

2024 / 01

Seasonal Reflections

Tailwind Investing

Dear reader,

it's winter in Schaan – albeit currently in its ugly guise: single-digit temperatures, lead-grey skies, rain and fog – the perfect time to start writing the winter edition of my *Seasonal Reflections*...

I spent the past three days with my Incrementum fund manager colleagues at this year's [Fonds Professionell congress](#). At stand 160 on level 1 in Mannheim's Rosengarten, we had many interesting and spirited conversations with the professional investors passing by. The occasion afforded me the opportunity to meet some familiar faces from the previous year and allowed me to gather valuable feedback for my work.



Ronni Stöferle, Mark Valek, HGS & Christian Schärer (from left)



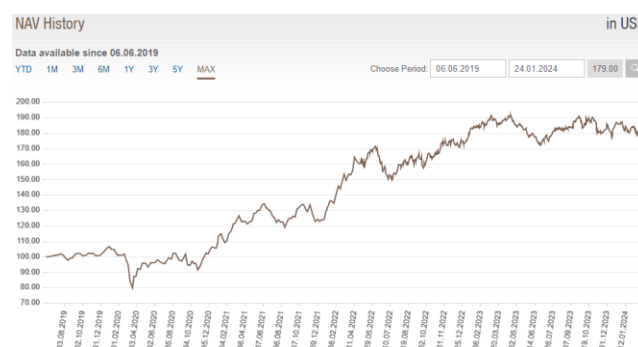
And like last year, we were not only exhibitors at the fund congress, but also had a presentation slot. My colleague Dr. Christian Schärer and I spoke on the subject of "*Tailwind Investing*", a presentation topic that attracted a considerable number of visitors despite it being lunchtime.



And as you, dear readers, may also be interested in this topic, I have included a chapter summarising our presentation below.

As the responsible manager of a global multi-asset strategy fund, personal dialogue with investors and those who may want to become investors is very important to me, as it allows me to constantly check whether our investment approach and our communication are sufficiently transparent. I was therefore pleased that the dialogue with the various interlocutors did not reveal any significant deficits in this respect.

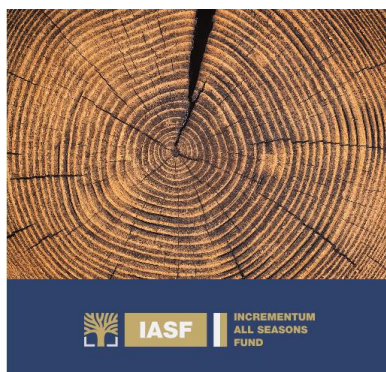
If there were any complaints or critical questions, it was more regarding performance in the past year, as **IASF** has been in a sustained consolidation phase since its all-time high in April 2023. However, as emphasised time and time again in Mannheim, investing is a long-term endeavour, which naturally also suffers from occasional lulls and headwinds.



Not at tempting chart?? - IASF-USD-I, IFM, 24JAN2024

Table of contents (all underlined passages in red are active weblinks!):

-	A review of the year 2023	S. 3
-	How has IASF fared in this environment?	S. 6
-	2024 - Quo Vadis?	S. 9
-	Tailwind Investing	S. 19
-	IASF-PM-Feedback	S. 30
-	Concluding remarks	S. 35





A REVIEW OF THE YEAR 2023

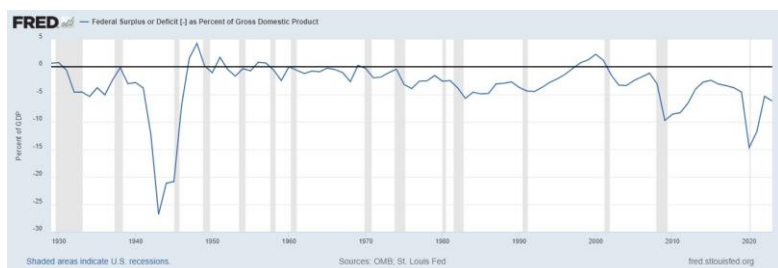


The views, analyses and forecasts contained in this document are based on current market conditions and reflect the opinion of the author. All information has been compiled from sources believed to be reliable. However, no representation or warranty is made as to its accuracy or completeness. *Seasonal Reflections* are issued to registered subscribers for informational and entertainment purposes and do not constitute a recommendation or solicitation to buy any security or the Incrementum All Seasons Fund. Historical performance is no guarantee of future results and the value of the Fund may go down as well as up. If you would like investment advice, please contact an authorised investment adviser.

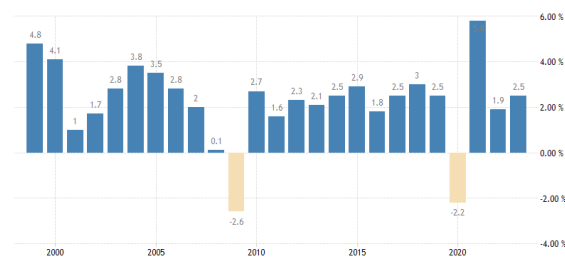
2023 held several surprises in store for investors. In geopolitical terms, the ongoing trench war in Ukraine and the Israel-Hamas war that broke out in October were the dominant themes, while relations between the USA and China remained on a confrontational course. All of this is overshadowed by the consequences of the politically driven energy transition in the West, which is not only very expensive, but also raises the question of securing societies' energy needs and international competitiveness in the long term.

In economic terms, the consensus expectations at the start of the year were for recessionary trends in the G7 countries and a significant recovery in the Chinese economy following the end of the harsh Covid restrictions. This led to a negative outlook for the stock markets. Over the course of the year, however, economic development in the G7 countries proved to be far more resilient, while China's economy has been lagging expectations.

As a fund manager, I experienced 2023 as a rather difficult year. This was primarily attributable to my underestimation of G7 and US growth in particular. This in turn was due to the fact that I underestimated the fiscal stimulus provided by the level of net new government debt, which has not been seen for a long time in boom times. For example, the US government's net new debt in 2023 – at full employment – was 6.2% of gross national product, which only rose by 2.5% in real terms. In other words, without the government's new borrowing, the US economy would have been in recession long ago, a situation that can also be observed elsewhere in the G7 countries.



US net new debt on an annualised basis in % of GNP, source: [St. Louis Fed](#)



US GNP on an annualised basis, source: [Trading Economics](#)





Incrementum All Seasons Fund

- in pursuit of real returns -

On the other hand, my expectations with regard to the inflation trend (*"It is indeed obvious that we have passed a first inflation peak and that a slowing economy, coupled with a tighter monetary policy and supported by a growing base effect ... will further dampen annual inflation."*; p. 4, [SR 2023/01](#)) as well as the interest rate trend (*"Consequently, we expect interest rates to rise, especially at the longer end of the yield curve."*; p. 5, [SR 2023/01](#)) proved to be largely correct. In their fight against runaway inflation, the central banks continued to raise short-term interest rates (US Fed +100bp to 5.5%; ECB +200bp to 4%), which initially also caused yields on 10-year government bonds to shoot up.

However, this process was almost completely reversed in the USA in Nov/Dec 2023, while 10-year German government bonds even closed the year with a yield of 2.02%, more than 50bp lower than at the start of the year. Meanwhile, the reduced interest rate differential at the short end in favour of the EUR caused it to strengthen by around 3% against the USD.

It was surprising, however, how little financial markets as a whole and stock markets in particular were influenced by these higher short-term interest rates.

Key ETF Performance (% Total Return)									
US Related					Global				
ETF	Description	December	Q4	2023	ETF	Description	December	Q4	2023
SPY	S&P 500	4.57	11.64	26.19	EWA	Australia	10.65	15.49	13.86
DIA	Dow 30	4.92	13.06	16.03	EWZ	Brazil	6.51	18.11	32.69
QQQ	Nasdaq 100	5.59	14.59	54.85	EWG	Canada	6.29	11.12	14.75
IJH	S&P Midcap 400	8.71	11.64	16.42	MCHI	China	-2.13	-3.51	-11.22
IUR	S&P Smallcap 600	12.78	15.06	16.07	EWQ	France	4.96	10.80	21.73
IWB	Russell 1000	5.00	12.07	26.41	EWG	Germany	4.51	13.33	23.36
IWM	Russell 2000	12.13	13.99	16.84	EWH	Hong Kong	6.01	3.91	-13.81
IWV	Russell 3000	5.32	12.14	25.84	PIN	India	6.69	10.87	22.81
IVW	S&P 500 Growth	3.77	10.08	29.84	EWI	Italy	4.18	12.95	30.66
IJK	Midcap 400 Growth	7.47	10.04	17.42	EWJ	Japan	3.89	7.89	20.32
IUT	Smallcap 600 Growth	12.17	14.36	17.12	EWX	Mexico	8.95	18.32	40.36
IVE	S&P 500 Value	5.56	13.56	22.09	EWP	Spain	1.92	13.11	30.29
IJJ	Midcap 400 Value	10.20	13.54	15.25	EIS	Israel	7.83	8.18	5.46
IUS	Smallcap 600 Value	13.35	15.77	14.69	EWU	UK	4.39	6.86	12.42
DVY	DJ Dividend	5.76	10.02	1.16	EFA	EAFA	5.36	10.71	18.40
RSP	S&P 500 Equalweight	6.82	11.81	13.70	EEM	Emerging Mkts	3.60	8.00	8.99
FXB	British Pound	1.36	5.33	8.58	IOO	Global 100	3.48	10.55	27.73
FXE	Euro	1.61	5.04	4.87	BKF	BIC	1.13	2.72	1.30
FXF	Yen	5.09	5.82	-7.44	CWI	All World ex US	4.92	10.07	15.72
XLY	Cons Disc	6.13	11.27	39.64	DBC	Commodities	-3.32	-7.39	-6.22
XLP	Cons Stap	2.70	5.47	-0.83	DBA	Agric. Commod.	-2.66	1.30	7.63
XLE	Energy	0.07	-6.36	-0.64	USO	Oil	-4.98	-17.57	-4.94
XLF	Financials	5.25	13.91	12.02	UNG	Nat. Gas	-8.15	-25.77	-64.04
XLV	Health Care	4.33	6.41	2.06	GLD	Gold	1.28	11.50	12.69
XLI	Industrials	7.07	13.05	18.13	SLV	Silver	-5.84	7.08	-1.09
XLB	Materials	4.52	9.66	12.46	SHY	1-3 Yr Treasuries	1.10	2.51	4.16
XLRE	Real Estate	8.75	18.83	12.37	IEF	7-10 Yr Treasuries	3.77	6.40	3.64
XLK	Technology	4.18	17.67	56.02	TLT	20+ Yr Treasuries	8.67	12.93	2.77
XLC	Comm Services	4.39	11.08	52.81	AGG	Aggregate Bond	3.69	6.75	5.65
XLU	Utilities	1.86	8.48	-7.17	BND	Total Bond Market	3.55	6.61	5.65
					TIP	T.I.P.S.	2.43	4.51	3.81

Past performance is no guarantee of future results.

[Final 2023 Asset Class Performance Numbers](#), Bespoke Investment Group, 29.12.23

As the overview above shows, significant double-digit gains were the norm on equity markets, except for losses in China and Hong Kong. Also remarkable was the weak performance of the Dow Jones Dividend as a gauge for value stocks, which barely changed. Meanwhile, bond markets more than made up for the losses accumulated during the first three quarters during the fourth quarter. The commodities sector also suffered from broad weakness, apart from gold, while on the currency side the JPY was trending significantly weaker.



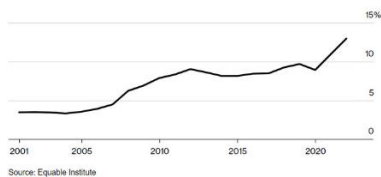


Incrementum All Seasons Fund

- in pursuit of real returns -

Overall, it is surprising how little impact the rise in interest rates had on financial market valuations. After years of market participants justifying the rise in valuations with falling interest rates and central bank balance sheet expansion (QE), neither the rise in short-term interest rates nor the central banks' bond sales were reason enough to cause valuations to contract in 2023. On the contrary, investors apparently regained faith in the Fed put after the US banking crisis in the spring, which the US Federal Reserve combated with extraordinary new liquidity measures.

Public Pensions Favor PE
Private equity's share of pensions' invested assets



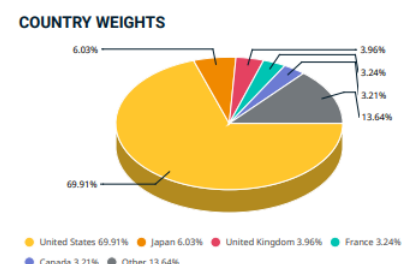
Source: Equile Institute
Havenstein Moment, [Substack](#), 22JUL23

We were also surprised by how little the highly indebted economy has been affected by the rise in interest rates so far. And neither the record proportion of zombie companies nor the rapidly growing private markets (equity & debt) sector or the property market were particularly impressed by the rise in financing costs in 2023.

This is certainly also due to the fact that while the rapid rise in interest rates had an immediate positive impact on assets that were mainly held at sight during the long zero interest rate phase, liabilities still have to absorb the full effect of the rise in interest rates as medium and longer-term financing agreements expire. In the USA in particular, renewed concerns about financial institutions that are heavily involved in financing commercial real estate, are a sign that the rise in interest rates has probably not yet been fully digested.

But all of this failed to impress the stock markets; on the contrary, it seemed to give them a real boost. Driven by exuberant expectations regarding the potential of AI (artificial intelligence) and on the back of the so-called Magnificent 7 (Magnificent 7 = Apple (AAPL), Alphabet (GOOGL), Microsoft (MSFT), Amazon.com (AMZN), Meta Platforms (META), Tesla (TSLA) and Nvidia (NVDA)), which recorded an average increase of 111% in 2023, the S&P 500 climbed by 24% and the Nasdaq 100 by as much as 54% over the course of the year.

The importance of these 7 stocks is best illustrated by the fact that they accounted for almost 19% of the [MSCI World Index](#) at the end of the year. Partly as a result of this, US equities now account for almost 70% of the MSCI World Index, followed by Japan with 6% and the UK with 4%. – In our view, nothing describes the US equity bubble better, especially when you consider that the US gross national product (GNP) accounts for less than 20% of global GNP.



[MSCI World Index Factsheet](#), 29.12.2023





Incrementum All Seasons Fund

- in pursuit of real returns -

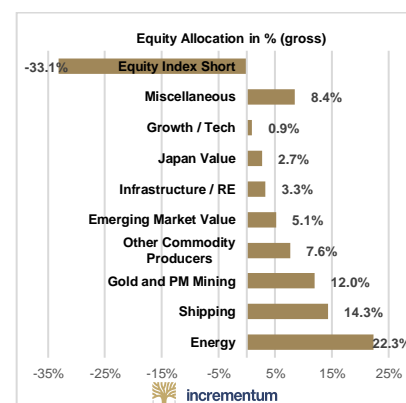
Other stock markets were unable to keep pace with the rapid development of US markets. The Euro Stoxx 600 rose by 12.7%, while the Chinese CSI lost as much as 11.4%. Only the Japanese Nikkei 225, driven by the weak JPY, at least managed to outperform the S&P 500 with a 2023 rise of 28%.

The weakness in the commodities sector was also surprising, as it once again showed how significant the influence of financial investors via the futures markets is. We are optimistic that sentiment here will turn again in 2024.

How has IASF fared in this environment?

Our **Incrementum All Seasons Fund (IASF)** delivered a below-average performance in 2023. With our global investment strategy and benchmark-independent allocation, we strive to benefit from tailwinds on the financial markets, although we were only partially successful in doing so last year. On the investment side, we have avoided an allocation to the *Magnificent 7* for some time for valuation reasons, which in the circumstances described above already represented a significant handicap for our relative performance. According to [Forbes Magazine](#), the S&P500 would only have risen by 8% last year without the *Magnificent 7*. In comparison to that, our favoured investment themes delivered decent results overall.

Despite falling oil (-10%) and gas prices (-44%), our **ENERGY** stock selection rose by an average of 17% over the course of the year. This result was driven mainly by a near doubling of uranium prices, which was reflected in a 90% increase for Cameco and a 78% increase for the Sprott Uranium Trust. Our holdings in Seadrill, Technip Energies and Technip FTC also recorded gains of around 50%, while the losses in this theme showed up primarily on the producer side (e.g. Baytex Energy -27%).



IASF equity themes, 31.12.2023

In our **SHIPPING** segment, we were again able to record exceptionally good results with an average overall total return for our holdings of 43%. All individual positions were in the black, delivering gains ranging from 105% (Frontline) to 10% (Pacific Basin). As the sector has very healthy balance sheets, cash distributions developed correspondingly favourably, resulting in an average dividend yield of just under 10% at the end of the year.



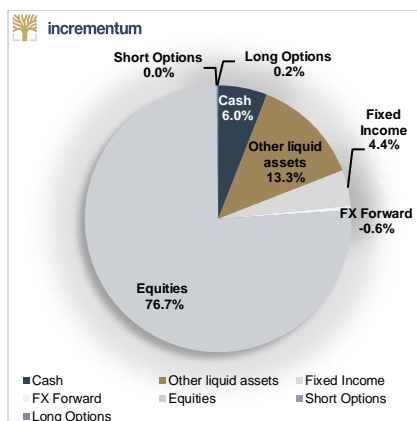


Incrementum All Seasons Fund

- in pursuit of real returns -

Our **GOLD AND PM MINING** basket benefited from firmer gold prices overall (+13% in 2023) and despite of weakness in silver (-1%), posted an average increase in value of 8% for the year as a whole. Kinross Gold (+52%) and Equinox Gold (+45%) stood out particularly positively, while Sibanye Stillwater (-46%) was the biggest detractor. **OTHER COMMODITY PRODUCERS** suffered from the general weakness in commodity prices (-4.4% in 2023), with fertiliser producers Nutrien (-20%) and Mosaic (-16%) in particular falling. **EM VALUE** (-3%), on the other hand, was never able to shake off the weakness of the Hong Kong / Chinese market. **INFRASTRUCTURE / REAL ESTATE** (+21%) and **JAPAN VALUE** (+35%; all performance figures always averaged across the investment theme and investment currency) once again posted significant double-digit returns for the entire year, while our **MISCELLANEOUS** bucket only managed to gain just under 1%. The latter was primarily made up of value stocks, which did not have a good year in 2023.

All of this would have meant a double-digit annual result if our risk management measures had not cost us 7.6% in performance for the year, a high price to pay for our cautious approach.



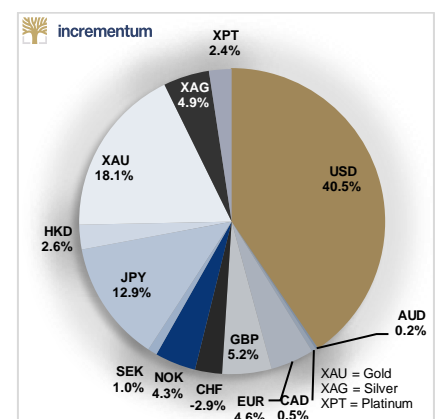
IASF asset allocation, 31.12.2023

The overall allocation of the portfolio at the end of 2023 is shown on the left. Due to the slightly lower equity allocation (76.7% of AuM vs. 79.8% at the end of 2022) and the various equity market hedges (33% of AuM), we regard the portfolio as more defensively positioned.

Interest and dividend income totalled 0.5% and 3% of average fund assets in 2023 as a whole. In addition, we were able to generate a further almost 2% on average AuM through the sale of covered options.

Our currency allocation also proved a drag on performance, e.g. with negative results contributions of around -1% each for USD/HKD and NOK. Our JPY allocation, which we built up over the course of the year, also ended up in the red despite the apparent undervaluation of the Japanese currency.

Risk Parameter (USD-I)	
Annualized Volatility (since incpt.)	15.64%
Maximum Drawdown	-24.93%
% Of Positive Months	59.43%



IASF currency allocation, 31.12.2023





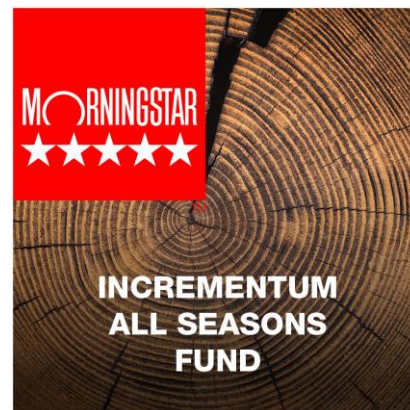
Incrementum All Seasons Fund

- in pursuit of real returns -

All in all, this resulted in an overall investment return that was apparently increasingly categorised as disappointing by investors over the course of the year, particularly in light of the excellent 2022 performance. This also explains the slowdown in net inflows in the second half of the year, which nevertheless still totalled over EUR 50 million for the year as a whole and helped to raise **IASF**'s total AuM to over EUR 160 million. Despite this slowdown in momentum, we believe that this is still a result which we can be very proud of.

Clearly, we can also be proud of the **Refinitiv Lipper Awards 2023**, in which **IASF** was recognised as the best fund in its "*Mixed Asset EUR Flex - Global*" category in Germany, Austria and Europe as a whole based on its 3-year performance.

In addition, **IASF** was once again awarded the coveted 5 stars by the fund rating agency [Morningstar](#) last year.



At the turn of the year 2023/24, the picture is one of increased uncertainty regarding the development of the financial markets in the coming year. In our opinion, the year-end rally in share and bond prices has already anticipated many positive expectations for 2024. A slowdown in economic momentum due to expiring fiscal stimulus effects and higher interest rates, coupled with increased long-term inflation expectations and ongoing geopolitical tensions, leads us to expect another challenging year for investors.

However, these short-term uncertainties will continue to be overshadowed by the end of the decades-long debt expansion cycle. In combination with changing demographics and increasing deglobalisation trends, we see a decade of higher structural inflation than the one we became accustomed to in the 2010s. Our investment focus therefore remains on inflation-sensitive investments such as precious metals, commodities and value stocks. We would also be very surprised if last year's favourites were once again on the winning side in 2024 and the US equity outperformed their international siblings. Meanwhile, we see bonds as less attractive, but remain constructive for the development of the US dollar, at least for the first half of the year.

Finally, we would like to take this opportunity to thank our long-term investors for their patience and trust in our work. All in all, 2024 will again require a great deal of patience from all of us, but we are optimistic that we will be able to achieve an attractive inflation-adjusted investment result in the new financial year.





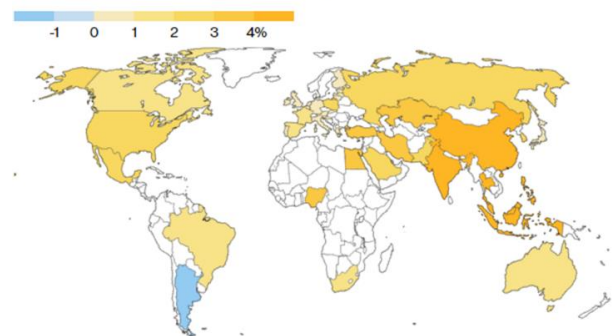
2024 – Quo Vadis?

Allow me to pick up on the last sentences and go into a little more detail about the current situation and the outlook for the rest of the year.

Despite ongoing recession expectations, the global growth outlook remains surprisingly solid. The IMF recently raised its global growth forecasts for 2024 from 2.9% to 3.1%, boosted by higher government spending and the resulting growth expectations in the US and China. However, this was also accompanied by a warning reference to ongoing inflation and increasing geopolitical risk levels. Looking further ahead, the IMF left the growth outlook for 2025 at a still respectable 3.2%.

Economic Output in 2024

Change in gross domestic product (YoY)

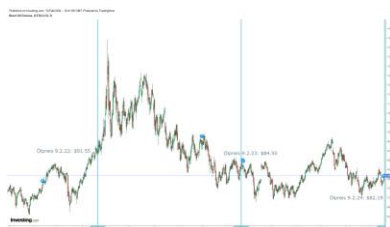


Source: International Monetary Fund
Note: Mapped data show forecasts for distinct economies. Euro-area countries show regional GDP estimate except for Germany, France, Italy, Spain and the Netherlands.

[Global growth estimates of the IMF](#), Bloomberg, 30JAN2024

Together with the anticipated decline in inflation rates, a stagflation scenario appears to have been averted for the time being, which helps to explain the recent sharp rise in investors' risk appetite.

However, I have my difficulties with this renewed Goldilocks assessment: the growth impulse in the western world has been strengthened and prolonged by the effects of the massive fiscal stimuli during the Covid years and their multiplier effects. Added to this are the various investment and subsidy programmes, particularly to promote the energy transition, which are also increasing overall economic demand. At the same time, the significant fall in commodity prices has had the same effect as a tax cut for the private sector, i.e. increased the scope for discretionary spending. Meanwhile, the rapid rise in interest rates has led to an improvement in income on the assets side, while only having a delayed effect on the liabilities side due to the higher fixed interest rates. However, it is clear that the effect of the circumstances described is increasingly diminishing, which continues to argue in favour of medium-term growth stagnation.



Brent oil price year-on-year,

[investing.com](https://www.investing.com)

On the inflation side, the significant fall in commodity prices has also provided temporary relief. One example is the fall in oil prices, which are now having a diminishing inflation-dampening base effect. On 9 February 2024, the Brent oil price was only 2.7% below the level of 9 February 2023, and a further rise in the price could therefore quickly have a positive base effect again over the course of the year.

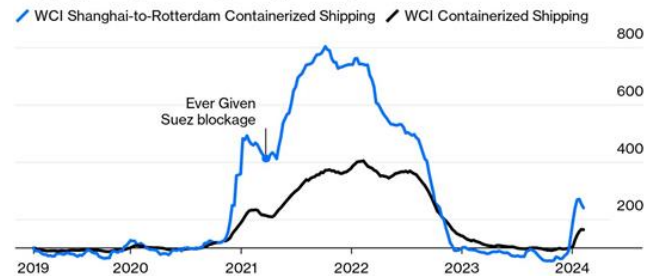




The increasing dissolution of the international supply chain problems that arose during the Covid years has also had a dampening effect on inflation over the past two years. However, newly emerging logistics problems in connection with the events in the Suez Canal / Red Sea, which I will discuss in more detail below in the summary of the presentation *"Investing with a tailwind"*, are in the process of reversing the effect.

Bottleneck Alert

Shipping through Suez is growing more expensive again



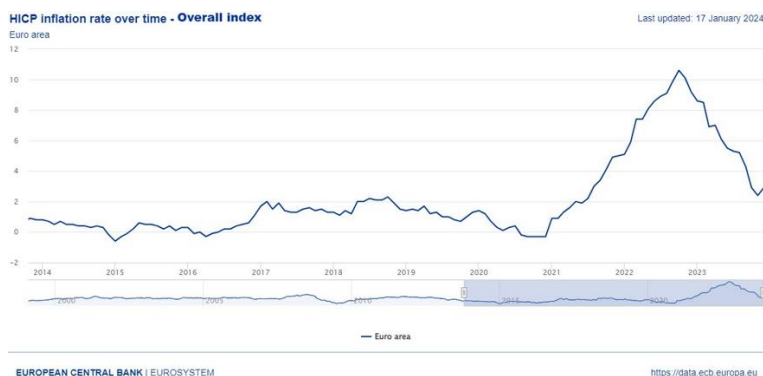
Wage growth going to re-accelerate? Oh, oh...

Oh oh....



US wage development & plans, [Steno Signals #82](#), 14JAN2024

Another reason why the upward pressure on prices is unlikely to dissipate any time soon, as many market observers expect, is the fact that wage demands and wage agreements are tracking the inflation trend. After all, the rise in inflation in 2021/22 came as a particular surprise to all economic participants, after decades in which only disinflation or even fear of deflation characterised public opinion.



[Consumer price inflation Eurozone](#), ECB, 13FEB2024

Negotiated wages rose at the fastest pace in the eurozone's history last year

Growth in negotiated wages in the euro area, annual % change



Wage development Eurozone, [Financial Times](#), 7FEB2024

For example, consumer price inflation in the eurozone had already reached more than 5% at the beginning of 2022, while wage settlements were still at just over 1%, a low for many years. This is helped by the fact that the labour market is much tighter post-Covid, which strengthens the bargaining position of employees and is an important prerequisite for making up for the previous loss of purchasing power in incomes.



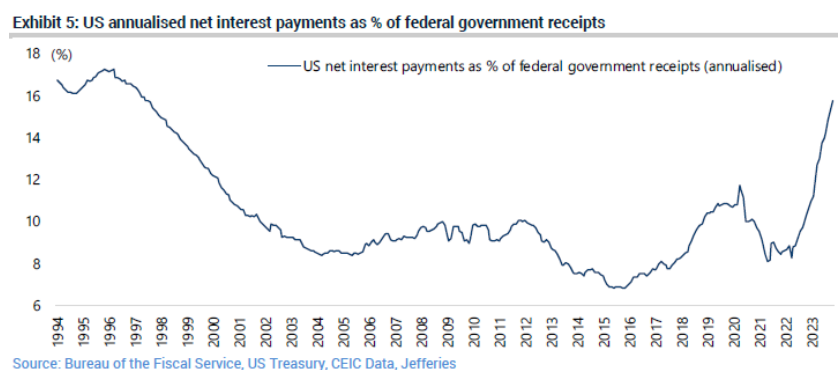
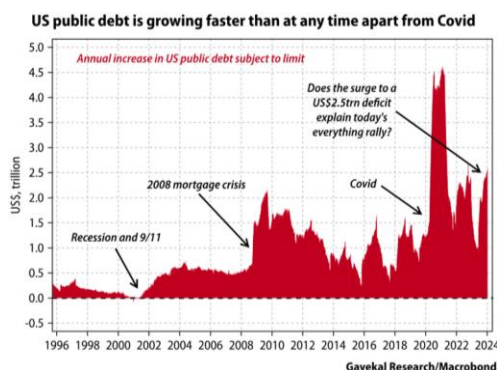


These are just some of the short-term reasons that speak in favour of persistently higher inflation rates. There are also long-term structural drivers of inflation, which I have repeatedly mentioned in these reports. They include:

- the trend towards deglobalisation, be it through the resettlement of industries that have been producing in China and other low-wage countries in recent decades, or through the increased use of trade restrictions (e.g. import duties and sanctions),
- the demographic changes in the industrialised countries, but also in China, where rapidly ageing societies are not only leading to a stagnating or even shrinking supply of labour, but the increasing number of pensioners is also encouraging the trend towards saving less, thereby increasing the cost of capital,
- structurally rising raw material costs, which will also provide **IASF** with a tailwind for years to come, due to an extended phase of new capital investments that do not sufficiently replace production volumes.

Above all of this, however, is the debt-financed growth in the public spending ratio. Since the Covid years at the latest, all the dams have broken in terms of responsible budget management. Not only in the USA, but also in Europe, government debt has become a structural driver of demand, and the private sector has been overwhelmed with regulations that inhibit productivity. As a result, a culture of dependency, envy and redistribution has increasingly developed instead of promoting performance, self-confidence and optimism.

The respective developments in the USA serve as an example here:



As the chart above left shows, annual new debt in the USA has risen steadily since the beginning of this century, contributing up to double-digit percentages to gross national product. All of this was associated with falling costs due to the long period of falling interest rates until 2016. Since then, however, the trend has reversed significantly and debt servicing now accounts for around 16% of general government revenue, up from 7% in 2016 – and rising!





And this is where a dilemma has developed that will also become increasingly relevant for investors. While US government debt has approximately doubled since 2014, the foreign exchange reserves of international central banks, for which US government bonds are the most important asset class due to the US dollar's reserve currency status, have remained largely unchanged. This means that the USA has recently been increasingly reliant on domestic "investors" (including the US Federal Reserve) to cover its (re-)financing requirements.

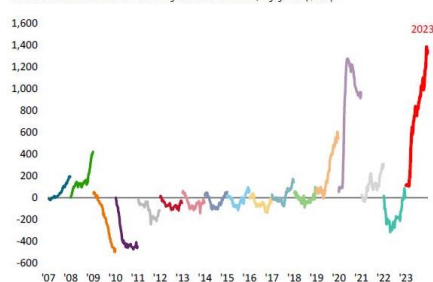
This obviously has implications for central bank policy, which, in addition to the official goals of price stability and full employment, has a superordinate goal, namely, to ensure the financing of the state. And in this context, I find it difficult to share the hope of many investors for falling interest rates, which is currently driving many market participants back into risk assets in line with historical patterns. In my opinion, the USA (ex-Federal Reserve) does not have the capacity to finance the further increase in new domestic debt. However, if the Fed stops or even reverses the process of bond sales (balance sheet contraction), this will have a negative impact on the US dollar and thus also on imported inflation. Alternatively, the Fed can keep interest rates higher for longer in order to make US government bonds more attractive relative to other international reserve assets. However, this would put further pressure on the highly indebted domestic economy and probably also make investors realise that the Fed put is slowly coming to an end.

What does all this mean for financial markets?

In my view, bonds remain highly unattractive from a fundamental perspective. 10-year German and US government bonds at 2.3% and 4.1% respectively are not investable with increased inflation expectations of 3-5%. In addition, the risk premiums for corporate bonds remain at record low levels and will probably only offer attractive entry opportunities again in the event of a recession.

Against this backdrop, I found the following three charts interesting, which show record inflows into money market funds and US government bonds for the past year. These were understandable given the prior years of interest rate drought.

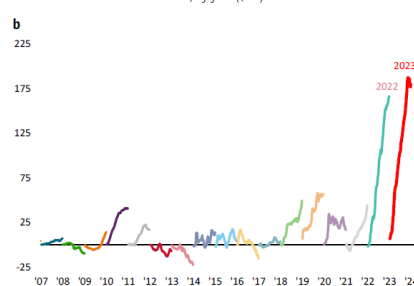
Chart 4: Record annual inflow to cash in 2023 (\$1.3bn)
Cumulative inflows to money market funds, by year (\$bn)



Source: BoFA Global Investment Strategy, EPFR

BoFA GLOBAL RESEARCH

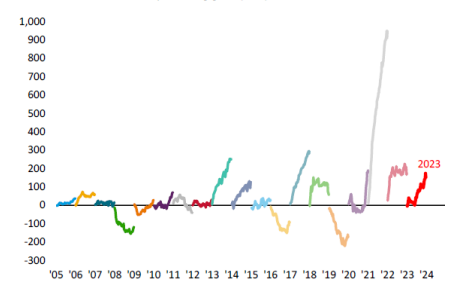
Chart 5: Record annual inflow to Treasuries in 2023 (\$177bn)
Cumulative inflows to Treasuries, by year (\$bn)



Source: BoFA Global Investment Strategy, EPFR

BoFA GLOBAL RESEARCH

Chart 6: \$152bn inflows to stocks in 2023
Cumulative inflows to equities, by year (\$bn)



Source: BoFA Global Investment Strategy, EPFR

BoFA GLOBAL RESEARCH

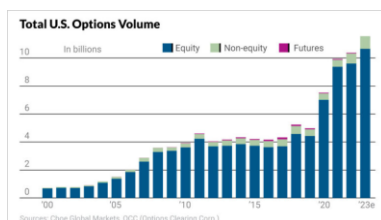
Cumulative inflows to money market funds (l), US government bonds (centre) and equities (r), [M'tourist Private Feed Recap](#), 29DEZ2023





Money market funds have certainly benefited from the shift from sight deposits, which had previously been largely interest-free, while inflows into US government bonds have also benefited from the significant rise in interest rates. The longing for predictable, risk-free returns has certainly had a similar effect here as the offer of a sip of brackish water on a parched person.

What surprised me about this chart collection, however, was how little it actually takes to move the US equity markets... - Net inflows of USD 152 billion correspond to approx. 0.3% of the total market capitalisation of the US equity markets at the end of 2023 of around USD 50 trillion. Such a small net inflow of new money was apparently enough to cause the Russell 2000 to rise by 15%, the S&P 500 by 24% or the Nasdaq 100 by 54%. In my opinion, nothing shows more clearly how tight the US equity markets have become due to the large (quasi-) passive stock holdings that are not for sale.

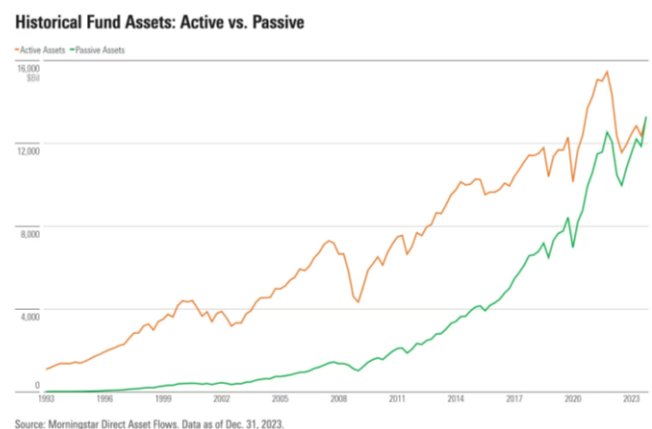


[Investor's Business Daily](#), 24MAY2023

When one additionally considers that speculation in stock options and leveraged products is at record levels, any doubts about the fundamental underpinnings of market valuations are absolutely justified.

Caveat emptor!

The narrative continues to be distorted. In January, for example, much attention was paid to the adjacent chart, with which Morningstar showed that the assets managed in passive investment funds / ETFs have exceeded the volumes managed in active funds for the first time. However, this does not consider the fact that the vast majority of so-called "active" investment funds are merely "index huggers" (i.e. investors who keep their allocation closely aligned with the index).



[Chartbook Top Links](#), 21JAN2024

These are investors who try to outperform their benchmark by slightly overweighting or underweighting it. This is relevant when considering the market structure, as they only bring a very small "active" element into the investment process. And this market structure is more distorted than ever before: the US markets have been the driving force in the global context for years, and the so-called *Magnificent 7* stocks have been the main carrier of US market performance recently.





Incrementum All Seasons Fund

- in pursuit of real returns -

I have already discussed the dominance and resulting weight of the US equity markets in a global context on page 5 of this SR.



@TaviCosta, X, 30JAN2024

A further indication that international conditions are completely out of kilter is the fact that Nasdaq's price-to-book ratio is now higher than the price-to-earnings ratio of the Chinese stock market.

Fund manager Tavi Costa commented on this fact as follows: *"AI will revolutionize the world, but it will unlikely alter the fact that the economy goes through business cycles and inflated valuations ultimately deflate."*

The following overview illustrates the extent to which the US market upswing is dependent on a few stocks only: the S&P 500 closed at 4954 on 6 February, 3.86% higher than at the end of 2023. However, a look at the individual sectors shows that the vast majority of stocks in all sectors are predominantly in the red. This is not the picture of a healthy market!

CONSUMER DEFENSIVE - PACKAGED FOODS				UTILITIES - UTILITIES - REGULATED ELECTRIC				FINANCIAL - BANKS - REGIONAL				ENERGY - OIL & GAS E&P			
KHC 37.22 +0.65%				SO 67.18 -4.19%				MTB 132.98 -2.99%				COP 109.97 -5.25%			
Kraft Heinz Co				Southern Company				M & T Bank Corp				Conoco Phillips			
KHC	37.22	+0.65%		NEE	55.97	-7.85%		USB	40.10	-7.35%		COP	109.97	-5.25%	
GIS	63.53	-2.47%		SO	67.18	-4.19%		PNC	145.83	-5.83%		EOG	109.65	-9.34%	
HRL	29.80	-7.19%		DUK	95.25	-1.84%		TFC	36.25	-1.81%		PXD	226.16	+0.57%	
K	54.12	-3.20%		AEP	76.80	-5.44%		FITB	33.31	-3.42%		OXY	56.98	-4.57%	
MKC	65.85	-3.76%		D	44.69	-4.92%		MTB	132.98	-2.99%		HES	145.46	+0.90%	
LW	104.13	-3.66%		PCG	16.37	-9.21%		HBAN	12.40	-2.52%		DVN	40.69	-10.18%	
SJM	129.21	+2.24%		EXC	33.62	-6.35%		RF	17.96	-7.33%		FANG	149.62	-3.52%	
CAG	28.56	-0.35%		XEL	58.52	-5.48%		CFG	31.55	-4.80%		CTRA	24.19	-5.21%	
CPB	43.72	+1.13%		ED	89.67	-1.43%		KEY	14.22	-1.25%		EQT	34.18	-11.59%	
REAL ESTATE - REIT - RESIDENTIAL				PEG	58.20	-4.82%		CMA	50.36	-9.77%		MRO	22.32	-7.62%	
ESS 230.34 -7.10%				EIX	65.56	-8.29%		ZION	38.87	-11.40%		APA	29.81	-16.92%	
Essex Property Trust, Inc.				WEC	78.03	-7.29%		FINANCIAL - ASSET MANAGEMENT				FINANCIAL - CAPITAL MARKETS			
AVB	169.99	-9.20%		DTE	103.92	-5.75%		BX 121.25 -7.39%				MS 85.89 -7.89%			
EQR	58.51	-4.33%		ES	53.69	-13.01%		Blackstone Inc				Morgan Stanley			
INVH	32.22	-5.54%		ETR	99.60	-1.57%		BX	121.25	-7.39%		MS	85.89	-7.89%	
MAA	124.84	-7.16%		FE	36.22	-1.20%		BLK	783.17	-3.53%		GS	383.02	-0.71%	
ESS	230.34	-7.10%		PPL	25.62	-5.46%		BK	55.01	+5.69%		SCHW	62.37	+9.35%	
UDR	35.43	-7.47%		CMS	56.58	-2.57%		AMP	390.07	+2.70%		RJF	112.42	+0.82%	
CPT	93.88	-5.45%		AEE	67.97	-6.04%		STT	72.57	-6.31%		MKTX	221.29	-24.44%	
HEALTHCARE - HEALTHCARE PLANS				CNP	27.53	-3.64%		TROW	108.24	+0.51%		AAPL -2.52%			
UNH 502.96 -4.47%				LNT	47.61	-7.19%		PFG	77.52	-1.46%		TSLA -27.13%			
Unitedhealth Group Inc				EVRG	49.67	-4.85%		NTRS	78.74	-6.68%					
UNH	502.96	-4.47%		PNW	67.81	-5.61%		BEN	26.33	-11.62%					
ELV	490.33	+3.98%		BASIC MATERIALS - SPECIALTY CHEMICALS				IVZ	15.68	-12.11%					
CVS	72.44	-8.26%		PPG 137.57 -8.01%											
CI	321.27	+7.29%		PPG Industries, Inc.											
HUM	361.02	-21.14%		LIN	400.63	-2.45%									
CNC	74.07	-0.19%		SHW	304.49	-2.38%									
MOH	351.10	-2.83%		APD	218.02	-20.37%									
				ECL	195.55	-1.41%									
				PPG	137.57	-8.01%									
				DD	61.21	-20.43%									
				LYB	93.15	-2.03%									
				IFF	80.18	-0.98%									
				ALB	108.73	-24.74%									
				EMN	82.53	-8.12%									

@NorthmanTrader, X, 6FEB2024





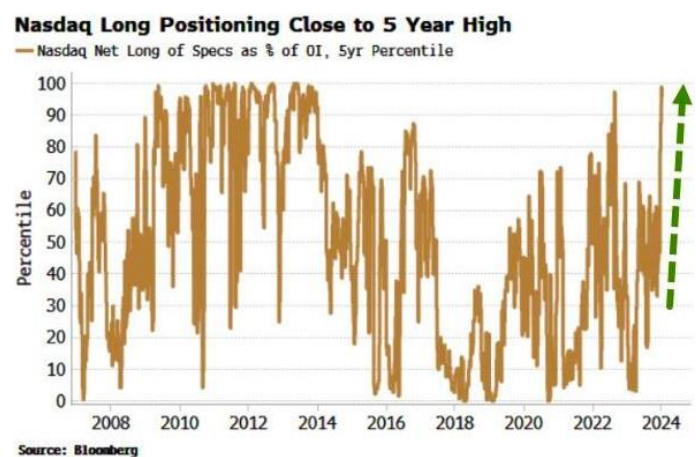
Incrementum All Seasons Fund

- in pursuit of real returns -

Moreover, in addition to the already familiar phenomenon of **FOMO** (Fear Of Missing Out), the US equity markets appear to be increasingly dominated by a variant of this, namely **FOMU** (Fear Of Materially Underperforming). Active fund managers who carry out a fundamental assessment of their investments are generally underinvested in the "Mag 7" or no longer invested at all. This also applies to the **IASF**, which was not only not invested in the heavyweights of the US indices last year, but also took short positions in the Nasdaq 100 and S&P 500 in order to benefit from a correction of what we believe to be their overvaluation. – I am happy to admit that I am not unimpressed by FOMU. But I have always invested fundamentally and am convinced that the Mag 7 / tech / AI bubble will also eventually burst in its current form.



[Party Like It's 1999](#), Gavekal Research, 7FEB2024



[Calvin's thoughts](#), Substack, 20JAN2024

From the large number of charts and illustrations that visualise this overvaluation, I have selected the development of the S&P 500 / MSCI World IT & Communications Sector relative to the S&P 500 / MSCI World Index above on the left, which certainly speaks for itself. The chart above right also shows that investors hold the highest net long position in the Nasdaq in the short term as a percentage of open interest.

A tweet by [Jason Goepfert](#) on 6 February, when the S&P 500 was 0.35% away from its 3-year high, shows just how extraordinary the situation on the US stock market is at the moment. On that day, the share prices of less than 40% of the index components were above their 10-day moving average (TD) and less than 70% above their 200-TD. Such a market structure, in which record index levels were supported by so relatively few index components, has only occurred once since 1928, namely on 8 August [1929](#)...





None of this is bothering investors at the moment. All that matters to them is the share price and its momentum, not the valuation of the underlying company. Their experience has taught them time and time again that you have to buy every correction in the big tech companies (buy the dip), as new highs can always be expected as a result.

In a way, this is even a rational behaviour, at least until the narrative changes and everyone suddenly realises what has always been so obvious, namely that the tech sector and the *Magnificent 7* are extremely overpriced. This can be demonstrated by the simple overview on the right, based on relevant data published on February 14.

As of 14.02.2024	MarketCap in Mrd. \$	Sales in Mrd. \$	P/Sales	Price from ATH
AAPL	2840	368	7.72	-8.0%
AMZN	1760	575	3.06	-9.7%
GOOG	1820	307	5.93	-5.5%
META	1200	135	8.89	-3.0%
MSFT	3010	228	13.20	-3.3%
TSLA	585	97	6.03	-38.0%
NVDA	1820	45	40.44	-0.6%

Mag 7: Market cap, sales, price-to-sales, % from all-time high

At first glance, the question may arise as to whether Tesla, with its lower market capitalisation and after a strong price correction, can still be counted among the Mag 7? – However, the first thing that comes to my mind is a comment by Scott McNealy, co-founder of Sun Microsystems, which I have already quoted in this publication before. At the end of the dot-com bubble, he had the [following](#) to say to a crowd of assembled analysts, alluding to the former price of Sun Microsystems shares of USD 64 and the implication of the associated valuation of the company at 10 times sales:

"At 10 times revenues, to give you a 10-year payback, I have to pay you 100% of revenues for 10 straight years in dividends. – That assumes that I can get that by my shareholders. That assumes that I have zero cost of goods sold, which is very hard for a computer company. That assumes zero expenses, which is really hard with 39,000 employees. That assumes I pay no taxes, which is very hard. And that assumes you pay no taxes on your dividends, which is kind of illegal. And that assumes with zero R&D for the next 10 years, I can maintain the current revenue run rate. Now, having done that, would any of you like to buy my stock at \$64? Do you realise how ridiculous those basic assumptions are? You don't need any transparency. You don't need any footnotes. What were you thinking?"

Yes, what are investors thinking who are prepared to pay 40(!) times the value of Nvidia's turnover? – Or 13 times for Microsoft? – Or 12 times on average? – I don't know! What I do know is that markets can be irrational for longer than one would ever think possible. But if valuations still matter and the phenomenon of reversion to the mean (and below) is not invalidated (which it certainly isn't), then our Nasdaq 100 short position in **IASF** is now more justified than ever.



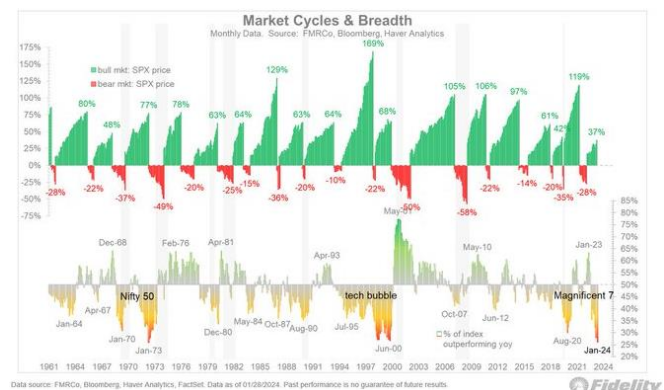


Incrementum All Seasons Fund

- in pursuit of real returns -

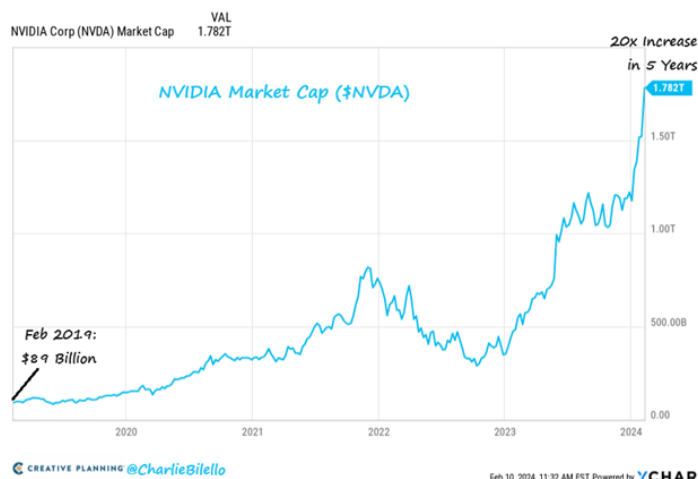
What do you think is the responsible attitude in this situation? – Should we panic and abandon our approach, close the shorts or work with overpriced puts? Or stick to our approach, even if this results in a consolidation of the fund's NAV in an otherwise positive stock market environment, and perhaps – as I wrote in the January management commentary – we are seen by some investors *as "stubborn at best or simply stupid"?* – Patience, discipline and conviction in one's own investment approach, but also the ability to take a different position compared to the crowd, are among the most important characteristics of successful investors for me. – QED!

We are currently experiencing one of the tightest markets in history, with only 26% of stocks outperforming the S&P 500 Index. As the graph on the right shows, the last time this was the case (1998–2000), it ended in tears (–53% in the S&P 500). And the time before last (1970–73), this resulted in a sharp valuation contraction, with the price/earnings ratio falling from 20x to 7X.



@TimmerFideLity, X, 1FEB2024

But this time it will certainly be different ...



S&P 500 Energy Sector ETF (\$XLE) vs. NVIDIA (\$NVDA)			
Ticker	Name	Market Cap (\$Billions)	Net Income (TTM, \$Billions)
		As of 2/9/24	
XOM	Exxon Mobil Corp	404	36
CVX	Chevron Corp	280	21
COP	ConocoPhillips	131	11
SLB	Schlumberger Ltd	67	4
EOG	EOG Resources Inc	65	8
PSX	Phillips 66	63	7
MPC	Marathon Petroleum Corp	63	10
PXD	Pioneer Natural Resources Co	53	5
OXY	Occidental Petroleum Corp	50	5
VLO	Valero Energy Corp	49	9
HES	Hess Corp	44	1
WMB	Williams Companies Inc	41	3
OKE	ONEOK Inc	40	2
KMI	Kinder Morgan Inc	37	2
HAL	Halliburton Co	31	3
BKR	Baker Hughes Co	29	2
FANG	Diamondback Energy Inc	27	3
DVN	Devon Energy Corp	27	4
TRGP	Targa Resources Corp	19	1
CTRA	Coterra Energy Inc	18	2
EQT	EQT Corp	14	3
MRO	Marathon Oil Corp	13	2
APA	APA Corp	9	2
Energy Sector Totals (\$XLE)		1574	147
Nvidia (\$NVDA)		1782	19

Nvidia Market Cap (l), Market Cap S&P 500 Energy Sector ETF (r), [The Week in Charts \(2/13/24\)](#) by C. Bilello, 13FEB2024

However, there are still few signs of a turnaround in investor behaviour. While Nvidia shares have risen 45% since the beginning of the year, our energy portfolio has fallen by around 5% on average (despite the positive contribution from uranium), even though the oil price has risen by more than 5% over the same period. As the table above right shows, Nvidia is now worth more than the entire S&P 500 energy sector...

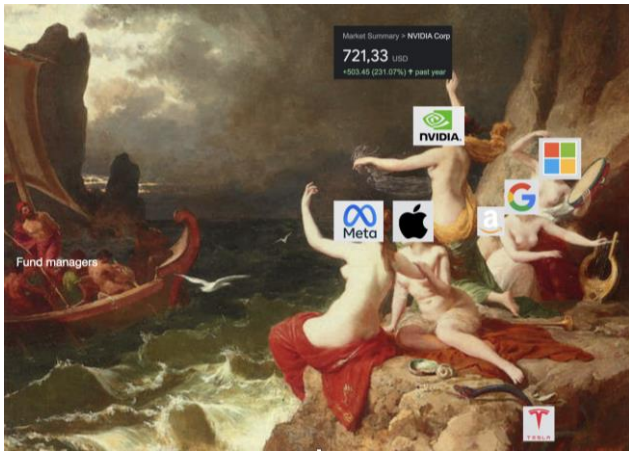




Incrementum All Seasons Fund

- in pursuit of real returns -

As Nvidia's share price continues to soar into the stratosphere, [Bloomberg](#) reports that Amazon founder Jeff Bezos sold \$4bn worth of stock over the past 4 trading days. Peter Atwater commented on X: *"There are only two situations where you sell \$4bn worth of stock in 4 days: When you have to and when you'd be stupid not to..."*



[Avoiding the Siren Song](#) by Trader Ferg, 14FEB2024

For those of my readers who would like to delve deeper into these issues, I add a link here to Addam Taggart's (Thoughtful Money) interview with [Grant Williams](#), one of my absolute favourite commentators and market observers, who once again provides valuable perspectives and food for thought with his big picture observations.

Also worth listening to is one of the rare interviews with one of the great value managers still active. In his interview with Barry Ritholz in the Bloomberg series *"Masters in Business"*, [David Einhorn](#) has a lot of interesting things to say about the current market structure and the challenge for value managers. In particular, I found the part about Greenlight Capital's investment process interesting, which has similarities to our **IASF** approach. *"Long-term value is a big aspect of what Greenlight Capital does" ... and ... "Our idea finding is very idiosyncratic. We generally start with a narrative, we start with a qualitative assessment. What is it that we think is likely to be misunderstood about something. And if we think something is misunderstood, then perhaps it is misvalued. And since we are looking for narratives, and do valuation work second, as opposed to cheap. We don't screen, so we are not looking for quantitative measures, like this thing is trading at half book value, let's go figure out why it's a good thing to buy or not. We start with, what is it that we think that other people are likely to be overlooking about the situation, and if they are in fact overlooking something and we deem it to be important, perhaps it is mispriced. So, we are looking for these differences in opinion."* - That makes me think of Tailwind Investing...



Peter Atwater
@Peter_Atwater

There are only two moments when you sell \$4 billion of stock in four days: when you have to and when you are stupid not to...



Jesse Felder @jessefelder · 21h

Bezos Sells \$4 Billion of Amazon Stock in Four Trading Days
[bloomberg.com/news/articles/...](#)

5:30 PM · Feb 14, 2024 · 545.2K Views

@Peter_Atwater, [X](#), 14FEB2024

I apologise to my readers, but I could really go on endlessly on this subject. With that said, though, I suppose my point on perhaps the most important issue facing our investors should be clear.

This is: Does it make sense for **IASF** to stop swimming against the tide and instead run with the herd, driven by FOMU?

My answer to this remains (for the time being) a clear no!





Incrementum All Seasons Fund

- in pursuit of real returns -

TAILWIND INVESTING





FONDS professionell KONGRESS 2024

Investieren mit Rückenwind

Incrementum Fondsmanager Dr. Christian Schärer und Hans G. Schiefen wollen von Rückenwind an den Finanzmärkten profitieren.

Wie, das erklären sie anhand von zwei Sektor-Beispielen.



www.incrementum.li

(Summary of our presentation at Fund Congress, Mannheim, on 25 January 2024)

As our investors and probably most readers know, Dr Christian Schärer and I work closely together on our respective fund products. Christian is deputy fund manager of **IASF** and I have the same role with the **Uranium Resources Fund (URF)**.

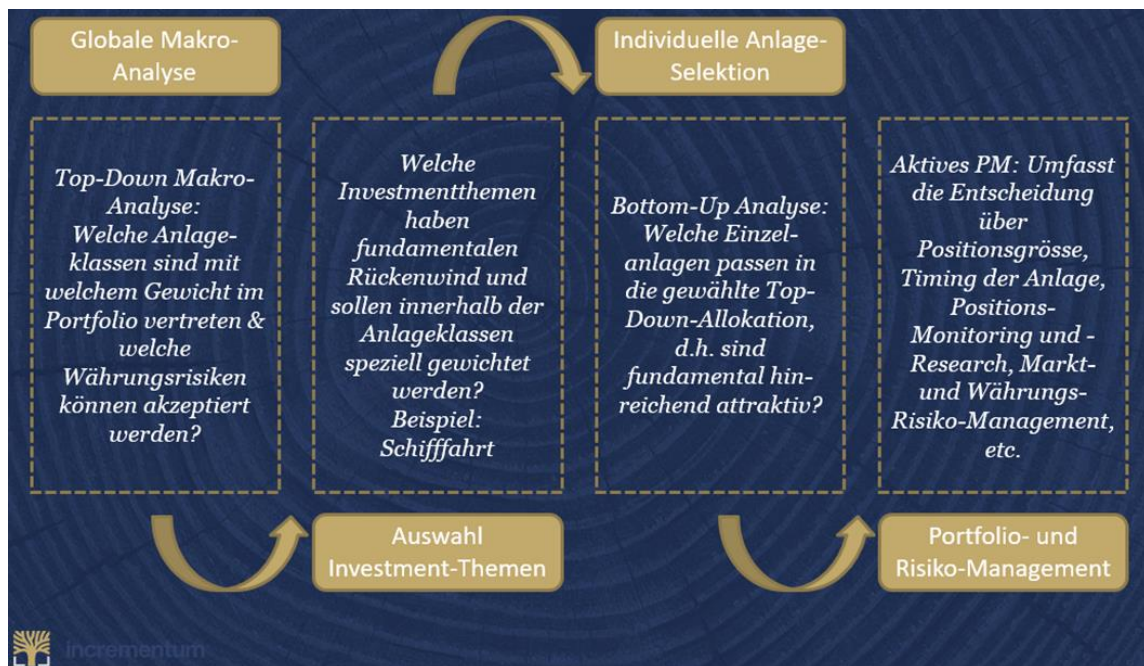
The two are very different products: The **URF** is a highly specialised thematic fund that focuses its investments on the uranium value chain, while the **IASF** is a global multi-asset strategy fund. Despite all the differences, we are united by the fact that we both seek to benefit from structural tailwinds on the financial markets in our mandates.





Incrementum All Seasons Fund

- in pursuit of real returns -



For **IASF**, we derive the direction of the wind from our analysis of the macro environment. On the one hand, this aims to determine the attractiveness of individual asset classes and, on the other, to identify investment themes that we believe will enjoy a structural tailwind in the medium term.

Our investment decisions are always made against the background of the general financial market valuation and are fundamentally based (bottom-up approach). We prefer to build up positions anti-cyclically, pursue a long-term investment horizon and favour proven and comprehensible business models. And although we are not value investors in the narrow sense, we always strive to buy assets at a price that is below their perceived value.

In the following, I would like to illustrate this with an example of one of our investment themes, namely the **IASF** topic "**Shipping**":

When we launched **IASF** in 2019, we did so under the macro premise that the financial market cycle will be increasingly characterised by the end of the long-term debt cycle, which we are convinced will lead to an inflationary phase. Consequently, we looked for investment themes that could benefit from such an environment.

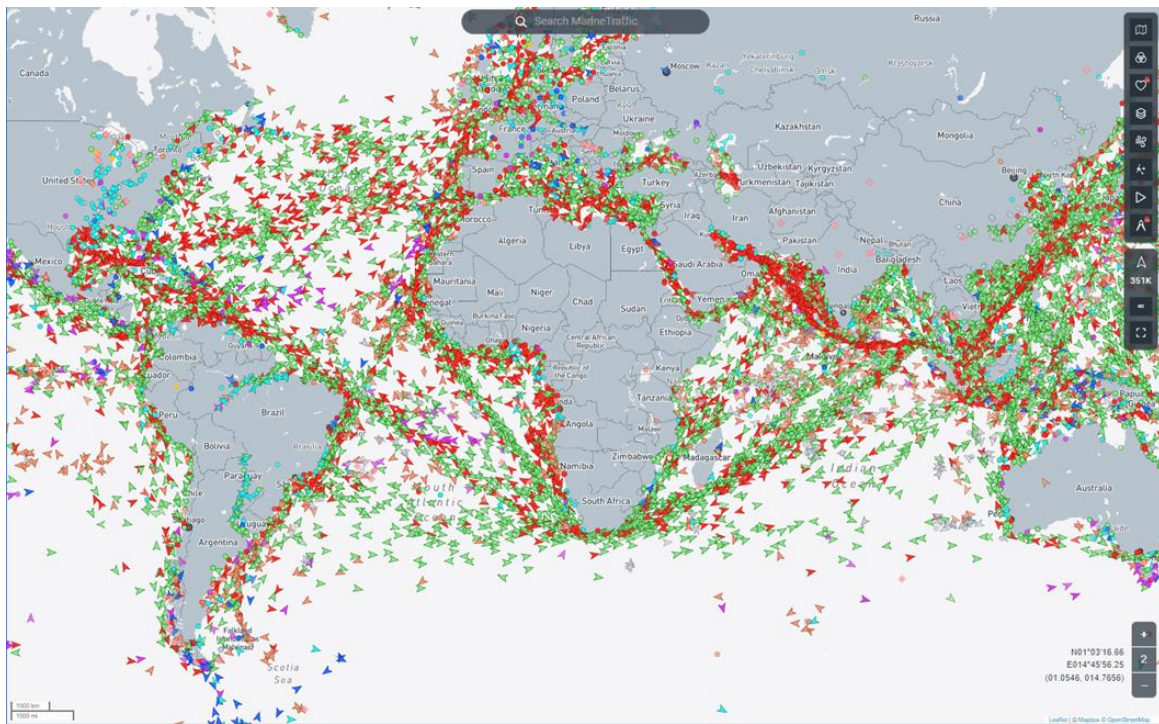




Incrementum All Seasons Fund

- in pursuit of real returns -

The first thing you probably think of is property, which seemed very expensive at the time. In comparison, ocean-going vessels have a similar character in many respects: they are also durable capital goods that not only generate an income stream, but also benefit from rising replacement costs in an inflationary environment.



<https://www.marinetraffic.com/en/ais/home/centerx:19.3/centery:1.1/zoom:3>, 30JAN2024

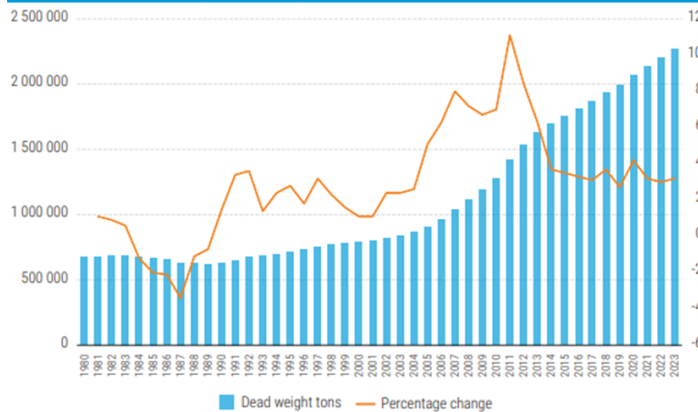
International maritime shipping is the backbone of global trade, and in total more than 80% of all internationally traded goods are transported on our oceans. The chart above gives you a snapshot of global maritime shipping. Experts estimate that there are around 100,000 ships in the global fleet. Oil tankers and bulk carriers account for about 12% each, the rest are container ships, gas carriers, passenger ships, and many others.

Our investment focus has been on tankers and bulk carriers from the outset, as they are involved in the transport of goods, which is ultimately unavoidable. Oil is generally extracted where it is not needed or processed, and the same applies to other important raw materials. For example, some of the largest iron ore mining operations are located in Australia and Brazil, and the ore has to be transported from there to their final processing destinations. Soya beans, wheat and rice, which are essential for feeding a growing world population, are also transported across the oceans on bulk carriers from the major exporting nations to their final consumer markets.



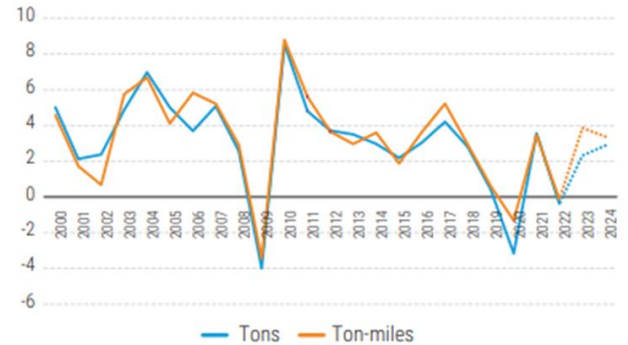


Figure 2.1 The world fleet, thousand dead weight tons and percentage change, 1980–2023 (Percentage annual change)



Global fleet capacity in dwt, p.9 – [Review of Maritime Transport 2023](#), Overview, UNCTAD – Seaborne trade growth in %, p.5

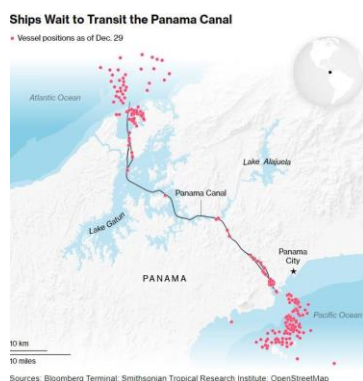
Figure 1 Seaborne trade growth, tons and ton-miles, 2000–2024 (Annual percentage change)



Let's have a look at the existing supply and demand situation:

In shipping, the supply side is measured by the available tonnage, i.e. the transport capacity in tonnes (dwt). As the chart above left shows, total tonnage grew by around 3% in 2023. The demand side, on the other hand, is determined by "tonne mile demand", i.e. the freight volume multiplied by the distance travelled. This could even increase by just under 4% in 2023, which helps to explain the historically attractive freight rates that was achieved in most shipping sectors.

The phenomenon of demand for freight miles is becoming particularly relevant at the moment. This is because if ships have to take detours to reach their destination, they need more time to transport the same goods from A to B. This effectively ties up more capacity for the same transport service.



[Bloomberg News](#), 31 JAN 2024

Take, for example, the current situation in the Panama Canal, through which on average around 3% of global shipping traffic passes. Due to low water levels in the surrounding lakes that supply the canal and its locks with water, the Panama Canal can currently only operate at around 2/3 of its maximum capacity, and the situation is expected to worsen as the summer progresses. This forces many ships to take longer routes (e.g. around the southern tip of Latin America) to reach their destination.





Incrementum All Seasons Fund

- in pursuit of real returns -

Even more important is the Suez Canal / Red Sea / Gulf of Aden passage, through which around 12-15% of global shipping traffic passes. As you will have noticed, attacks by the Houthi rebels operating out of Yemen have made the passage unusable for many shipowners, as they fear for the lives of their seafarers as well as their ships.

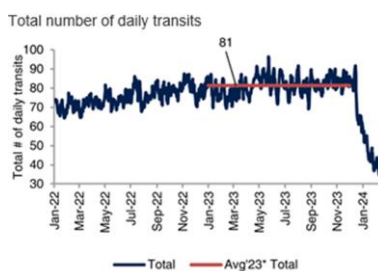
Many shipping companies have therefore decided to take the much longer route around the Cape of Good Hope on their way between Asia and Europe.

The diagram opposite shows the main trade routes in the oil market (here refined products such as diesel, etc.). It illustrates in the legend below that avoiding the Suez Canal extends the journey time between Europe and East Asia (China) by 12 days (+32%), between the Mediterranean region and East Asia by 17 days (+55%) and between the Arabian Gulf and Europe by 16 days (+73%).



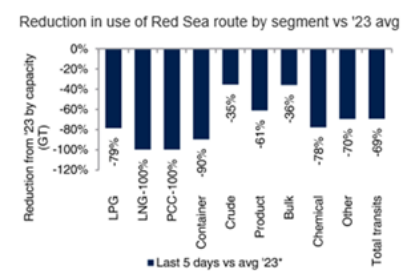
Scorpio Tankers, [4Q2023 Results Presentation](#), P.11

On the one hand, the diversions around the *Cape of Good Hope* means savings on Suez Canal utilisation fees and the avoidance of special "war risk" insurance premiums, but on the other hand it not only takes considerably more time, but also leads to significantly higher costs (general operating costs and especially expensive fuel).



[ABGSC Shipping Daily](#), 13FEB2024

According to current estimates, the Suez Canal transit figures have already fallen by around two thirds. This results in rising demand for freight miles and thus c.p. rising freight rates.



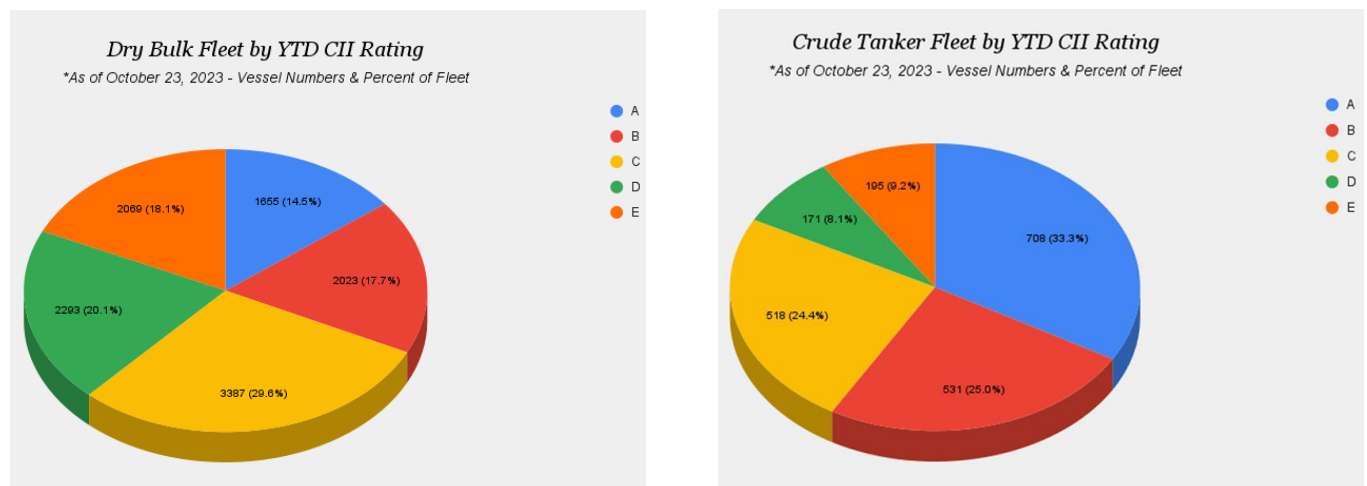
[ABGSC Shipping Daily](#), 13FEB2024





Another important macro development is new environmental guidelines to reduce greenhouse gas emissions from international shipping, which is considered a significant polluter. In this context, the IMO (*International Maritime Organisation*) has set itself the goal of reducing pollutant emissions from global shipping by 40% by 2030 through various measures.

Since last year, for example, ships have been classified using a new Carbon Intensity Indicator, or CII for short, which rates pollutant emissions in relation to cargo capacity. Ships are rated with A for the highest efficiency level up to E – similar to your fridge at home. The charts below show on the left the classification of bulk carriers, of which almost 40% are classified in the D&E range, and of crude oil tankers, of which more than 17% are classified as D&E.



Carbon Intensity Indicator Ratings, [Value Investor's Edge](#), 28Oct2023

Owners of ships that are classified as D or E must submit a catalogue of measures to achieve at least a C classification within a specified period. The easiest way to achieve this is to commit to slower travel, as the fuel consumption and therefore the pollutant emissions of a ship increase disproportionately with increasing speed (similar to your car). However, slow steaming reduces the effective transport capacity available, as a ship takes longer to get from A to B. Other measures include the use of cleaner fuels such as marine diesel and other supporting measures, such as a special coating on the ship's hull that reduces friction with the water. However, all of this has the effect to increase freight costs.





Incrementum All Seasons Fund

- in pursuit of real returns -

The uncertainties associated with the increasing environmental requirements are also making many shipowners reluctant to order new ships with conventional propulsion units, as they fear that these will not have the usual 15–20-year operating licence that they tend to base their investment on. Alternative propulsion systems, e.g. using ammonia, are already available, but they are expensive and the price of fuel is subject to much greater fluctuations, which makes the economic calculation more risky. This leads to an investment backlog, which means that the fleet grows only slowly and is not sufficiently renewed, which supports the freight rate outlook in the medium term.

These are just some of the reasons why we expect further tailwinds for investors in the shipping sector in the coming years. And the dry bulk and oil tanker sector in particular should benefit from this due to the fact that shipyard capacities are already fully booked until 2026, mainly for container ships and liquid gas carriers.

Solactive Global Shipping Index PR



How has an investment in the shipping sector performed in recent years? – The Solactive Global Shipping Index (see chart above) has risen by 113% since the launch of **IASF** in July 2019. As always, we ourselves have invested flexibly in this theme with allocation ratios of between 7% and 22% and fluctuating sub-sector weightings.





Incrementum All Seasons Fund

- in pursuit of real returns -

Dividend Yld	P/E Ratio	P/B Ratio	EV/Sales	EV/EBITDA	EBITDA/Interest	Return YTD
9.46%	5.88	1.24	2.15	5.03	15.44	43.00%

IASF Shipping book, average valuations, year-end 2023

We also remain positive about the sector amid continued favourable valuations. At the end of the year, our shipping portfolio had an average P/E ratio of 6 and an EV/EBITDA of 5. In addition, most stocks are trading at a discount to their current NAVs. The average dividend yield is also just under 10%, as amid healthy balance sheets companies are increasingly passing on their free cashflows to investors.

Our selection of individual stocks generated an average total return of 43% last year and we are optimistic that we will be able to benefit from the tailwind for the sector again this year.

I hope this summary of my Fund Congress presentation helps our readers to better understand how we at the **IASF** seek to benefit from tailwinds on the financial markets.

Finally, I would like to report briefly on the tailwind in the uranium investment topic, on which my colleague Christian Schärer gave his usual confident and knowledgeable presentation at the Fund Congress.

Our own [Incrementum homepage](#) summarises the most important arguments in favour of an investment as shown opposite.

The adjacent chart of the share value of the **Uranium Resources Fund** managed by Christian, which has roughly tripled since the end of 2020, shows that the topic has been enjoying a tailwind for several years. **IASF investors** have also benefited from this, as we currently hold a 3.5% allocation in **URF** (with full reimbursement of fund management fees).

★

Uran bleibt relevant

Atomkraftwerke liefern CO₂-arm produzierte, 7824 verfügbare Grundlast für das Stromnetz

★

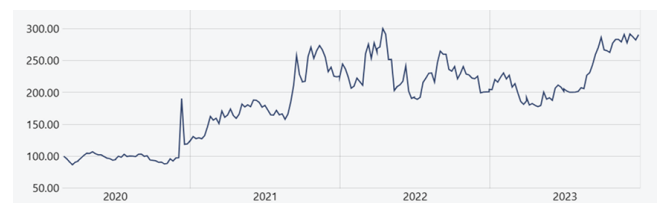
Angebotslücke am Uranmarkt wird geschlossen

Steigende Uranpreise liefern den Anreiz zum Aufbau der notwendigen Produktionskapazität

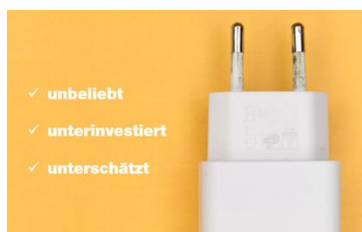
★

Langfristig investieren

Der Fund eignet sich für den langfristig orientierten Investor, der an den Perspektiven des Uransektors partizipieren will



[Uranium Resources Fund NAV](#) in EUR

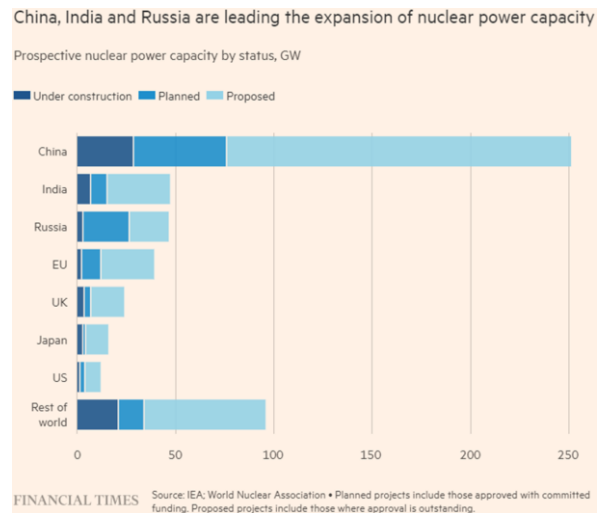
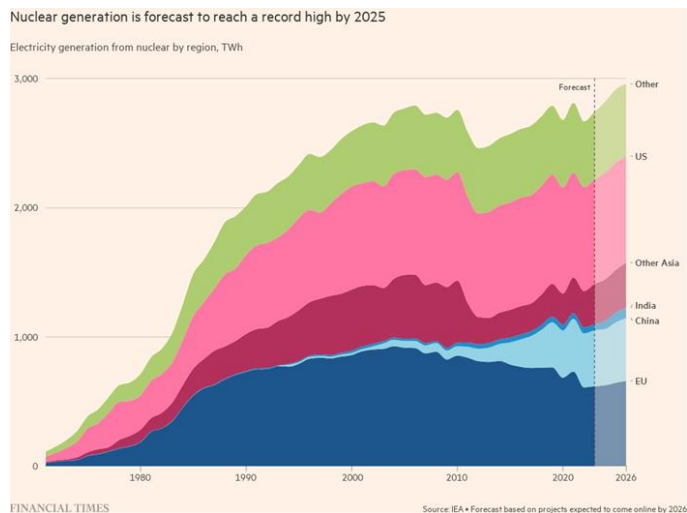


This investment is also a good example of the tendency to build up anti-cyclical positions mentioned at the beginning of this chapter, because uranium is unpopular (even more so than the general commodity complex), investors are largely underinvested and the investment potential is underestimated in our opinion.





I don't want to go into all the reasons why electricity generation from nuclear power initially declined in the decade (keyword: [Fukushima](#)). The subsequent renaissance (see chart below left), which was hardly noticed in Europe, has its roots above all in the developing countries of Asia, where China in particular has recognised the attractiveness of nuclear energy as a base load source for power generation and used it accordingly (see chart below right).



Electricity generation from nuclear energy by region (l), planned capacity expansion in GW (r), [FT](#), 1FEB2024

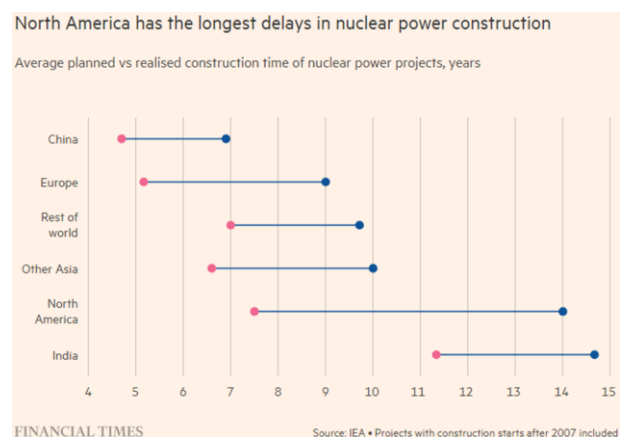


[Wikipedia](#)

Meanwhile, nuclear energy was (to some extent still is) politically stigmatised in the West. Recall for example, that the German Greens have considerable roots in the fight against nuclear power, which sought to prevent both the risks of production and the transport and storage of residual waste.

After all, the fear of nuclear accidents / disasters [post-Chernobyl](#) was easy to fuel, even though German and European reactors have proven to be safe for decades.

Today, this fear is still deeply embedded and reflected in the fact that the construction of nuclear power plants in the West is completed on average 4-7 years late due to the prevailing political and bureaucratic hurdles.



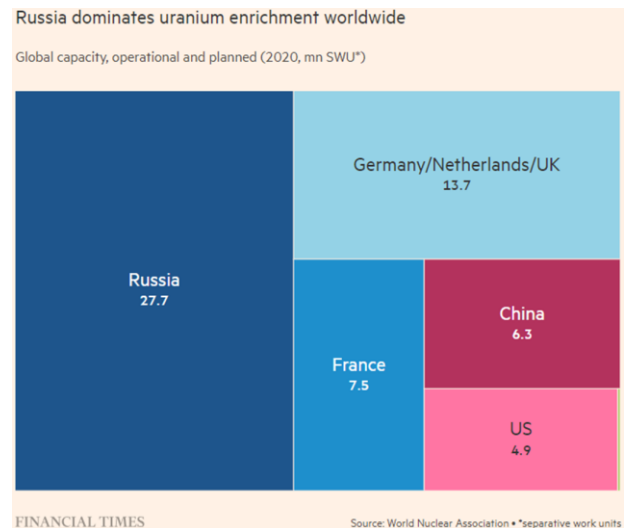
Project realisation delay for nuclear power plants, [FT](#), 1FEB2024





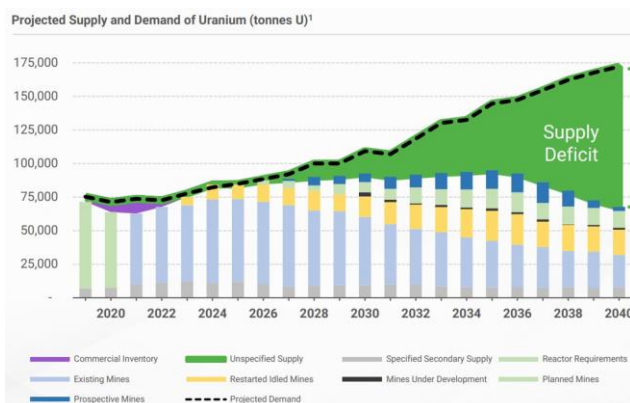
However, the renaissance of nuclear energy has recently also gained momentum in Europe, as it offers the most efficient CO₂-free electricity base load generation at the current stage of development.

Having said that, the nuclear industry is hardly prepared for this as it has been in decline for decades. And this applies not only to reactor planning, authorisation and subsequent construction and operation, but above all to the raw material uranium, which forms the basis for the production of nuclear fuel rods. For example, the main producing countries for uranium are only Canada ([Cameco](#)) and Kazakhstan ([Kazatomprom](#)), while the enrichment process is still dominated by internationally sanctioned Russia.

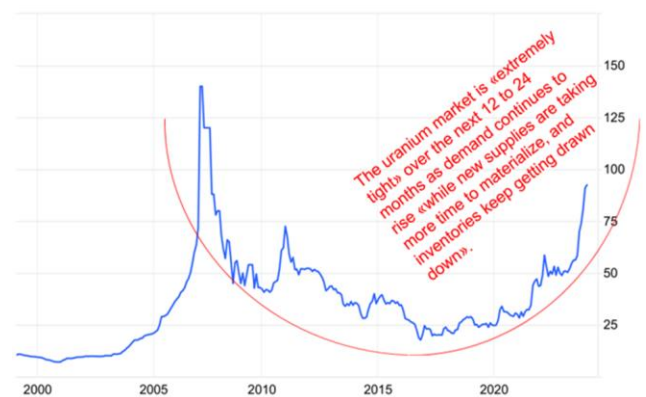


Global enrichment capacities, [FT](#), 1FEB2024,

The core thesis and the main reason for the tailwinds we expect for uranium production and exploration is based on the growing supply deficit based on the above described situation, and its dynamics are projected in the adjacent chart. In this regard it is important to note that a) nuclear power plants are permanently running and b) fuel costs are minimal in relation to total investment costs.



Supply gaps lead to rising prices and so Christian concluded his presentation with the chart opposite, which shows the historical development of the uranium price. The chart makes it clear that the uranium price is subject to major fluctuations and that prices are currently not too far below the 2007 high anymore. However, this is a nominal view and, adjusted for inflation, the current level is significantly lower than in 2007.



Source: UxC President Hinze @MarketWatch, Okt 2023





And that, in broad terms, is the macro picture, which in our view will ensure that the uranium price has the potential to rise further in the coming years, which in turn should provide a tailwind for producers and exploration companies and their share prices. Here, too, there will of course be consolidation from time to time, during which early investors will take profits while new investor groups discover the topic. But in our opinion, the uranium market will continue to enjoy a tailwind for a few more years, from which we intend to profit for the benefit of our investors.

I would like to conclude here with a brief look at **URF's** investment strategy: Christian Schärer builds his portfolio allocation on a total of four pillars (Liquidity, physical uranium, uranium (near-)producers, uranium mining explorers and developers), which give him the flexibility to adapt his allocation to the short to medium-term market conditions (fundamental developments, but also investor sentiment and risk appetite) and thus create added value.



Strategische Liquiditätsquote

Die Liquiditätsquote sichert unsere jederzeitige Handlungsfähigkeit. So nutzen wir attraktive Einstiegspunkte, die sich aufgrund des volatilen Kursverlaufs vieler Uranaktien regelmässig eröffnen!

Mehr zur Anlagestrategie erfahren



Physisches Uran und "Streaming and Royalties"

Mit dem 2. Standbein wollen wir direkt an einer Verbesserung des Uran-Spotpreises partizipieren. Ohne höhere Uranpreise ist eine nachhaltige Erholung der Uranproduzenten schwer vorstellbar.

Mehr erfahren



Uran Produzenten und "Standby-Producers"

Das dritte Standbein fokussiert auf die Aktien der Uranproduzenten. Wenn die Uranpreise zu steigen beginnen, dann profitieren die Produzenten, welche eine signifikante Uranproduktion am Markt platzieren können. Nur wer produziert, kann auch liefern!

Mehr zu den Uranproduzenten erfahren



Uran "Explorer und Developer"

Im Rahmen des vierten Standbeins setzen wir auf Explorer und Developer, die Erschließungs- und Minenprojekte auf Weltklasse-Niveau vorantreiben. Besonders interessant sind diese, wenn sie ihre Produktion im Zeitfenster der erwarteten Angebotslücke werden starten können.

Mehr zur Gruppe "Explorer und Developer" erfahren

He has done this so successfully that the fund has also been awarded a [5-Morningstar rating](#) last year.

For readers who would like to delve deeper into the subject matter, I recommend the [video update](#) (only in German) that Christian published last December as a review and outlook on the uranium sector, which can be found on the [URF homepage](#) (again, only available in German) with further relevant information and interviews under [bemerkenstwert](#).





IASF-PM Feedback

In this section, I would like to take the opportunity to present enquiries and feedback from investors as well as thoughts on our portfolio management (PM) in order to offer readers more transparency concerning our asset management approach and our work with the **IASF**.

On 7 February, for example, I received a message from an investor in response to **IASF's** January factsheet, who referred to the following passage in the management commentary: *"Some investors are clearly doubtful about our portfolio management, as the fund recorded net outflows of EUR 2m in January. Some of our conversations with investors give the impression that they view our adherence to our investment themes and a (partial) equity hedging strategy as stubborn at best or foolish at worst. However, this overlooks the fact that investing is a long-term endeavour, and that the ability and willingness to occasionally look foolish has also proven to be a prerequisite for positive outperformance and the achievement of our investment goals."*

The investor reminded me of our exchange from last year, in which he had predicted a blow-off top for the stock markets, which he was seeing so far develop according to plan, suggesting even higher price targets for the S&P 500, DAX and Nasdaq 100. – Such forecasts are of course also part of our work, and it is always a marvellous thing when you are right not only in estimating the extent but also the timing, which I must admit we have not been able to do recently.

The investor then confirmed that he was not too worried about our misjudgement on the short side of **IASF** and the associated underperformance last year, as he regards the fund as diversifying his overall portfolio. Apart from the fact that we do not manage the **IASF** in relation to a benchmark and consider our equity index shorts as part of our overall risk management process, this is indeed a point that I emphasised frequently at the Fund Congress: As even a glance at the chart (see e.g. p. 2 or in the appendix) shows, **IASF** provides an effective diversification contribution to traditional index / long-only investments despite the overall high proportion of equities.

To further substantiate this claim, I compared **IASF's** USD-I share class with the FTSE Global 100 Index (USD) over 254 weekly observations and obtained the result shown here. The resulting overall positive correlation is not surprising, as we have mainly invested in equities for **IASF** since launch in mid-2019. However, the degree of correlation is relatively low at 0.69, which supports a good diversification effect.

Ergebnis

Korrelationen für n = 254 vollständige Datenpaare.

Kovarianz	580.2069389437
Pearson Produkt-Moment-Korrelation (r)	0.6917262156
Determinationskoeffizient (R ²)	0.4784851573
	p < .001 ***
Kendall's tau (τ)	0.4898283217
Spearman's rho (ρ)	0.7019915222

[StatistikGuru Correlation calculator](#)





From time to time, I am also asked questions about our investment themes. As the chapter "*Tailwind Investing*" has also shown, the identification of our investment themes involves an intensive analysis of the relevant macro environment, and as we see ourselves as investors and not speculators, these always tend to have a medium to long-term focus.

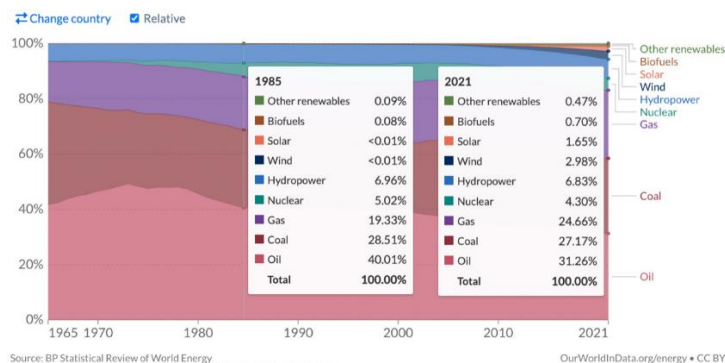
This does not mean that we do not occasionally look at new topics. For example, the topic of "*rising military spending*" would certainly be a suitable tailwind topic, but we do not want to include it in **IASF** for ethical reasons. Personally, I consider increasing geopolitical conflicts and the associated armament to be topics that should be scrutinized from a sustainability perspective. As a father and investor, I have always consciously decided against investing my own or my clients'/investors' capital in the defense industry.

And so, we will remain focused on the ff topics for the time being:

- **Energy** (Brief argument: Energy production makes (technological) development possible in the first place and increasing demand for fossil fuels in particular will come from developing countries, while the supply side is stagnating due to a lack of replacement and growth investments.)

Energy consumption by source, World

Primary energy consumption is measured in terawatt-hours (TWh). Here an efficiency factor (the 'substitution' method) has been applied for fossil fuels, meaning the shares by each energy source give a better approximation of final energy consumption.

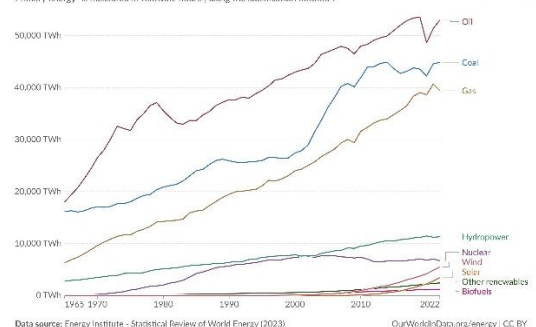


Source: BP Statistical Review of World Energy
Note: 'Other renewables' includes geothermal, biomass and waste energy.

OurWorldInData.org/energy • CC BY

Primary energy consumption by source, World

Primary energy¹ is measured in terawatt-hours², using the substitution method³.



Data source: Energy Institute - Statistical Review of World Energy (2023)

OurWorldInData.org/energy • CC BY

1. Primary energy: Primary energy is the energy available to producers – such as the fuels stored in power plants – before it has been transformed. This refers to the fuel before it has been burned, the electricity or the fuels of oil. Primary energy includes energy that is lost when raw resources are transformed into a usable form. You can read more on the different ways of measuring energy in our article.

2. Watt-hour: A watt-hour is the energy delivered by one watt of power for one hour. Since one watt is equivalent to one joule per second, a watt hour is equivalent to 3600 joules of energy. Metric prefixes are used for multiples of the unit, usually: kilowatt hours (kWh), or a thousand watt-hours; megawatt hours (MWh), or a million watt-hours; gigawatt hours (GWh), or a billion watt-hours; terawatt hours (TWh), or a trillion watt-hours.

3. Substitution method: The 'substitution' method is used by researchers to correct primary energy consumption for efficiency losses experienced by fossil fuels. It tries to adjust 'not fossil energy sources to the inputs that would be needed if it was generated from fossil fuels. It assumes that wind and solar electricity is as inefficient as coal or gas. To do this, energy generation from non-fossil sources are divided by a standard 'thermal efficiency factor' – typically around 0.7. Nuclear power is also adjusted due to its lower efficiency than fossil fuels in a power plant. Since it is reported in terms of electricity output, we need to do this adjustment to calculate its equivalent value. You can read more about this adjustment in our article.

Our World in Data, Energy consumption by source, Our World in Data

- **Shipping** (please refer to the chapter "*Tailwind Investing*" for more details)

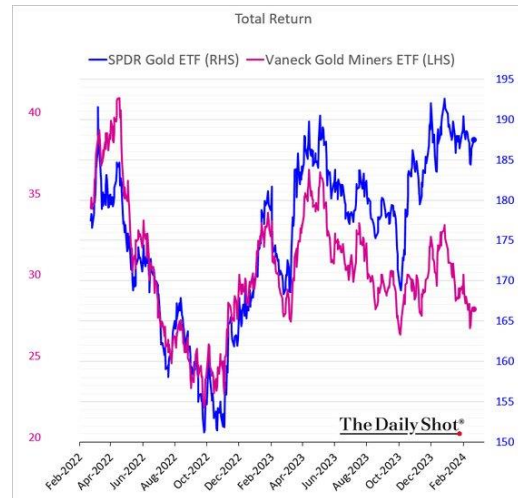




Incrementum All Seasons Fund

- in pursuit of real returns -

- **Gold and PM mining** (Gold not only has a monetary character, but has also traditionally proven to be an effective hedge against inflation. However, precious metal producers have recently decoupled more and more from the positive precious metal price performance, which makes them appear increasingly attractively valued. The sector also serves as an effective hedge against interest rate cuts).



@jessefelder, X, 21FEB2024

- **Other commodity producers** (similar argument as for energy: (not only ESG-related) underinvestment and thus stagnating supply meets further growing demand, especially for the metals necessary to the energy transition or in the area of food production).
- **Infrastructure / real estate** (inflation protection)
- **Emerging Market & Japan Value** (both regions that benefit from generally depressed valuations and are clearly underweighted by international investors).

These remain our main investment themes for the time being, even if they are not currently being favored by the market as a whole. The market is still busy indulging in the game of FOMO/U, as demonstrated by the events surrounding Nvidia's quarterly results on February 21:

There is no doubt that Nvidia managed to exceed investor expectations when publishing its last quarterly results, which was rewarded with an approx. 16% increase in its share price. This in turn corresponded to the largest increase in market capitalization ever achieved within one day (see graph on the right). As a result of elevated sales growth, the share is now valued at around "only" 30 times the company's annual sales...

Top 10 Biggest Single-Day Market Cap Gains

Nvidia's post-earnings rally propels stock to top of the leaderboard

Date	Firm	Biggest single day market cap additions
1 Feb 22, 2024	Nvidia	\$277.0B
2 Feb 2, 2024	Meta	196.8
3 Nov 10, 2022	Apple	190.9
4 Feb 4, 2022	Amazon	190.8
5 May 25, 2023	Nvidia	184.1
6 Jan 28, 2022	Apple	178.9
7 Jul 31, 2020	Apple	169.0
8 Oct 28, 2022	Apple	150.5
9 Mar 13, 2020	Microsoft	150.4
10 Apr 26, 2023	Microsoft	148.3

Source: Bloomberg

Bloomberg Opinion

Bloomberg Technology, 22FEB2024



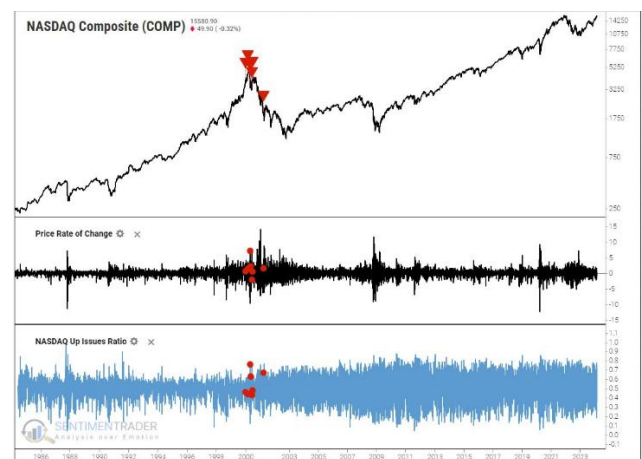


Of course, Nvidia has been a phenomenal growth story that is benefiting enormously from the current hype about the potential of AI and the related spending to expand the corresponding infrastructure, in which Nvidia's chips for now seem a necessity. However, the chip business is highly cyclical and the idea that last year's growth could continue anywhere near this level in the medium term is, in my opinion, completely unrealistic. Sales targets of USD 100 bn are already being traded and gross margins of 75% are almost impossible to maintain in the medium- to long-term.

But aren't the markets efficient and reflect the collective wisdom of all market participants? – Rob Arnott, founder of Research Affiliates, had this to say in an interview with the Financial Times on 26 January: *"I don't think so. In fact, I think the irrational swings in price have gotten slowly but surely bigger."* ... Ultimately, they are based on narratives. These *"have the advantage of being largely true and the disadvantage of being entirely reflected in current share prices. So, betting on a narrative is a useless way to invest. One error made in big market delusions is assuming the dominant players today will still be the dominant players 10 years from now. But often, new disrupters come along and disrupt the old disrupters. Another error is valuations getting out of hand, based on speculation that the market will grow big faster than it actually does. . – The dotcom bubble is a beautiful example."* ...

"I think the same thing is happening now with AI. The narrative with dotcom is this is going to change everything — how we buy goods and services, communicate, research, socially interact, run businesses. All true, but all have happened more gradually than initially expected. Substitute AI for internet, and you have exactly the same narrative today. It's a classic example of a big market delusion. Not because it's wrong, but because it will happen more gradually than people expect." (Rob Arnott, Research Affiliates, in an interview with the [FT](#) on 26JAN2024)

The fact is that the current stock market boom is being driven by a surprisingly small number of shares. For example, the Nasdaq rose by just under 3% on February 22, driven by the reaction to the Nvidia results. This rise was driven by less than 55% of Nasdaq members. Such low market breadth has only been seen five times before in the period 1999–2001, when the last technology bubble burst. – But such warnings have so far been ignored by the market.

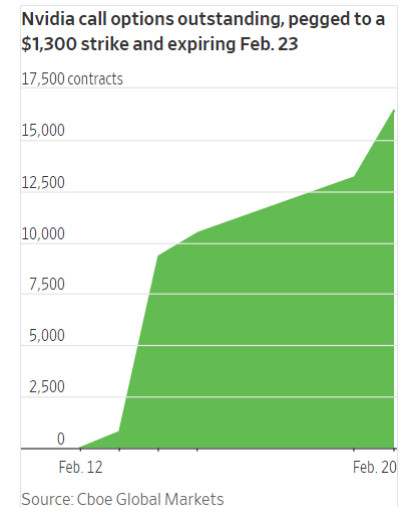


@jasongoeppfert, [X](#), 22FEB2024





Personally, I cannot ignore this any more than I can ignore the extent of the general speculation in the US markets. In the case of Nvidia, for example, this can be seen in the fact that on February 21, the day the company's quarterly results were published, there were around 17,000 Nvidia calls outstanding with a strike price of \$1,300 and an expiry date of February 23. As the chart to the right shows, these options contracts were entered into from February 12, at a time when Nvidia's shares had already risen 50% to around \$740 after the first six weeks of the year, and thus in the expectation that the price would rise by at least another 74% in the remaining 11 days. The number of shares subject to these contracts represented approximately 0.07% of all outstanding Nvidia shares.



@GunjanJS, X, 21FEB2024

But in addition to such sentiment indicators, it is above all the fundamental overvaluations that worry me. The FT recently quoted a tech investor who calculated the assumptions that would justify the current share price based on a discounted cash flow analysis: *"To get to a \$740 share price simply requires that the company maintain a monopolist-like operating profit margin of 55 per cent for the next decade, while also growing sales tenfold, from \$60bn a year to more than \$600bn. – For context, the entire industry sold \$527bn worth of chips last year, according to the Semiconductor Industry Association.*

After pointing out that Nvidia's operating profit margins fluctuated between 12 and 37% from 2014–23, the author continues: *"So Nvidia shareholders are making a bet that the law of large numbers does not apply, and that competition, innovation, and pricing pressure will not come to bear until at least the mid-2030s. Good to know."* ([FT Alphaville](#), 16FEB2024)



[Weekly Comics](#), 15FEB2024

At the moment, however, all these considerations are not detracting from the generally prevailing gold-rush mood but are simply being ignored. After all, the majority of investors are not interested in taking a fundamental view on their investments, but only in making a quick buck in the stock market casino. And experience has shown that this works best when you buy shares that rise "sustainably" and where every correction is always used to make additional purchases.

Similar to 2022, however, there will be corrections again in this cycle and we want to be prepared for these, which is why we are holding on to our US short positions.





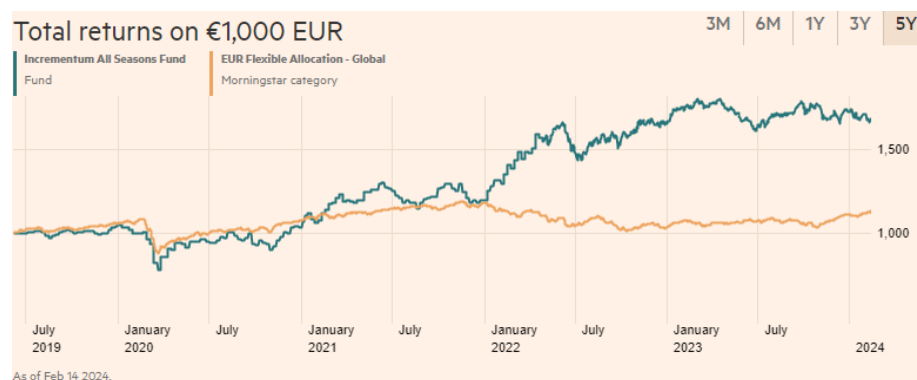
Incrementum All Seasons Fund

- in pursuit of real returns -

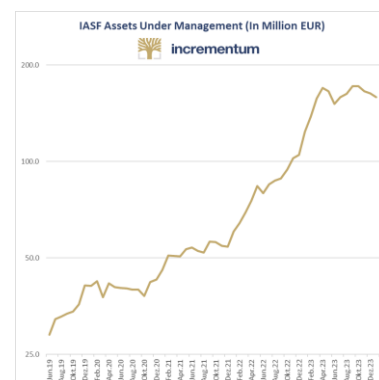
CONCLUDING REMARKS: THIS IS NOT INVESTMENT ADVICE!

As the author of this newsletter and the fund manager responsible for the Incrementum All Seasons Fund, I must point out to readers that any views expressed in this report, particularly those relating to the individual investments or the investment strategy of the fund, are biased and not tailored to their individual needs. And while I take care in writing this commentary, I cannot vouch for the accuracy of every statement made here. Seasonal Reflections are issued to registered subscribers for informational and entertainment purposes only and should not be viewed as an attempt to solicit investment in individual securities or in the Incrementum All Seasons Fund. So, if you are looking for investment ideas or advice, always consult an authorised investment professional! And remember that past performance is no guarantee of future returns and that all investments involve risk, including loss of principal.

As usual, I am updating the relative comparison here of the **IASF** with its competitors as well as the AuM chart, which has been in consolidation since October last year due to the lack of performance as well as moderate cash outflows.



[IASF EUR-I, Financial Times](#)



Incrementum AG

Writing these *Seasonal Reflections* is always a process that keeps me busy for several weeks (usually by the hour within my normal daily routine). This should explain why I have started with a review of the prior year and will only send out this report at the end of February. I very much hope that it will still be of value to my esteemed readers.

As always, I am focussing primarily on the US economy and financial markets in this report because, as shown on page 5 with regard to the stock market, they occupy such a dominant position in the global context. This is primarily attributable to the fact that the US has driven the financialization of its economy and society the furthest.

This is not only reflected in the fact that the USD is the world's reserve currency, which also corresponds to the USA's perception of itself as a leading nation. Due to their high liquidity, US government bonds are still the most important investment medium for global central banks and their foreign exchange reserves, as well as for sovereign wealth funds and large institutional investors. Meanwhile, US companies dominate global equity markets and their equities represent the majority of US citizens' retirement savings.



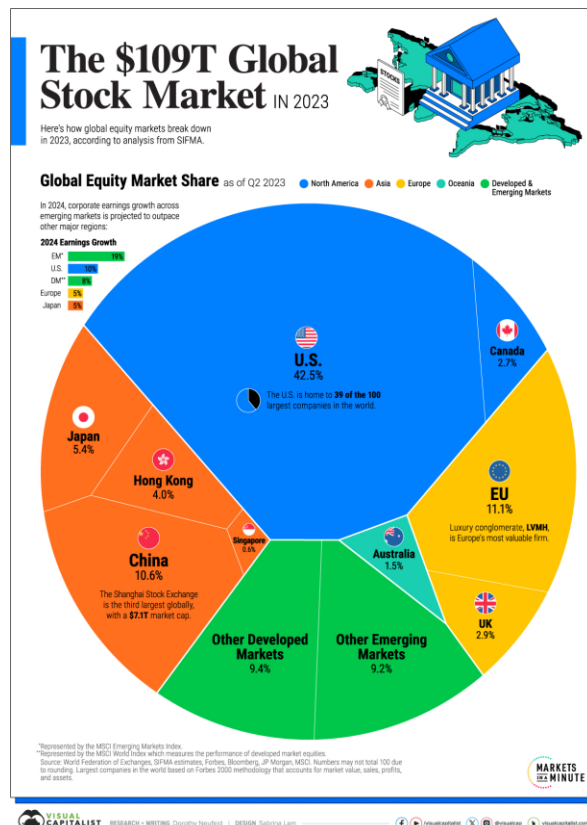


Incrementum All Seasons Fund

- in pursuit of real returns -

Wall Street has driven and perfected this financialization. There is hardly an asset, liability or risk that is not securitized, enhanced with the help of derivatives and sold to investors who are eager to buy. And sometimes you can't help but get the impression that the bad risks in particular are placed internationally. This recently became apparent during the *global financial crisis*, when international banks and institutional investors recorded write-downs totaling billions. And similar losses have also begun to reappear in recent weeks, with German mortgage banks and a Japanese bank, for example, reporting write-downs on commercial US property loans.

That Wall Street also enjoys significant political influence is not only due to one of the strongest financial lobbying organizations in Washington, but also the fact that some of the top hedge fund managers and billionaires make significant contributions to political party funding. The fact that the state of the US stock market is even used as a barometer for the success of the government is certainly also unique and demonstrates the interplay between politics and the financial sector. This would be unthinkable in Europe. – Epsilon Theory's Ben Hunt describes the extent to which the US media are also involved in this interplay in one of his most recent articles ([The Washington Pravda and the Wall Street Izvestia](#), 14FEB2024).



[Visual Capitalist](#), 27SEP2023

The success of the US financial complex is also reflected in the fact that although the USA accounts for only 42.5% of global equity capitalization, it is represented in the MSCI World Index with a 70% share, as shown on p. 5. This means that international (quasi-)active and passive investors who use this most important global benchmark allocate a much higher proportion of their portfolios to US equities than the share of the total US equity market in global equity market capitalization would suggest. In this context, it comes as no surprise that the MSCI (Morgan Stanley Capital Index) World Index is created and determined by a US company and is therefore another instrument for attracting a disproportionate amount of foreign capital.





Incrementum All Seasons Fund

- in pursuit of real returns -

How long will this go on?

Global central banks have not been buying US government bonds on a net basis since 2014, a growing proportion of international trade in goods and services is no longer denominated in USD and the international weight of US equity markets can hardly grow much further. All of this suggests that we are already in the midst of a long-term regime change that will lead to a decline in the importance of the US financial markets, the US economy and the USD in the coming years. This is also something we are preparing for in the management of the funds entrusted to the **IASF**.

Given the length of this report and as it is due to be published in a few days' time, I would like to finish here. Our investors certainly had little reason to be particularly pleased with the performance of **IASF** last year, but I can only emphasise that investing is a long-term endeavour and that I am convinced that our positioning of the fund will continue to generate attractive inflation-adjusted returns in the medium- to long-term.

As always, I welcome feedback from readers [by e-mail](#) and would like to thank you all for your interest and our investors for their trust and support.

Greetings from Schaan, Liechtenstein!

Yours sincerely,

Hans G. Schiefen
Partner & Fund Manager
Incrementum AG
Im alten Riet 102, 9494 Schaan (LI)
Tel.: +423 237 26 67
Mail: iasf-info@incrementum.li
Web: www.incrementum.li

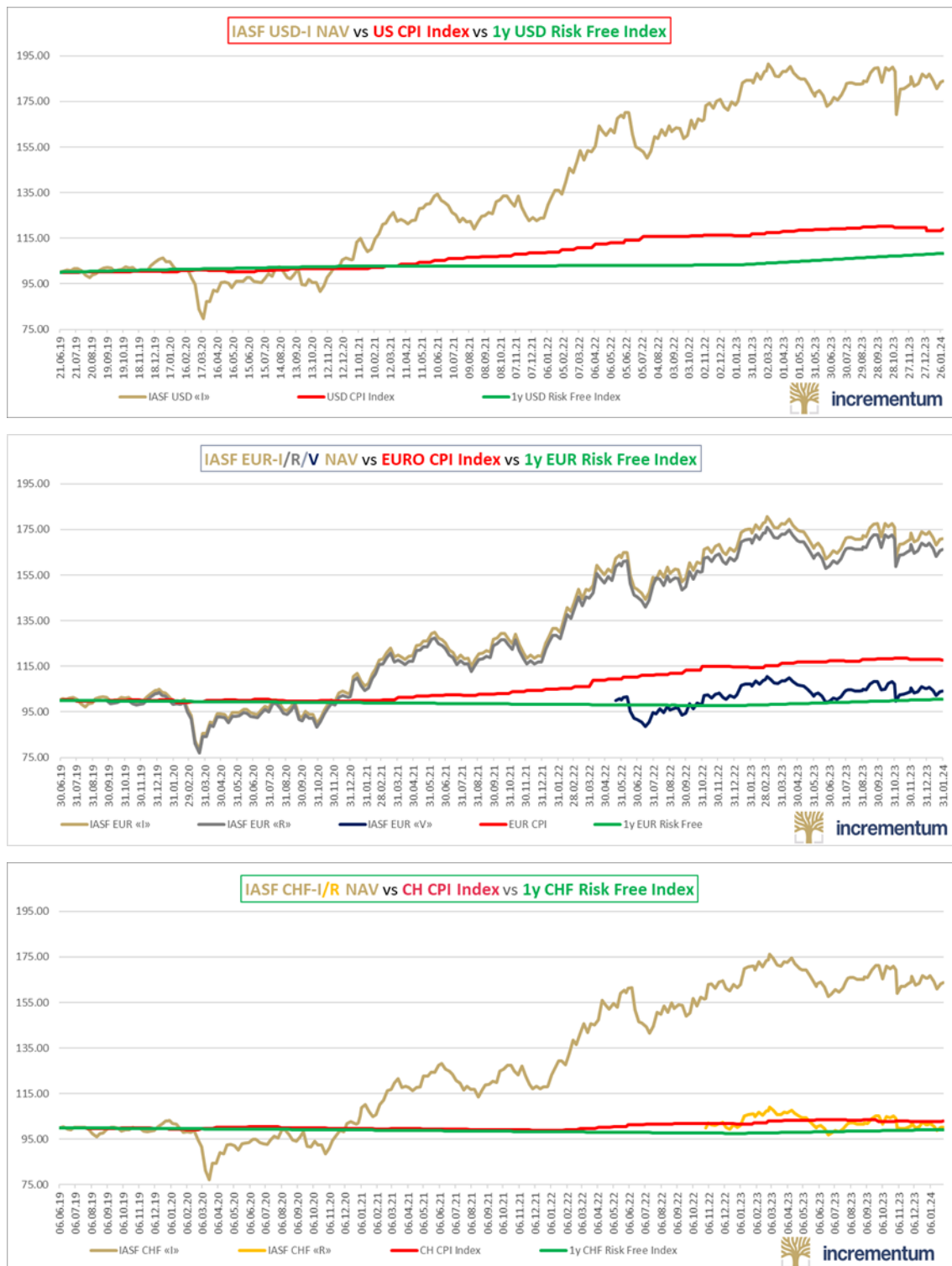




Incrementum All Seasons Fund

- in pursuit of real returns -

Appendix *



* Graphs display NAV (I- and R-shares) of IASF performance until last valuation date (31 JAN 2024), compared to the respective risk-free 1y-government yield, as well as the relevant CPI Index in respective currency as a proxy for the loss of purchasing power from the start of the investment period (6Jun2019 for 'I' shares; 26Sep2019 for EUR-R shares; 20MAY2022 for EUR-V shares; 2NOV2022 for CHF-R shares) on an indexed basis.





Incrementum All Seasons Fund

- in pursuit of real returns -

IASF PM Shaped By 8 Investment Lessons

1. Capital markets, like the economy, are inherently cyclical in nature, and you must always know where you are in the cycle, while not hesitating to "Be fearful when others are greedy and greedy when others are fearful." (Warren Buffett)
2. Prices paid determine future returns, i.e., the higher valuations are, the lower future return expectations must c.p. be (and vice versa), which is the essence of value investing.
3. Capital preservation is the *conditio sine qua non*, and a consistent and long-term investment strategy is usually more rewarding than short-term momentum chasing.
4. As a result, you must always know when you trade, or when you invest.
5. The most basic and effective risk management tools are proper diversification and the ability to hold cash.
6. Hard assets are preferable to intangibles, distributions to accruals.
7. Look for the incentives: True alignment of interest works in investors' favor.
8. There is no magic formula for perfect investing. Hence, consider both macro- and micro-economic issues, be diligent, flexible, patient, keep an open mind, and realize that investing will always remain more of an art rather than a science.



incrementum

Disclaimer

This document is for information only and does not constitute investment advice, an investment recommendation, or a solicitation to buy or sell but is merely a summary of key aspects of the fund. In particular, the document is not intended to replace individual investment or other advice. The information needs to be read in conjunction with the current (where applicable: full and simplified) prospectus as these documents are solely relevant. It is therefore necessary to read the current prospectus carefully and thoroughly before investing in this fund. Subscription of shares will only be accepted on the basis of the current (where applicable: full and simplified) prospectus. The full prospectus, simplified prospectus, contractual terms, and latest annual report can be obtained free of charge from the Management Company, IFM AG (www.ifm.li), Custodian Bank LLB AG (www.llb.li), all selling agents in Liechtenstein and abroad and on the web site of the Liechtenstein Investment Fund Association (www.lafv.li).

The information contained in this publication is based on the knowledge available at the time of preparation and is subject to change without notice. The authors were diligent with the selection of information, but assume no liability for the accuracy, completeness or timeliness of the information provided. This fund is domiciled in the Principality of Liechtenstein and might be further registered for public offering in other countries. Detailed information on the public offering in other countries can be found in the current (where applicable: full and simplified) prospectus. Due to different registration proceedings, no guarantee can be given that the fund and – if applicable – sub-funds are or will be registered in every jurisdiction and at the same time. Please note, that in any country where a fund is not registered for public offering, they may, subject to applicable local regulation, only be distributed in the course of 'private placements or institutional investments. Shares in funds are not offered for sale in countries where such sale is prohibited by law.

This fund is not registered under the United States Securities Act of 1933. Fund units must therefore not be offered or sold in the United States neither for or on account of US persons (in the context of the definitions for the purposes of US federal laws on securities, goods, and taxes, including Regulation S in relation to the United States Securities Act of 1933). Subsequent unit transfers in the United States and/or to US persons are not permitted. Any documents related to this fund must not be circulated in the United States.

Past performance is not a guide to future performance. Values may fall as well as rise and you may not get back the amount you invested. Income from investments may fluctuate. Changes in rates of exchange may have an adverse effect on the value, price or income of investments. You should obtain professional advice on the risks of the investment and its tax implications, where appropriate, before proceeding with any investment.

