



# GADD SMP FUND

## Monthly Report

### August 2024

NAV CHF 2'305.28\*

Inception date 05.04.2011 = CHF 1'000

\* at 30.08.2024

	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%	-0.1%					13.4%

## Market Comment

The month began with significant stock market declines, notably Japan's Nikkei index, which plunged by over 12% in a single trading day. Global stock exchanges experienced similar drops, with the Nasdaq and the Stockholm Stock Exchange falling by 10% over a few trading days. The VIX, commonly known as the "fear index" and a measure of volatility, surged to 65 from a previous level of around 15. Fortunately, the market turbulence was short-lived, and markets have since recovered.

As highlighted in the previous newsletter, both August and September are historically volatile months. Accordingly, the fund entered the month with a low equity exposure. However, supported by improved economic data, equity exposure was gradually increased, enabling the fund to close the month with a modest positive return.

Kamala Harris held her first major interview on CNN alongside vice presidential candidate Tim Walz. During the interview, she expressed support for Israel but gave vague answers regarding changes to migration policy. Harris's economic plan includes modest income tax cuts, enhanced support for families with children, and a proposal to build 3 million new homes. She attributes high inflation to corporate price hikes and is considering price controls along with increasing the corporate tax rate to 28%, contrasting with Trump's proposal to lower it to 15%. Despite concerns about increasing the budget deficit, with public debt hovering around 100% of GDP, Harris maintains solid public support.

US inflation declined to 2.9% in July from 3.0% in June, a slightly better outcome than anticipated. At the Jackson Hole central bank conference, Fed Chair Jerome Powell clearly signaled that interest rates would be cut in September. The market now anticipates cuts of 34 basis points in September,

70 in November, and 104 in December, indicating a reduction at every meeting. Labour market data in the coming weeks will be crucial in determining if the September 18 cut will amount to 50 basis points.

Index	31.12.23	30.08.24	YTD
MSCI World (USD)	3'169.18	3'661.24	15.5%
STOXX50 (EUR)	4'521.65	4'957.98	9.6%
S&P 500 (USD)	4'769.83	5'648.4	18.4%
Nasdaq Comp (USD)	15'011.35	17'713.62	18.0%
Dax (EUR)	16'751.64	18'906.92	12.9%
SMI (CHF)	11'137.79	12'436.59	11.7%
OMX30 (SEK)	2'398.17	2'595.96	8.2%
MSCI Russia (USD)	0	0	
MSCI China (USD)	55.47	56.61	2.1%
NIKKEI (YEN)	33'464.17	38'647.75	15.5%
Swe. Gov Bond. 10 y	2.05%	2.04%	

In Sweden, July's inflation figures came in slightly above market expectations, with CPIF inflation at 1.7% and CPIF excluding energy at 2.2% year-over-year. However, this was in line with the Riksbank's June forecast, leading to a unanimous decision to lower the policy rate by 25 basis points to 3.5%. The Riksbank has also signaled two or three further rate cuts this year if inflation remains subdued. This marks an additional rate reduction compared to the June interest rate decision.

On October 1, Canada will impose a 100% punitive tariff on electric vehicles made in China, as well as a 25% tariff

on Chinese steel. Prime Minister Justin Trudeau argues that China doesn't adhere to "the same rules" as other nations. This Canadian tariff is significantly higher than the one introduced by the EU earlier in July. Canada fears that China, aided by state subsidies, is poised to flood global markets with cheap electric vehicles. The automotive industry is vital to Canada, employing 120,000 people. The US has already imposed a 100% tariff on Chinese EVs, while the EU's provisional tariff ranges from 9% to 36.3%, with a final decision expected in November.

Germany's far-right party, AfD (Alternative für Deutschland), made historic gains, becoming the largest party in Thuringia and the second largest in Saxony. This marks the first time since World War II that a far-right party has won a regional election in Germany. AfD's success has caused defense companies to fall on the stock market, as the party opposes the EU's military support for Ukraine.

The World Health Organization (WHO) declared an international health emergency due to the spread of a new variant of mpox (monkeypox) in Africa. Sweden was the first country outside Africa to confirm a case, prompting a press conference by the Public Health Agency and the Minister of Social Affairs.

The global MSCI World index (USD) increased by 2.5% during the month. In the US, the S&P 500 rose by 2.3%, while the Nasdaq posted a modest return of 0.7%. In Europe, the STOXX50 gained 1.8%, and Germany's DAX rose by 2.2%. Switzerland's SMI increased by 1%, whereas Sweden's OMX dropped by 0.5%. The MSCI China USD returned 0.9%, while Japan's Nikkei declined by 1.2%. Swedish 10-year government bond yields rose by 1 basis point, from 2.03% to 2.04%.

ly navigated these drops, and as uncertainty eased, equity exposure was increased, ending the month at a neutral level of 58%.

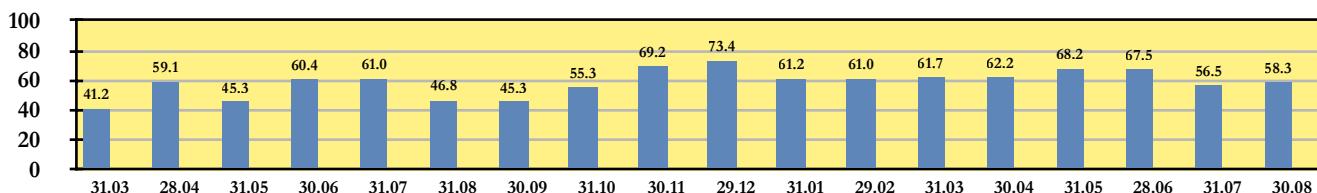
Despite a volatile month, the short-term trend now indicates a buy signal, moving away from the previous neutral stance, although the medium- and long-term technical trends in Stockholm remain cautious. Lundin Gold led the strongest performance among the fund's holdings, gaining 11.7%. Other notable risers included Implantica (11.4%), Fleming Properties (8.1%), Lifco (8%), Nibe (7.7%), RevolutionRace (7.4%), Logistri (6.9%), VEF (6.3%), and AstraZeneca (5.1%).

On the downside, Cinis Fertilizer fell by 12.2%, VNV Global retreated by 8.7%, IPC by 5.7%, Dometic by 5%, SEB by 4.2%, Hexatronic by 3.9%, and Nordea by 3.5%.

## Investment strategy

August began with bleak conditions across global stock exchanges, marked by economic uncertainty, index declines, and shaky technology stocks. As mentioned previously, August is historically one of the weakest months of the year. Unfortunately, for those tracking historical patterns, September has often fared even worse, both in the US and Sweden. In the absence of company earnings reports, the market is now focused on macroeconomic factors. The uncertainty surrounding whether the US economy can achieve a so-called "soft landing" – a rare feat historically – will be critical for the markets. Leading economic indicators are expected to have a greater impact, with interest rate announcements from both the ECB and the Fed in September likely to heighten near-term volatility.

**GADD SMP FUND: Net Equity Exposure (%)**



## Activities of the month

After a strong price performance in 2024, the fund opted to divest part of its holding in Viva Wine Group. While the company holds a strong market position with almost 23% of alcohol monopoly sales in the Nordics, the fund views the stock's limited liquidity as a constraint. Meanwhile, the fund increased its stake in Indutrade by 1%, bringing the total to 4%. Industrivärden and AstraZeneca holdings were also raised from 2% to 3%.

The month began with a low equity exposure of 44% due to negative economic data and technical signals, followed by sharp global market declines. The fund successful-

The fund maintains a neutral position on equities, conscious of the current market uncertainty. As in August, the fund is awaiting fresh data and the Q3 earnings season while focusing on balanced risk management, in the hope of capitalizing on the historically strong market performance seen toward the end of the year.

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