



# GADD SMP FUND

## Monthly Report

### July 2022

NAV CHF 2'020.40\*

Inception date 05.04.2011 = CHF 1'000

\* at 31.07.2022

	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%	5.3%	-1.6%	0.8%	-9.4%	7.2%						-7.4%

## Market Comment

During the second quarter, US GDP fell by -0.9% year-on-year and since the corresponding figure for the first quarter was -1.6%, the US economy has now shrunk for two consecutive quarters, which often defines an economy in recession. At the same time, it was announced that inflation (CPI) in the US rose to 9.1% during the month of June.

To counteract the rampant inflation, the Federal Reserve announced that it is raising the key interest rate again by 0.75% to 2.25 - 2.50%, which was well received by the financial markets and strengthened the stock market. The European Central Bank also raised the interest rate by 0.5% to 0%, which was the first interest rate increase in 11 years. The increase put an end to a long period of negative interest rates in Europe.

In England, Boris Johnson was forced to resign after more and more of his ministers resigned in protest. It is still unclear whether it will be the current Chancellor of the Exchequer Rishi Sunak or Foreign Secretary Liz Truss who will succeed Boris Johnson as leader of the Conservative Party and thus become the country's Prime Minister. The election is decided by the Conservative Party's 160,000 members and the answer will be announced on September 5.

Even in Italy the political situation is uncertain after the country's Prime Minister Mario Draghi, who is non-partisan, resigned when he no longer had the support of the majority in parliament. New elections have now been called for in September when it is expected that the conservative parties will make progress. The EU's boycott of the purchase of gas from Russia may be affected because these parties advocate a more compromising policy towards Russia.

Russia, for its part, has reduced supplies of gas via the Northstream 1 pipeline from 30% to only 20% of its capacity when production resumed after a period of maintenance on the installation. The reduced supplies will hamper Europe's energy supply and thus its economy later in the year.

Index	31.12.21	31.07.22	YTD
MSCI World (USD)	3'231.73	2'746.37	-15.0%
STOXX50 (EUR)	4'298.41	3'708.1	-13.7%
S&P 500 (USD)	4'766.18	4'130.29	-13.3%
Nasdaq Comp (USD)	15'644.97	12'390.69	-20.8%
Dax (EUR)	15'884.86	13'484.05	-15.1%
SMI (CHF)	12'875.66	11'145.91	-13.4%
OMX30 (SEK)	2'419.73	2'032.53	-16.0%
MSCI Russia (USD)	757.85	0	-100.0%
MSCI China (USD)	83.7	66.07	-21.1%
NIKKEI (YEN)	28'791.71	27'801.64	-3.4%
Swe. Gov Bond. 10 y	0.238%	1.41%	

The war in Ukraine is progressing mainly in the eastern region of the country. However, it is positive that the countries have agreed to allow the export of agricultural products from Ukraine.

Japan shocked the world and its entire nation when former Prime Minister Shinzo Abe was shot dead during an election speech in the city of Nara. However, the parliamentary elections were held as planned and the murder in itself had no major impact on the election results as the incumbent government party LPD gained renewed confidence.

In an attempt to curb the ever-increasing oil price, US President Joe Biden visited Saudi Arabia to persuade the country to increase its oil production. The president also visited Israel to mainly discuss developments in Iran, the common enemy of Israel and Saudi Arabia. Iran is approaching a level where it will soon have produced enough uranium to be able to produce nuclear weapons, which will significantly increase political tension in the Middle East.

The world index MSCI World (USD) rose by a mammoth 7.9% during the month. The S&P 500 in the US rose 9.1% and the Nasdaq 12.4%. In Europe, the STOXX50 rose by 7.3%, and the Dax by 5.5%. SMI rose 3.8% while OMX in Stockholm rose 8.5%. MSCI Russia (USD) remained closed. However, MSCI China (USD) fell 10.0%. Nikkei in Japan rose 5.3%. The Swedish 10-year government bond rate fell from 1.728% to 1.410% during the month.

## Activities of the month

Most of the companies presented their half-year reports during the month, and since they were generally received positively, they had a stabilising effect on the stock market after the very weak development during the first half of the year.

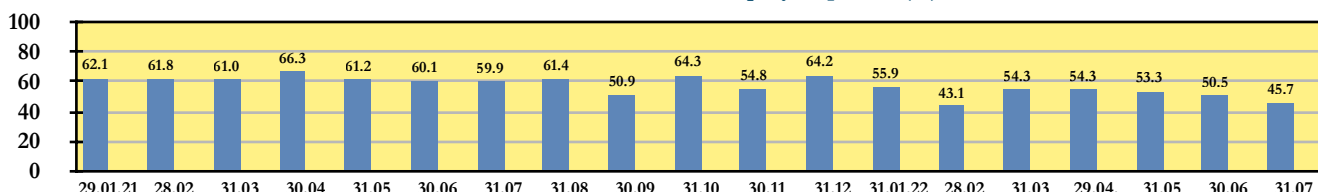
The fund's net exposure in shares was reduced from just over 50% to just under 46% during the month via the purchase of additional index futures.

Two of the three technical indicators (medium-term and long-term) both show a continued negative development. The medium-term indicator did not break through a strong support level at the beginning of the month, which was however positive. The short-term indicator is breaking through key resistance levels which, if it does, would technically open up further gains in the month of August.

## Investment strategy

Throughout the month of July, the markets recovered after the sharp declines in the stock market during the first six months of the year. The companies' half-yearly reports continued to show increased profits, which at the moment brings calm to the financial markets. The big question, however, is whether the companies' positive profit trend will continue in the future since GDP has started to develop negatively in the US and the generally rising interest rates are increasing costs for both companies and individuals, all while Europe is facing a looming energy crisis as winter approaches, due to lack of mainly gas.

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



The bonds in Acroud and White Peak were repaid according to plan, but have not been replaced by other bonds in the fund due to the rising interest rate situation. Thanks to the strong development of the Nibeaktie, the fund's holding in the company rose from 3 to 4%. The position in Lundin Mining, on the other hand, fell from 2 to 1% due to the share's weak performance.

The best share performance during the month was Hexatronic, which rose by a whopping 60.4%, followed by Africa Energy 37.7% and Nibe 32.6%.

Other companies that also had a very positive development during the period were Indutrade 27.3%, Latour 24.4%, IPC 23.7%, Atlas Copco 23.5%, Trelleborg 20.5%, Wihlborgs 20.3%, Lifco 19.6%, Sdiptech 19.3%, VNV Global 18.8%, Studentbostäder 16.1%, Peab 15.6%, Lundbergs 15.5%, Cibus 15.2%, Industrivärden 14.7%, Volvo 14.6%, Dometic 14.2% and Skistar 13.6%.

On the negative side, we can mainly mention Enea (-21.0%) whose half-year report was disappointing. Other companies whose shares had a negative development during the month were Implantica (-15.0%), Lundin Mining (-10.6%), Lundin Guld (-6.1%), Yabie (-5.7%) and Momentum Group (-3.3%).

Today's stock prices already discount to some extent that the economies of the US and Europe are going into recession, even if they should not then go into severe recession. Leading indicators also show that the US economy should avoid a deeper recession. The market is also of the opinion that the Federal Reserve's two sharp interest rate increases of 0.75% each will dampen inflation relatively soon, which has made the financial markets more optimistic about the future.

The fund has continued to have a limited exposure of just under 50% to the stock market through index futures. However, the hope is to be able to increase the exposure very selectively when the trend turns upwards.

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