue in Gaza and the West Bank, further exacerbating the situation. In Lebanon, Hezbollah is preparing attacks against Israel, prompting countries like the United States, Great Britain, and Sweden to advise their citizens to leave the country.

exposure ended at 56.5%. At the time of writing, it has been further reduced to 44% as we await clearer financial signals.

Despite a positive month, the short-term trend now shows a neutral signal compared to previous buy signals, the medium-term has shifted from buy to sell, while the long-term technical trend in Stockholm remains positive. The strongest performance among the fund's holdings during July was Filo Mining, which rose by 27% after the takeover bid. Other significant gainers included Hexatronic (24.1%), Implantica (23.6%), Peab (19.7%), Lundin Gold (16.1%), Indutrade (15.8%), Alleima (12.9%), IPC (11.9%), and Wihlborgs (10.8%).

On the negative side, Cinis Fertilizer fell by 22.3%, Vostok Emerging Finance retreated by 14%, Lundin Mining by 9.5%, Novo Nordisk by 9.3%, VNV Global by 6.1%, Atlas Copco by 4.3%, and Trelleborg by 3.5%.

GADD SMP FUND: Net Equity Exposure (%)



The MSCI World Index (USD) increased by 1.7% during the month. The S&P 500 in the U.S. rose by 1.1%, while the Nasdaq had a negative return of 0.8%. In Europe, the STOXX50 retreated by 0.4%, while the DAX rose by 1.5%. The SMI increased by 2.7%, and the OMX in Stockholm by 1.6%. MSCI China USD had a negative return of 2.3%, and the Nikkei in Japan was down by 1.2%. The Swedish 10-year government bond yield fell by 17 basis points during the month, from 2.20% to 2.03%, and is now lower than at the start of the year.

Activities of the month

The fund participated in a block deal with the construction and project development company NYAB, representing 1% of the fund's assets. It was purchased at a discount, and by the end of the month, the increase was 33%. The mining exploration company Filo Mining received a takeover offer of SEK 258 per share, which corresponded to a 12% premium compared to the last closing price. The offer was made by a joint venture between BHP and Lundin Mining. A portion will be paid with shares in Lundin Mining, and the share reacted positively to the news.

Our intention has been to maintain a high net equity exposure as long as economic data and technical signals provide support. At the beginning of the month, the net exposure was 67.5%. During the month, we received weak economic statistics and technical signals that changed direction. Consequently, the fund decided to reduce equity risk, and the net

Investment strategy

Sentiment has shifted rapidly in recent weeks. Initially, we saw new all-time highs and anticipated a continued strong stock market supported by robust company reports, lower interest rates, and the belief that the U.S. would avoid a recession. Now, the focus has shifted to whether the economic slowdown is proceeding too quickly and whether the Federal Reserve, which recently left its key interest rate unchanged, is lagging in its decision on interest rate cuts. There is a risk that this could lead to a hard landing for the U.S. economy instead of the soft landing that everyone, including the Fed, had hoped for.

Unlike the mild rebound we experienced in April, current economic data is worse. Therefore, the fund has chosen to maintain a low equity exposure until the economic outlook becomes clearer and is currently focusing on risk minimisation.

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