



# GADD SMP FUND

## Monthly Report

### February 2022

NAV CHF 1'990.76\*

Inception date 05.04.2011 = CHF 1'000

\* at 28.02.2022

	Jan.	Feb.	Mars	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Year
2013	2.9%	1.7%	-0.9%	-0.8%	2.4%	-5.6%	6.3%	0.2%	2.8%	0.5%	1.5%	1.9%	13.3%
2014	-0.3%	4.9%	-1.6%	3.1%	1.4%	0.3%	-1.6%	0.6%	-2.2%	0.4%	3.6%	1.8%	11.0%
2015	0.8%	4.4%	-0.4%	1.9%	-0.7%	-4.4%	0.7%	-2.5%	-0.5%	4.0%	1.0%	1.4%	5.3%
2016	-4.9%	1.3%	2.0%	3.4%	3.6%	-5.0%	3.2%	2.4%	2.1%	0.1%	-2.4%	2.3%	7.7%
2017	0.8%	2.8%	-2.9%	3.8%	1.2%	0.0%	-3.0%	-1.5%	3.6%	1.5%	-1.4%	-1.2%	3.5%
2018	1.5%	1.0%	-3.0%	2.7%	0.9%	-0.8%	0.6%	3.3%	-0.9%	-5.6%	-2.0%	-2.9%	-5.5%
2019	5.7%	4.6%	-0.1%	4.2%	-0.0%	1.0%	0.1%	-1.7%	0.5%	0.1%	3.1%	1.8%	20.8%
2020	1.5%	-4.7%	-15.0%	8.9%	4.3%	1.1%	3.1%	3.9%	2.7%	-3.5%	5.1%	3.3%	7.6%
2021	0.0%	3.1%	2.8%	3.8%	7.2%	0.0%	4.6%	1.3%	-1.1%	5.9%	1.6%	3.8%	37.7%
2022	-7.1%	-1.8%											-8.8%

## Market Comment

Russia launched a full-scale invasion of Ukraine on February 24 after several weeks of fruitless negotiations to find a peaceful solution.

NATO countries have stated that they will not send troops to Ukraine, but they are supporting the country in its defence by imposing heavy economic and political sanctions on Russia. China on the other hand, has not resorted to any sanctions against the country as of the 1st of March, but rather expanded its trade by abolishing tariffs on wheat from Russia, among other things. India, which is dependent on Russia for its defence, has also adopted a wait-and-see attitude and has avoided criticising the Russian invasion.

However, the EU/Europe has united and is strongly condemning the invasion. Germany has postponed the start of the North Stream 2 gas pipeline, which will supply Russian gas to Germany, and Russia has been excluded from the important SWIFT system (which allows banks to relay information about financial transactions to one another), raising the cost and increasing the time involved in making transactions with Russian banks. Russia has also been isolated on the sporting side and the three completely dominant container shipping companies will no longer call at Russian ports and more sanctions are expected during the month of March.

The war in Ukraine has caused oil and gas prices to rise sharply - the price of a barrel of oil now exceeds USD 109 and is feared to increase further. The high oil price will affect the cost situation in the western world and contribute to increased inflation.

If Russia had not invaded Ukraine, February would probably have been a positive stock market month as most of

the restrictions related to the coronavirus ceased. Thanks to the widespread vaccination and the fact that healthcare systems are now considered to be able to handle sick people, most of the restrictions that have been in force for almost two years were abolished. Reduced restrictions contributed to strengthening economic activity. For the financial markets, however, the increased activity was a certain cause for concern as it would have a hand in increased inflation and thus rising interest rates.

Index	31.12.21	28.02.22	YTD
MSCI World (USD)	3'231.73	2'977.95	-7.9%
STOXX50 (EUR)	4'298.41	3'924.23	-8.7%
S&P 500 (USD)	4'766.18	4'373.94	-8.2%
Nasdaq Comp (USD)	15'644.97	13'751.4	-12.1%
Dax (EUR)	15'884.86	14'461.02	-9.0%
SMI (CHF)	12'875.66	11'986.78	-6.9%
OMX30 (SEK)	2'419.73	2'134.07	-11.8%
MSCI Russia (USD)	757.85	325.37	-57.1%
MSCI China (USD)	83.7	78.06	-6.7%
NIKKEI (YEN)	28'791.71	26'526.82	-7.9%
Swe. Gov Bond. 10 y	0.238%	0.541%	

Due to the war in Ukraine, the risk of rising inflation in Europe as a consequence of excessive economic activity has decreased, but on the other hand, the risk of increasing inflation could occur if the war caused shortage of certain goods. However, it also lessens the risk of central banks raising interest rates when economic activity slumps.

## Activities of the month

Following Ericsson's announcement of irregularities in Iraq, the remaining shares were sold during the month. Instead, the fund bought AstraZeneca for 2% of the portfolio's value. In other respects, the fund took the opportunity to make a number of smaller purchases of shares that the fund already holds without changing the relative proportions in the fund. The fund's holdings in Swedish Match also increased from 1 to 2% and in IPC from 3 to 4%.

During the month, VNV Global redeemed its bond according to plan, corresponding to 1% of the fund's assets.

The real estate company Halmslätten announced that they have received an offer for the company's properties corresponding to SEK 180 / share, which contributed to the share's good development during the month. Filo Mining announced that BHP Mining, one of the world's largest mining companies, will enter the company as a 5% owner through a directed new issue of CAD 100 million. The price of the share rose following the good news that the new share issue was made at a premium of 15% against the current share price.

Much like the last month, it was mainly the fund's exposure to the energy and raw materials sectors that continued to show a positive trend, even though pharmaceuticals and real estate also developed well. Filo Mining rose by as much as 21.8% during the month, while the following companies had a positive development on an otherwise very weak stock exchange: Backaheden Fastigheter 13.7%, Halmslätten 12.3%, Lundin Gold 11.1%, Africa Energy 11.0%, IPC 10.4%, Josemaria Ressources 9.6%, AstraZeneca 5.0%, Novo Nordisk 4.0%, Veoneer 2.1% and Lifco 0.6%.

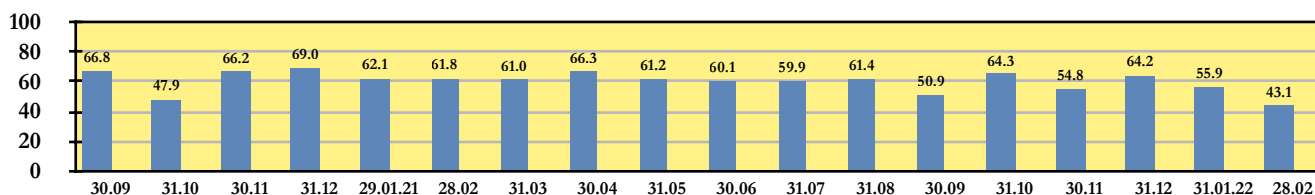
After the continued sharp decline in the stock market, the three technical indicators (short, medium and long) are now showing a continued negative development. However, the important "Hausse / Baisse index" shows that the negative trend has fallen so low that it can hardly fall lower, which is a strong indicator that the stock market may turn around. Another important positive indicator measures how "insiders" act on the stock exchange, and it shows that, at the moment, over 90% of all "insiders" are buyers and not sellers.

## Investment strategy

The hope that the United States / NATO would find a peaceful solution to the situation in Ukraine disappeared when it became clear that Russia had launched a full-scale invasion of Ukraine from four different directions. What the final solution to the war between Ukraine and Russia will be is uncertain, but it is clear that Russia is facing greater resistance than they expected. How the war will affect the economic development of the world in the short and medium term is also uncertain. However, it is clear that Russia, as long as the country is led by President Putin, has changed the geopolitical situation in the world and China's stance on the issue will be of great importance for future development. Ukraine's exports to the West are marginal and Russia mainly exports gas, oil and coal, which over time can be replaced.

In the United States, preparations for the upcoming congressional election are already beginning and there is a high risk that the Democrats will lose their majority to the Republicans, which would further weaken President Biden's negotiating situation.

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



On the negative side, Enea should be mentioned since it fell by 22.6% after publishing a result that was weaker than expected. Other companies that had a weaker development than the stock exchange were Implantica (-18.5%), QleanAir (-18.0%), VNV Global (-17.2%), JM (-15.9%), Sandvik (-14.6%), H&M (-12.5 %), Volvo (-11.8%), Peab (-11.5%), Husqvarna (-11.1%), VEF and Embracer (-10.8%), Logistics (-10.4%), Dometic (-10.0%) and Industrivärden (-9.8%).

All of the fund's bond holdings also showed a stable development during February and were not significantly affected by the downturn on the stock exchange. During the period, the fund reduced its net exposure from 55.9% to 43.1% via index futures despite the fact that certain individual shareholdings increased as previously mentioned.

Historically, the financial markets usually react positively 2-3 weeks after an outbreak of war. However, the fund will continue to maintain a cautious profile pending the stabilisation of the technical picture on the stock exchange, which may well take place before the warring parties have found a peaceful solution.

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